

Private Placements: Complying With Securities Exemptions and FINRA Guidance

August 7, 2023

Topics to Be Discussed

- FINRA Private Placement Filing Requirements and Exemptions Therefrom
- FINRA Communications with the Public Rules in the Context of Private Placements
- FINRA Regulatory Notice 23-08
 - Reasonable Investigations
 - Certain Other Requirements Applicable to Private Placements / Effective Practices
- FINRA Enforcement Trends / Red Flags
- Legal Documentation and Process Matters

Bank's Role in Private Placements

- A Bank may serve as an agent or adviser in a private placement.
 - As an agent, the Bank can participate in negotiations between issuers and investors and assist in the actual placement of securities sold by the issuer. As an agent, the Bank has the authority to commit the issuer.
 - As an adviser, the Bank does not assist in the actual sale of the securities. Rather, the Bank's role is limited to advising the issuer on the structure and terms of the placement transaction. As an adviser, the Bank does not have the authority to commit the issuer.
- The Bank must make required disclosures regarding its capacity in the transaction:
 - The Bank's capacity in a transaction and who it represents.
 - Other material information.
 - Potential conflicts of interests.

FINRA Filing Requirements

- FINRA Rule 5122 (Member Private Offerings) requires a member to file the private placement memorandum, term sheet, or other offering document, and any retail communication (as defined in FINRA Rule 2210) that promotes or recommends the member private offering with FINRA's Corporate Financing Department (the "Department") at or prior to the first time the document or retail communication is provided to any prospective investor.
- Any amendment(s) or exhibit(s) to the private placement memorandum, term sheet, other offering document or retail communication also must be filed with the Department within ten days of being provided to any investor or prospective investor.

FINRA Filing Requirements *(cont'd)*

- FINRA Rule 5123 (Private Placements) requires that a member that sells a security in a non-public offering in reliance on an available exemption from registration under the Securities Act of 1933 (the "Securities Act") – a "private placement" – must:
 - (i) Submit to the Department, or have submitted on its behalf by a designated member, a copy of any private placement memorandum, term sheet or other offering document, and any retail communication (as defined in FINRA Rule 2210) that promotes or recommends the private placement, including any materially amended versions thereof, used in connection with such sale within 15 calendar days of the date of first sale; or
 - (ii) Notify FINRA that no such offering documents or retail communications were used.
- Both FINRA Rule 5122 and FINRA Rule 5123 provide exemptions from the filing requirement based on the type of purchaser and the type of offering.
- As a result of these exemptions, both rules apply predominately to private placements sold to retail investors.

Application of FINRA Filing Requirements

- FINRA Rule 5123 applies to a “private placement,” which means “a non-public offering of securities conducted in reliance on an available exemption from registration under the Securities Act.”
- The definition does not apply to securities offered pursuant to:
 - Sections 4(a)(1), 4(a)(3) and 4(a)(4) of the Securities Act (which generally exempt secondary transactions);
 - Sections 3(a)(2) (offerings by banks), 3(a)(9) (exchange transactions), 3(a)(10) (securities subject to a fairness hearing) or 3(a)(12) (securities issued by a bank or bank holding company pursuant to reorganization or similar transactions) of the Securities Act; and
 - Section 1145 of the Bankruptcy Code (securities issued in a court-approved reorganization plan that are not otherwise entitled to the exemption from registration afforded by Section 3(a)(10) of the Securities Act).

FINRA Rule 5123 - Filing Exemptions

- FINRA Rule 5123(b) exempts certain types of private placements from the notice filing requirement, including:
 - (1) Offerings sold by a member solely to any one or more of the following purchasers:
 - Institutional accounts, as defined in FINRA Rule 4512(c);
 - Qualified purchasers, as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940 (the “1940 Act”);
 - Qualified institutional buyers (QIBs), as defined in Rule 144A under the Securities Act;
 - Investment companies, as defined in Section 3 of the 1940 Act;
 - An entity composed exclusively of QIBs;
 - Banks, as defined in Section 3(a)(2) of the Securities Act;
 - Employees and affiliates of the issuer;
 - Knowledgeable employees as defined in Rule 3c-5 under the 1940 Act;
 - Eligible contract participants, as defined in Section 3(a)(65) of the Exchange Act; or
 - (2) Offerings of exempted securities, as defined in Section 3(a)(12) of the Securities Exchange Act of 1934 (the “Exchange Act”);
 - (3) Offerings made pursuant to Rule 144A under the Securities Act or Regulation S;
 - (4) Offerings of exempt securities with short-term maturities under Section 3(a)(3) of the Securities Act and debt securities sold by members pursuant to Section 4(a)(2) of the Securities Act so long as the maturity does not exceed 397 days and the securities are issued in minimum denominations of \$150,000 (or the equivalent thereof in another currency);
- Accredited investors as defined in Rules 501(a)(1), (2), (3) or (7) under the Securities Act;

