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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106576; File No. SR-FINRA-2026-007]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Order Approving a Proposed Rule Change, as Modified by Partial Amendment No. 1, to Exempt Specified Collective Trust Funds from FINRA Rules 5130 (Restrictions on the Purchase and Sale of Initial Equity Public Offerings) and 5131(b) (New Issue Allocations and Distributions)

October 2, 2026.

I. Introduction

On March 30, 2026, the Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act")[1] and Rule 19b-4 thereunder,[2] a proposed rule change to exempt specified collective trust funds ("CTFs") from FINRA Rule 5130 (Restrictions on the Purchase and Sale of Initial Equity Public Offerings) and from paragraph (b) (Spinning) of Rule 5131 (New Issue Allocations and Distributions). Specifically, the proposed rule change, as modified by Partial Amendment No. 1, would exempt CTFs provided that the fund was not formed or maintained for the specific purpose of permitting restricted persons to invest in new issues.[3]

The proposed rule change was published for comment in the Federal Register on April 10, 2026.[4] The public comment period closed on May 1, 2026. The Commission received two

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 See Exchange Act Release No. 105163 (Apr. 7, 2026), 91 FR 18493 (Apr. 10, 2026) (File No. SR-FINRA-2026-007) ("Notice"); see also Exchange Act Release No. 105873 (July 9, 2026), 91 FR 43127 (July 14, 2026) (File No. SR-FINRA-2026-007) ("Notice of Partial Amendment No. 1").

4 See Notice.

comment letters related to this filing.[5] On May 14, 2026, pursuant to Section 19(b)(2) of the Exchange Act,[6] the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to approve or disapprove the proposed rule change to July 9, 2026.[7] On July 8, 2026, FINRA responded to the comment letters received in response to the Notice and filed a partial amendment to the proposed rule change ("Partial Amendment No. 1").[8]

On July 9, 2026, the Commission published a notice of filing of Partial Amendment No. 1 and an order instituting proceedings to determine whether to approve or disapprove the proposed rule change, as modified by Partial Amendment No. 1.[9] This order approves the proposed rule change, as modified by Partial Amendment No. 1 (hereinafter, the "proposed rule change" unless otherwise specified).

II. Description of the Proposed Rule Change

As described in more detail in the Notice and in Partial Amendment No. 1, the proposed rule change would extend the general exemptions under FINRA Rule 5130(c)(1) and, by reference, FINRA Rule 5131(b)(2) to specified CTFs. Under the proposed rule change, specified CTFs would be treated similarly to investment companies registered under the Investment Company Act of 1940 and common trust funds, both of which are exempt under paragraph (c)(1) and paragraph (c)(2) of Rule 5130, respectively, and under Rule 5131(b) by reference.[10] The

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5 The comment letters are available at: https://www.sec.gov/rules-regulations/public-comments/sr-finra-2026-007.

6 15 U.S.C. 78a(b)(2).

7 See Securities Exchange Act Release No. 105487 (May 14, 2026), 91 FR 29201 (May 19, 2026). The Commission designated July 9, 2026, as the date which the Commission shall approve or disapprove or institute proceedings to determine whether to approve or disapprove, the proposed rule change.

8 See Letter from Demetri Lambros, Associate General Counsel, Office of the General Counsel, FINRA (July 8, 2026), https://www.sec.gov/comments/SR-FINRA-2026-007/srfinra2026007-953499-2942307.pdf; see also Partial Amendment No. 1 on FINRA's website at https://www.finra.org/rules-guidance/rule-filings/sr-finra-2026-007.

9 See Securities Exchange Release No. 105873 (July 9, 2026), 91 FR 43127 (July 14, 2026) (File No. SR-FINRA-2026-007).

10 See Rule 5131(b)(2).

proposed rule change would exempt CTFs provided that the fund was not formed or maintained for the specific purpose of permitting restricted persons to invest in new issues.

FINRA stated its belief that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Exchange Act[11] because the proposed rule change would apply only to CTFs as described in Section 3(a)(12)(A)(iv) of the Exchange Act. FINRA stated that the safeguards include the regulatory oversight inherent in these vehicles as well as the express requirement that the CTF was not formed or maintained for the specific purpose of permitting restricted persons to invest in new issues. FINRA stated that the proposed rule change would maintain the integrity of the public offering process while facilitating vibrant capital markets by expanding access to initial public offerings ("IPOs") through regulation pooled investment vehicles. FINRA also stated that this will benefit investors in CTFs by expanding the underlying investment options in their employer-sponsored retirement plans and promote capital formation by giving more investors access to IPOs through regulated entities that are not formed or maintained to circumvent the purposes of the new issue rules.

As originally proposed in the Notice, the exemption also would have included the condition that the fund have investments from 1,000 or more plan participants and beneficiaries of one of more employee retirement benefits plans. As discussed below, however, FINRA stated that such a condition would be difficult for CTFs to determine and is unnecessary in light of the regulatory oversight of CTFs and the express requirement that the CTF not be formed or maintained for the specific purpose of permitting restricted persons to invest in new issues. Accordingly, FINRA removed this originally proposed condition from the proposed rule change.

