

# Public Investors Arbitration Bar Association

July 22, 2013

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Elizabeth M. Murphy, Secretary  
Securities and Exchange Commission  
100 F Street NE.  
Washington, D.C. 20549-1090

**Re: SR-FINRA-2013-026 – Proposed Rule Change Relating to  
Member’s Filing Obligations Under FINRA Rule 5123  
(Private Placements of Securities)**

Dear Ms. Murphy:

I write on behalf of the Public Investors Arbitration Bar Association (“PIABA”). PIABA is an international bar association comprised of attorneys who represent investors in securities arbitrations. Since its formation in 1990, PIABA has promoted the interests of the public investor in securities and commodities arbitration forums, while also advocating for public education regarding investor rights. Our members and their clients have a strong interest in FINRA rules relating to both investor protection and disclosure concerning investment products.

PIABA supports FINRA’s efforts to encourage firms to conduct reasonable due diligence before selling private placements. Under the proposed rule, requiring firms that sell private placements to submit any copies of offering materials used in connection with the sale to FINRA within 15 days of the sale and requiring members to complete and submit forms answering questions regarding what due diligence has been performed will encourage increased due diligence before the sale of private placements.

However, PIABA would like the rule to go further in three ways:

1. FINRA should add a question to the Private Placement Form to ask the broker-dealer to indicate whether the proceeds from the issuance will be used to pay existing creditors, investors, noteholders, shareholders, partners, officers, directors, etc;

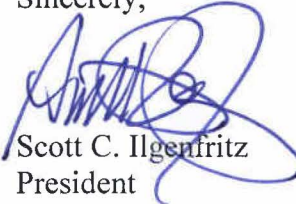
2. FINRA should add another question to the Private Placement Form, asking whether firms have made a determination of the categories or types of investors to whom the private placement can be sold in compliance with FINRA’s suitability rule; and

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3. FINRA should require firms to answer each question instead of providing the option to answer questions with "unknown".

Aside from the suggestions noted above, PIABA supports FINRA's proposed rule change. We appreciate the opportunity to comment on the proposed rule change.

Sincerely,



Scott C. Ilgenfritz  
President

SCI/dh

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