FINRA Rule 5123 - Filing Exemptions *(cont'd)*

- (5) Offerings of subordinated loans under Rule 15c3-1 (Appendix D) under the Securities Exchange Act;
- (6) Offerings of “variable contracts,” as defined in FINRA Rule 2320(b)(2);
- (7) Offerings of modified guaranteed annuity contracts and modified guaranteed life insurance policies, as referenced in FINRA Rule 5110(h)(2)(D);
- (8) Offerings of non-convertible debt or preferred securities by issuers that meet the transaction eligibility criteria for registering primary offerings of non-convertible securities on Forms S-3 or F-3;
- (9) Offerings of securities issued in conversions, stock splits and restructuring transactions that are executed by an already-existing investor without the need for additional consideration or investments on the part of the investor;
- (10) Offerings of securities of a commodity pool operated by a commodity pool operator, as defined in Section 1a(11) of the Commodity Exchange Act;
- (11) Business combination transactions as defined in Rule 165(f) under the Securities Act;
- (12) Offerings of registered investment companies;
- (13) Offerings of standardized options, as defined in Rule 238 under the Securities Act; and
- (14) Offerings filed with FINRA under FINRA Rules 2310, 5110, 5121 and 5122, or exempt from filing thereunder in accordance with FINRA Rule 5110(h)(1).

FINRA Private Placement Form

- To facilitate submission of the required information, FINRA developed the Private Placement Form for the processing of specified private placement filings through FINRA's Firm Gateway.
- Member firms must complete and submit the Private Placement Form electronically through FINRA's Firm Gateway.
- The Private Placement Form assists FINRA in prioritizing its review of private placement filings.
- FINRA has indicated firms can respond "unknown" to any of the questions, although we believe answering "unknown" is likely to trigger heightened scrutiny by FINRA, particularly because questions address basic diligence questions.

FINRA Private Placement FAQs

- FINRA issued [frequently asked questions](#) on private placement filing requirements.
- The technical questions address how firms gain access to the Private Placement Filing System, the use of third parties, such as law firms and consultants, to make the required filings, the requirement that offering documents be filed in searchable PDF format, and maximum size of individual documents.
- In addition, while a firm can designate another member participating in the private placement to file on its behalf, it should arrange to receive confirmation from the designated filer in order to satisfy its own filing obligation.

FINRA Private Placement FAQs *(cont'd)*

- Substantive FAQs include:
 - If there have been material changes to the offering documents that were originally filed, the amended version must be filed. FINRA notes: “Typically, the issuer will offer rescission rights to investors if there is a material change in the offering document.”
 - In a contingency offering involving an escrow, FINRA, based on SEC guidance regarding Form D filings, takes the position that the “date of first sale” is the date on which the investor is irrevocably contractually committed to invest, which could be the date the issuer receives the investor’s subscription agreement or check.
 - Exemptions are applied on a firm-by-firm basis (different firms in the same private placement may have different filing obligations). For example, a firm that sells solely to institutional accredited investors (Rules 501(a)(1), (2), (3) or (7) under the Securities Act), would not have to file pursuant to FINRA Rule 5123(b)(1)(J) but another firm in the same offering that sold to accredited investors that are natural persons would be required to file under FINRA Rule 5123.
 - Whether a firm that introduces a prospective investor to an issuer and receives a fee is required to file under FINRA Rule 5123 depends on the relevant facts and circumstances (no other specific guidance provided).
 - Firms participating in crowdfunding offerings under the JOBS Act will not be required to file under FINRA Rule 5123.

