WULFF, HANSEN & CO.
ESTABLISHED 1931
INVESTMENT BANKERS
351 CALIFORNIA STREET, SUITE 1000
SAN FRANCISCO 94104
(415) 421-8900

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Marcia E. Asquith
FINRA, Office of the Corporate Secretary
1735 K Street, NW
Washington, DC 20006-1506

Dear Ms. Asquith:

Thank you for the opportunity to comment on Regulatory Notice 13-34 on proposed rules for Funding Portals. Wulff, Hansen & Co. is a registered broker/dealer and FINRA member. The writer currently serves on FINRA's Small Firm Advisory Board but the views and comments expressed herein are those of the firm and do not necessarily reflect those of the SFAB.

We commend FINRA for its efforts to craft a regulatory regime that will allow Funding Portal Members to operate without regulatory strictures that are unnecessary or inappropriate for their limited role yet contain reasonable protections for both the public and the issuers of securities.

In general we support most of the Rules as proposed, but believe they are weakened by the lack of a licensing requirement to provide an objective basis for the judgment that an Applicant can comply with the relevant laws and regulations. We also believe that some sort of capital requirement or financial responsibility rule is necessary to protect not only investors but the issuers who will rely on the portals in the process of raising capital. While the Regulatory Notice mentions only protecting investors, issuers using the portals deserve protections as well.

Licensing:
We strongly believe that at least some associated persons of funding portals should be subject to a licensing requirement. Licensing requirements are a fundamental part of carrying out FINRA's mission of protecting the public, both issuers and investors. While funding portals may not sell investments directly, they will play a key role in connecting investors with investments and thus it is reasonable that some of their associated persons should have at least a minimal level of professional qualification. Such a requirement might be applied only to certain senior managerial or supervisory roles, but to have a FINRA member with not a single person who has empirically demonstrated knowledge of the laws and regulations governing that member's business is contrary to any existing practice as well as to common sense.

The requirement that the portal itself must apply for and receive registration with FINRA by meeting certain standards already acknowledges this need: Proposed Funding Portal Rule 110 states in part that one of these standards requires that "The FP Applicant and its associated persons are capable of complying with applicable federal securities laws, the rules and regulations thereunder, and the Funding Portal Rules…". Unfortunately, without a licensing requirement the judgment as to whether an FP and its associated persons "are capable" becomes an exercise in subjectivity. Setting specific standards of professional qualification and requiring applicants to demonstrate their knowledge of them by examination avoids such subjectivity and protects both applicants and FINRA from the possibility that persons similarly situated could receive different treatment during the application process.

The proposed Funding Portal Rules also require that FP Members develop and operate a supervisory system designed to ensure their compliance with the relevant laws and regulations. Without some empirical measure of management's understanding of these laws and regulations, how can one reasonably form the belief that they will be capable of creating and enforcing a reliable supervisory system? The first step in supervising activities is to thoroughly understand them, and the current proposal contains no empirical means of demonstrating that an Applicant's staff has such an understanding.

We realize that developing a set of professional qualifications and an appropriate examination takes time. Since the proposed Rules already indicate that qualifications will have to be defined internally by FINRA in order for it to determine that the applicant and its associated persons "are capable of complying…", the only remaining task would be to develop an examination to verify that capacity. If public policy requires that the new portals begin operating without additional delay while the examination is developed, Applicants could be approved on a temporary basis using the subjective standards in the proposed Rule and be required to pass the qualifying examination within a reasonable period of time after it becomes available. We note that the SEC and MSRB are taking a somewhat similar approach to the new registration requirement for Municipal Financial Advisors by allowing them to register and operate now while the MSRB proceeds to develop appropriate professional qualification requirements for future applicants.

We would also support a process by which persons clearly qualified by reason of prior experience or professional qualifications could apply for an exception to the examination requirement. This has been done in the past in connection with other licenses and appears to have worked well.

Financial Responsibility:
The Regulatory Notice asks whether portals should be subject to a financial responsibility requirement. We believe that they should be, and such a requirement is more appropriate for the business of a funding portal than is the proposed fidelity bond requirement. Financial responsibility and net capital requirements exist to protect the public. Given that most current FINRA members are introducing broker/dealers, holding neither funds nor securities on behalf of customers, for those firms the financial responsibility rules are not necessary to protect customer assets since they hold none. Therefore, it appears that their application to non-carrying firms is to ensure that a member firm is unlikely to fail or disappear without warning to FINRA. Why would that consideration not apply to portal Members as well?

As FINRA members, albeit rather limited ones, funding portals should be subject to a system of at least minimal financial oversight in order to provide early warning should the member encounter financial difficulty. Issuers depending on the portal for their capital-raising needs should not be subject to the risk that the portal could disappear overnight, and neither should investors who are accustomed to using the portal to help identify investments.

Such a regime could be very simple and basic since its sole purpose would be to prevent unforeseen and abrupt shutdowns from harming issuers or investors. A portal whose financial filings (perhaps a much-simplified version of the FOCUS) indicated that it was encountering financial distress could be subjected to restrictions similar to those now applying to traditional FINRA members, i.e., a prohibition on taking on new business followed by (if the financial difficulties are not resolved), a reduction in business, an orderly transfer of its business to another portal if one can be found, or an orderly shutdown if that outcome better fits the circumstances.

In short, we believe that FINRA should never be in the position of seeing a FINRA member of any type abruptly close its doors without any prior warning or alarms. To create a situation where such an event is possible would arguably put FINRA in the position of having 'failed to supervise' the portal Member, and would indisputably pose a reputational risk to FINRA itself and to its other member firms. It would shake public confidence in both the funding portals and in FINRA's oversight in general. FINRA membership is a promise to the public that a member firm's demise will be handled in a businesslike manner, and that promise should be kept regardless of the member's business model.

Thank you again for the opportunity to comment.

Sincerely,

Chris Charles
President