III. Discussion and Commission Findings

After careful review of the proposed rule change, the comment letters, and FINRA's response to the comments, the Commission finds that the proposed rule change is consistent with

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11 15 U.S.C. 78o-3(b)(6).

the requirements of the Exchange Act and the rules and regulations thereunder that are appliable to a national securities association.[12] As discussed in more detail below, the Commission finds that the proposed rule change is consistent with Section 15A(b)(6) of the Exchange Act, which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.[13]

The proposed rule change is reasonably designed to apply only to CTFs as described in Section 3(a)(12)(A)(iv) of the Exchange Act. In particular, the safeguards include the regulatory oversight inherent in these vehicles as well as the express requirement that the CTF not be formed or maintained for the specific purpose of permitting restricted persons to invest in new issues. The proposed rule change is thus designed to maintain the integrity of the public offering process while facilitating vibrant capital markets by expanding access to IPOs through regulated pooled investment vehicles.

The originally proposed exemption also would have included the condition that the fund have investments from 1,000 or more plan participants and beneficiaries of one of more employee retirement benefits plans.[14] Both commenters on the Notice identified practical difficulties of implementing this condition.[15] Coalition stated that "the number of participants and beneficiaries who have selected the CIT as an investment alternative changes every day."[16] ICI also stated that "[p]articipant counts can fluctuate for reasons unrelated to any abuse risk

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12 In approving this rule change, the Commission has considered the rule changes' impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

13 15 U.S.C. 78o-3(b)(6).

14 See Notice, 91 FR 18495.

15 See Letter from Clifford Kirsch, Partner, Everland Sutherland (US) LLP, on behalf of the Coalition of Collective Investment Trusts (May 1, 2026) ("Coalition"); Letter from Tara R. Buckley, Deputy General Counsel, Investment Company Institute (May 1, 2026) ("ICI"). Coalition refers to CTFs as collective investment trusts, or CITs. In Partial Amendment No. 1, FINRA stated that it uses the term CTF in the proposed rule change because the term aligns with terminology used in the Exchange Act.

16 ICI, at 3.

(e.g., workforce changes, plan mergers, or recordkeeping practices)."[17] Both commenters stated that determining the number of plan participants and beneficiaries would be especially challenging where plan participants and beneficiaries invest in CTFs offered in their plans through omnibus arrangements.[18]

Both commenters on the originally proposed exemption discussed how CTFs operate under comprehensive regulatory and fiduciary frameworks that protect investors. Coalition identified the following applicable regulatory regimes: in the case of CITs with national bank trustees, the Office of the Comptroller of Currency ("OCC") administers the OCC regulations; the Department of Labor administers the Employee Retirement Income Securities Act of 1974 ("ERISA"), which governs virtually all CIRs; and the state bank regulators oversee state-chartered CIT trustees.[19] ICI stated that CTFs maintained by banks are subject to banking supervision and examination,[20] while Coalition stated that investment decisions regarding new offerings are made by professional investment fiduciaries who owe a duty of loyalty to their investors and are prohibited from using the assets they manage to influence a broker-dealer's allocation of new offerings.[21]

In response, FINRA stated that it generally agrees with the commenters that eliminating this condition would not impact the integrity of the public offering process because CTFs are subject to regulatory frameworks that impose fiduciary obligations on their trustees or managers.[22] FINRA further stated that the Exchange Act's "exempted security" definition includes "any interest or participation in a single trust fund, or a collective trust fund maintained by a bank, or any security arising out of a contract issued by an insurance company, which

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17 ICI, at 3.

18 ICI, at 3; Coalition, at 2.

19 Coalition, at 2.

20 ICI, at 2.

21 Coalition, at 3.

22 Partial Amendment No. 1, 91 FR 43128.

interest, participation, or security is issued in connection with a qualified plan," as defined in Section 3(a)(12)(C). Thus, by definition, CTFs can accept investments only from retirement plans meeting certain criteria,[23] which FINRA stated further mitigates potential risks.[24]

The proposed rule change is reasonably designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. As discussed above, the exemption's conditions are based on safeguards that include the regulatory oversight inherent in these vehicles as well as the express requirement that the CTF not be formed or maintained for the specific purpose of permitting restricted persons to invest in new issues. The proposed rule change is thus designed to maintain the integrity of the public offering process while facilitating vibrant capital markets by expanding access to IPOs through regulated pooled investment vehicles. This will benefit investors in CTFs by expanding the underlying investment options in their employer-sponsored retirement plans and promote capital formation by giving more investors access to IPOs through regulated entities that are not formed or maintained to circumvent the purposes of the new issue rules.

IV. Conclusion

For the reasons set forth above, the Commission finds that the proposed rule change is consistent with Section 15A(b)(6) of the Exchange Act, which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and, in general, protect investors and the public interest.[25]

IT IS THEREFORE ORDERED pursuant to Section 19(b)(2) of the Exchange Act[26] that the proposed rule change (SR-FINRA-2026-007) be, and hereby is, approved.

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23 See 15 U.S.C. 78c(a)(12)(A)(iv).

24 See Partial Amendment No. 1, 91 FR 43128.

25 15 U.S.C. 78o-3(b)(6).

26 15 U.S.C. 78s(b)(2).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[27]

Sherry R. Haywood,

Assistant Secretary.

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[27] 17 CFR 200.30-3(a)(12).