FINRA Communication Rules

- If a registered broker-dealer is participating in a private placement, it will want to ensure:
 - It has identified the group within the bank that will be involved.
 - It has undertaken training to make certain that each member understands the requirements under FINRA Rules 2210 and 5123.
 - Under FINRA Rule 2210, most communications likely to be used in connection with general solicitation will be considered “retail communications.”
 - Communications must be fair and balanced.
 - Communications will be subject to review/approval, filing with FINRA and recordkeeping requirements.
 - It will want to remind bankers of the firm’s social media policy.
- FINRA already is focused on Regulation D offerings and, in 2021, launched a sweep on social media issues (FINRA provided an update on the sweep in February 2023).

FINRA Communication Rules *(cont'd)*

- The FINRA communication rules cover three categories of communications:
 1. **Institutional communications:** Includes written (including electronic) communications that are distributed or made available only to institutional investors (does not include a firm's internal communications).
 2. **Retail communications:** Includes any written (including electronic) communications that are distributed or made available to more than 25 retail investors within any 30-calendar day period (retail investors include any persons other than institutional investors).
 3. **Correspondence:** Includes any written (including electronic) communications that are distributed or made available to 35 or fewer retail investors within any 30-calendar day period.
- "Reason to believe" standard applied to communications.
- Principal pre-use approval requirements for retail communications.

FINRA Regulatory Notice 23-08

- FINRA Regulatory Notice (“RN”) 23-08 updates and supplements prior guidance, including FINRA RN 10-22 (Obligation of Broker-Dealers to Conduct Reasonable Investigations in Regulation D Offerings), in light of developments in the unregistered offering market and the related regulatory framework since 2010.
- RN 23-08 highlights a member’s obligation, when recommending a security, to conduct a reasonable investigation of the security.
- RN 23-08 also addresses certain additional obligations for members when selling private placements, including FINRA filing requirements and FINRA’s communications with the public and supervision rules.
- Importantly, RN 23-08 does not create new regulatory requirements or new interpretations of existing requirements. Moreover, RN 23-08 does not relieve firms of any existing obligations under federal securities laws and regulations.

FINRA Regulatory Notice 23-08 (*cont'd*)

- RN 23-08 focuses on a member's role, when recommending private placements, in performing **reasonable investigations** under the reasonable basis obligations of Regulation Best Interest ("Reg BI") (specifically, the Care Obligation thereunder), FINRA's suitability rule (FINRA Rule 2111) and caselaw interpreting the antifraud provisions of the federal securities laws.
- What constitutes a reasonable investigation depends on the facts and circumstances, including the nature of the recommendation, the role of the broker in the transaction, its knowledge of and relationship to the issuer, and the size and stability of the issuer (e.g., more thorough investigation is required for "securities issued by smaller companies of recent origin," which could include many private placement issuers).
- The presence of "red flags" should alert the broker to the need for further inquiry.

FINRA Regulatory Notice 23-08 (*cont'd*)

- RN 10-22 stated that a member or associated person recommending a private placement should, at a minimum, conduct a reasonable investigation regarding:
 - The issuer and its management;
 - The business prospects of the issuer;
 - The assets held by or to be acquired by the issuer;
 - The claims being made; and
 - The intended use of proceeds of the offering.
- Since 2010, through its examinations and disciplinary actions, FINRA has observed other areas in which members' investigations into private placements could be strengthened.

FINRA Regulatory Notice 23-08 (*cont'd*)

- As part of a reasonable investigation of a private placement, members should also address, where relevant, the following:
 - **Regulatory and litigation history**, including the criminal, disciplinary, regulatory and litigation history of the issuer, its management and any affiliate that may be materially involved in the issuer's business, as well as the issuer's compliance with the bad actor provisions under SEC Rule 506(d)–(e).
 - **New material developments**, including events that are, or should be reasonably, known to the member during an offering (e.g., when there are ongoing legal proceedings or regulatory inquiries involving the issuer).
 - **Transactions or payments between an issuer and the issuer's affiliates involving offering proceeds**, including the terms of the transaction and whether an arrangement presents a material conflict of interest for the issuer (and, if so, the sufficiency of disclosure).
 - **Representations of past performance of the issuer, its sponsor or its manager** to identify any representations that may be misleading or exclusively selected based on positive results (or "cherry-picking"). This is particularly important when the representations pertain to specific prior issuances.

FINRA Regulatory Notice 23-08 (*cont'd*)

- Importantly, a reasonable investigation must **independently verify** an issuer's material representations and claims, particularly when the member or its associated persons are affiliated with the issuer or when red flags are present.
- A member's independent analysis of the offering should not rely solely upon representations made by the issuer or its affiliates.
- Information provided by third parties (e.g., attorneys and due diligence experts) should be reviewed with reasonable care, considering the independence, incentives and qualifications of the third party (particularly important with respect to third parties hired by the issuer).

FINRA Regulatory Notice 23-08 (*cont'd*)

- A member may demonstrate that it has conducted a reasonable, independent investigation by:
 - Documenting the inquiries, research, and analysis that the member conducted.
 - Obtaining additional information from an issuer to perform an independent analysis of issuer representations (e.g., if the PPM contains a representation concerning contracts or permits the issuer has in place/holds, a member should consider reviewing copies of such contracts/permits).
 - Critically analyzing third-party due diligence reports. Importantly, when a member encounters red flags through its own review, the member must address those issues prior to recommending the offering.

FINRA Regulatory Notice 23-08 (cont'd)

- **Customer-Specific Obligations**

- Must have a sufficient understanding of the retail customer to properly evaluate whether the recommendation is in the best interest of the customer.
- Should apply heightened scrutiny to whether a risky or complex product is in a retail customer's best interest (e.g., whether the retail customer has an identified, investor-specific trading objective that is consistent with the product's description in its offering documents and/or has the ability to withstand heightened risk of financial loss – see also *SEC Staff Bulletin: Standards of Conduct for Broker-Dealers and Investment Advisers Care Obligations (April 20, 2023)* ("SEC Staff Bulletin").
- For complex/risky products (including private placements), consider whether lower risk or less complex options can achieve the same investment objectives.

FINRA Regulatory Notice 23-08 (cont'd)

- **Other Reg BI Component Obligations**

- *Disclosure Obligation*

- ❖ Disclosure of conflicts of interests alone does not satisfy the obligation to act in the retail customer's best interest.

- *Conflict of Interest Obligation*

- ❖ There are conflicts inherent in any recommendation of securities based on the potential or actual receipt of compensation, revenue or other benefits.
- ❖ Process to address conflicts of interest should not be merely a 'check-the-box' exercise, but a robust, ongoing process that is tailored to each conflict.
- ❖ Conflicts may be of particular concern when members recommend private placements of securities issued by an affiliated company.

- *Compliance Obligation*

- ❖ Consider guidance in SEC Staff Bulletin concerning complex/risky products (e.g., consider developing procedures outlining the due diligence process for complex/risky products to ensure products are assessed by qualified and experienced personnel; require appropriate training and supervision to help personnel understand the features, risks and costs of such products; document process/reasoning behind particular recommendations).

FINRA Regulatory Notice 23-08 (*cont'd*)

- **Certain Other Requirements Applicable to Private Placements**
 - Communications with the Public – FINRA Rule 2210
 - FINRA Filing Requirements – FINRA Rules 5122 and 5123
 - Supervision – FINRA Rule 3110
 - Private Securities Transactions – FINRA Rule 3280

FINRA Regulatory Notice 23-08 (*cont'd*)

- **Effective Practices - Offering-Specific Investigations**

The process for conducting a reasonable investigation of a private placement should include attention to the unique facts and circumstances of the offering. This might include:

- Reviewing offering terms to determine if they are reasonably structured for compliance with applicable rules.
- Maintaining regular contact with the issuer to obtain updates on developments.
- Applying a heightened analysis when recommending an investment that involves complex features or unique benefits to investors.
- Maintaining an updated due diligence file (retaining records documenting both the process and results of the updated investigation).

FINRA Regulatory Notice 23-08 (cont'd)

- **Effective Practices – Supervision of Reasonable Investigation Process**

Procedures to maintain adequate supervision of a member's reasonable investigations under FINRA Rule 3110, or to meet the requirements of Reg BI's Compliance Obligation, might include:

- Ensuring checklists are reasonably designed to address the private placement, filing/documentation requirements, assignment of staff responsible for performing functions/tasks, and evidence of supervisory approval for the reasonable investigation process.
- Assigning responsibility for reasonable investigation and compliance with filing requirements to specific individual(s) or team(s) and conducting targeted, in-depth training.
- Creating a system that alerts responsible individual(s)/supervisor(s) about upcoming and missed filing deadlines.
- Requiring documentation of the process, completeness and results of a member's investigations and retention of documents collected through due diligence.
- Implementing standards for the investigation process that specifically address certain types of offerings (e.g., specific guidelines for complex/risky offerings).
- Ensuring that the member's sale of an offering does not precede the completion of its reasonable investigation.

FINRA Enforcement Trends

- FINRA enforcement actions suggest FINRA is actively pursuing its regulatory priorities and indicate conduct that is likely to draw FINRA's attention, including:
 - Failure to conduct an appropriate level of research;
 - Relying solely on past experience and knowledge with an issuer;
 - Failing to resolve red flags;
 - Failing to maintain records of or reasonably explain the due diligence efforts into the accounting procedures, operations, historical performance and financial condition of the issuer; and
 - Failing to investigate questionable representations by the issuer or litigation involving the issuer.

FINRA Enforcement – Seminal Cases

- *Garden State Securities, Inc.* (FINRA AWC NO. 2009018819201)
 - MedCap was a medical receivables financing company.
 - 2001 through 2009, MedCap raised approximately \$2.2 billion from over 20,000 investors through nine private placements of promissory notes.
 - MedCap made interest and principal payments on its promissory notes until July 2008, when it began experiencing liquidity problems and stopped making payments on notes sold in two of its earlier offerings.
 - MedCap nevertheless offered Medical Provider Funding Corporation VI through an August 2008 PPM.
 - In July 2009, the SEC obtained preliminary injunction to stop all MedCap sales.
 - FINRA imposed sanctions against broker-dealer firms and individuals for failing to conduct a reasonable investigation or for failing to enforce procedures with respect to the sale of private placements.

FINRA Enforcement – Seminal Cases *(cont'd)*

- *Provident Asset Management, LLC* (FINRA AWC No. 2009017497201)
 - Sept. 2006 through Jan. 2009: Provident Asset Management, LLC, sold preferred stock and limited partnership interests in 23 private placements offered by an affiliated issuer, Provident Royalties.
 - Offerings sold through more than 50 retail broker-dealers nationwide and raised approximately \$485 million from over 7,700 investors.
 - Some of the proceeds of the offerings were to be used for the acquisition and development of oil and gas exploration and development activities.
 - Most of the investors' funds were commingled with the Provident Royalties' operating account, and were used to pay dividends and returns of capital to investors in the earlier offerings, without informing investors of that fact.
 - In July 2009, the SEC obtained a temporary restraining order, an emergency asset freeze and appointment of a receiver.
 - FINRA expelled the firm.

Recent Cases

- *Carolina Financial Securities, LLC* (Disciplinary Proceeding No. 2014040295201)
 - Failure to conduct a reasonable investigation of a significant contract and pending lawsuit.
- *Nobles & Richards Inc.*, (FINRA AWC No. 2017055743101)
 - Failure to conduct reasonable due diligence of a manager subject to a consent order.
- *CFD Investments, Inc.* (FINRA AWC No. 2018057457101)
 - Failure to conduct reasonable due diligence of the issuer's financial position, a prior lawsuit, and payments with an affiliated person.
- *Axiom Capital Management* (FINRA AWC No. 2019064535601)
 - Failure to conduct reasonable ongoing due diligence of a lawsuit.

What Cases Say Are Red Flags

- Information that the issuer is having liquidity issues, or problems paying dividends
- High rate of return – suggests higher risk
- Use of full line of credit
- Movement of funds among different offerings
- Requested audited financials not provided
- Lack of revenues
- No third-party custodian verification regarding existence of assets
- Change in accounting firms without explanation
- Disciplinary history of individuals important to company
- Financial problems with related company

What Cases Say About Due Diligence

- Obtain information about offering from independent sources
- Obtain audited financials (not essential)
- Visit company headquarters
- Look at actual viability of existing business, such as oil and gas wells, and compare it to projections
- Confirm material statements in PPM (*e.g.*, “company has never delayed dividend payments”)
- If due diligence materials are not made available, request them
- If report of a third-party due diligence provider is available, request it
- Do not rely too heavily on issuer’s statements; verify with third parties, such as law firms and accounting firms

Documentation & Process Matters

Engagement Letter

- In addition to addressing the exemption or safe harbor for the offering, placement agents also should address many other matters in the engagement letter:
 - That no general solicitation will be used;
 - That offers will be made only to “institutional accounts,” institutional accredited investors, qualified purchasers and QIBs;
 - That the placement agent will be a third-party beneficiary of issuer and investor representations and warranties; and
 - That the placement agent will be an addressee or may expressly rely on legal opinions delivered to the investors.

Limiting the Offerees

- There are a number of reasons to limit the offering to institutional accounts, institutional accredited investors and QPs/QIBs
 - Sophistication and wherewithal to bear risk.
 - No reliance on placement agent for diligence.
 - Enforceability of “big boy” style representations and disclaimers of liability for the placement agent.
 - The enforceability of “big boy” letters is uncertain due to a circuit split.
 - During the financial crisis, enforceability of “big boy” letters was tested in various RMBS and complex financial products cases; courts, including in the 2nd Circuit, have upheld “big boy” letters where the investors have been QIBs or IAIs.
 - Outcome likely will differ to the extent that the investor was not a QIB/IAI.
 - FINRA Rule 2111(b) provides an exemption to customer-specific suitability for institutional accounts.

Limiting the Offerees *(cont'd)*

- If you are relying on Section 4(a)(2) of the Securities Act, the securities will not be covered securities for NSMIA.
- FINRA Rule 5123.
- Even under circumstances in which the purchase price for the securities is sent directly to the company, FINRA expects the placement agent will have undertaken KYC and AML on the investor.
- To the extent offerees outside the U.S. will be contacted, in-house counsel and outside counsel should be consulted.

Materials

- For private placements for an already public company, typically only the company's Exchange Act filings will be used in connection with a private placement. From time to time, if there are special circumstances, an investor presentation will be used and, to the extent the investor presentation contains MNPI, it will have to be included in the cleansing 8-K when entry into definitive purchase agreements is announced.
- For private placements for privately held companies and for foreign (non-U.S.) domiciled companies, often questions arise from the company, as well as from the placement agent's private placement team concerning types of materials which can be used with potential offerees.

Materials *(cont'd)*

- Generally, if offers are being made solely to institutional investors, institutional investors should be permitted to undertake their own diligence, which can be facilitated by providing access to a data room.
 - Vetting the information provided in a data room.
 - To what extent should the placement agent assist with the company's data room preparation?
- If only institutional investors are being approached, marketing materials should be limited to a "company presentation," rather than a PPM or CIM or the like.
- Company presentation should be prepared by the company and reviewed by the placement agent and its counsel.
- Teasers are subject to FINRA's advertising and content standards and must be fair and balanced. This means even a teaser should contain a reference to risks.
- Keep records of all document distributions.

Subscription Documents

- **Term sheet**
 - Will placement agent produce a term sheet or will term sheets be solicited from potential investors?
 - In-house and outside counsel should review term sheets prior to these being shared with the issuer and its counsel.
- **Securities purchase agreement (or subscription agreement)**
 - Generally drafted by issuer's counsel.
 - The issuer representations and warranties included in the securities purchase agreement are important to the placement agent's diligence.
 - The investor representations and warranties included in the securities purchase agreement are important to establish for the placement agent the investor's level of sophistication and non-reliance on the placement agent.
 - Third-party beneficiary language should be included, identifying the placement agent.
 - Although issuer's counsel generally will negotiate terms of the securities purchase agreement directly with investors, in-house and outside counsel should review changes to the securities purchase agreement proposed to be made by investors before the agreement is completed.
- **Legal opinions**
 - The placement agent should be an addressee or should be entitled to rely on the issuer's counsel's opinion.
 - In-house counsel and outside counsel should have an opportunity to review the proposed legal opinion draft.

Liability

- Private placements **are** subject to:
 - Section 17(a) (the antifraud provision) of the Securities Act.
 - Section 10(b) (the antifraud provision) and Section 20(a) (the “control person” provision) of the Exchange Act.
 - State securities laws (“Blue Sky” laws).
 - State common law of fraud and negligent misrepresentation.
 - Regulation Best Interest/FINRA suitability, advertising and supervisory rules.
- Who “made” the misstatement?
 - Under SEC Rule 10b-5, it is unlawful for “any person, directly or indirectly, . . . [t]o make any untrue statement of material fact” in connection with the purchase or sale of a security.

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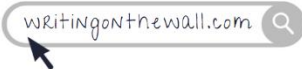
Additional Resources

Read More

- [Legal Update: FINRA Releases Updated Guidance for Members Conducting Private Placements](#)
- [Legal Update: SEC Issues Staff Bulletin Clarifying Care Obligations of Broker-Dealers](#)
- [Legal Update: SEC Risk Alert Highlights Observations From Anti-Money Laundering Compliance Examinations of Broker-Dealers](#)



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