

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105163; File No. SR-FINRA-2026-007]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Amend FINRA Rules 5130 (Restrictions on the Purchase and Sale of Initial Equity Public Offerings) and 5131 (New Issue Allocations and Distributions)

April 7, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 30, 2026, the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to amend FINRA Rule 5130 (Restrictions on the Purchase and Sale of Initial Equity Public Offerings) and paragraph (b) (Spinning) of FINRA Rule 5131 (New Issue Allocations and Distributions) to exempt specified collective trust funds (“CTFs”).

The text of the proposed rule change is available on FINRA’s website at <http://www.finra.org> and at the principal office of FINRA.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Background

Rule 5130 protects the integrity of the public offering process by ensuring that: (1) members make bona fide public offerings of securities at the offering price; (2) members do not withhold securities in a public offering for their own benefit or use such securities to reward persons who are in a position to direct future business to members; and (3) industry insiders, including members and their associated persons, do not take advantage of their insider position to purchase new issues for their own benefit at the expense of public customers.³

Paragraph (a) of Rule 5130 provides that, except as otherwise permitted under the rule, a member (or an associated person) may not sell, or cause to be sold, a new issue to any account in which a restricted person⁴ has a beneficial interest;⁵ a member or an associated person may not

³ See Notice to Members 03-79 (Dec. 2003). The term "new issue" is defined as "any initial public offering of an equity security as defined in Section 3(a)(11) of the Exchange Act, made pursuant to a registration statement or offering circular," subject to a number of exceptions. See Rule 5130(i)(9). The term has the same meaning for purposes of Rule 5131.

⁴ The term "restricted person" includes "members or other broker-dealers," "broker-dealer personnel," "finders and fiduciaries," "portfolio managers," and "persons owning a broker-dealer," as those terms are defined in Rule 5130(i)(10)(A)-(E).

⁵ See Rule 5130(i)(1) ("Beneficial interest" means any economic interest, such as the right to share in gains or losses. The receipt of a management or performance based fee for operating a collective investment account, or other fees for acting in a fiduciary capacity, shall not be considered a beneficial interest in the account."). The term has the same meaning for purposes of Rule 5131.

purchase a new issue in any account in which such member or associated person has a beneficial interest; and a member may not continue to hold new issues acquired as an underwriter, selling group member, or otherwise. Paragraph (b) sets forth preconditions for sale. Before selling a new issue to any account, a member must in good faith have obtained, within the 12 months before the sale, a representation from the account holder(s), or a person authorized to represent the beneficial owners of the account, that the account is eligible to purchase new issues in compliance with Rule 5130. The member also must obtain such a representation from a bank, foreign bank, broker-dealer, or investment adviser or other conduit that all purchases of new issues are in compliance with the Rule.

Rule 5131 addresses conflicts and abuses in the allocation and distribution of new issues. Paragraph (b) of Rule 5131 prohibits the practice of “spinning,” which is the allocation of shares of new issues by a member firm to an account in which a covered person that is the member firm’s current, former, or prospective investment banking client has a beneficial interest. The term “covered person” refers to an executive officer or director of a public company or a covered non-public company, or a person materially supported by such executive officer or director.⁶

Rule 5130(c), and, by reference, Rule 5131(b)(2), provide general exemptions which reflect the proposition that sales to and purchases by entities that have numerous beneficial owners are generally not the type of transactions that the Rule should prohibit.⁷ Of particular relevance to the proposed rule change, there is a general exemption for an investment company registered under the Investment Company Act of 1940 (“Investment Company Act”)⁸ and a

⁶ See Rule 5131(b)(1).

⁷ See Notice to Members 03-79, supra note 3.

⁸ See Rule 5130(c)(1). There is also an exemption for an investment company organized under the laws of a foreign jurisdiction. See Rule 5130(c)(6). To qualify for this exemption, the investment company must be listed on a foreign exchange for sale to the public or authorized for sale to the public by a foreign regulatory authority; no person owning more than 5 percent of the shares of the investment company is a

general exemption for a common trust fund or similar fund as described in Section 3(a)(12)(A)(iii) of the Exchange Act,⁹ subject to specified conditions.¹⁰ Unless a general exemption applies to CTFs, the CTF (typically through its investment adviser) would be required to represent that the fund is eligible to purchase new issues. However, given their size and operational structure—which includes investments from various pooled assets across multiple beneficial owners—this may not always be feasible.¹¹

CTFs

Banks often maintain common or collective trust funds as vehicles for the collective investment of moneys contributed to the funds on behalf of accounts for which the bank or a third party acts as fiduciary. There are generally two types of bank collective investment funds, both of which are generally exempt from registration under the Securities Act of 1933 (“Securities Act”), the Exchange Act, and the Investment Company Act.

The first type is generally referred to as a “common trust fund,” which is maintained by a bank for the collective investment and reinvestment of moneys contributed thereto by the bank in its capacity as trustee, executor, administrator, or guardian. These funds are employed solely as

restricted person, the investment company has 100 or more direct investors, or the investment company has 1,000 or more indirect investors; and the investment company was not formed or maintained for the specific purpose of permitting restricted persons to invest in new issues.

⁹ 15 U.S.C. 78c(a)(12)(A)(iii) (“The term ‘exempted security’ or ‘exempted securities’ includes . . . any interest or participation in any common trust fund or similar fund maintained by a bank exclusively for the collective investment and reinvestment of assets contributed thereto by such bank in its capacity as trustee, executor, administrator, or guardian . . .”).

¹⁰ See Rule 5130(c)(2). The common trust fund exemption must have investments from 1,000 or more accounts and must not limit beneficial interests in the fund principally to trust accounts of restricted persons.

¹¹ See Rule 5130(c)(4). A CTF may rely on the 10 percent de minimis exemption under Rule 5130(c)(4) or the 25 percent de minimis exemption under Rule 5131(b)(2) if they have collected restricted person and covered person information for their investors. However, due to their size and operational structure, FINRA believes that some CTFs may have difficulties determining whether restricted persons and covered persons meet the rules’ thresholds. Further, where a retirement plan sponsored solely by a member holds interests in a CTF, the beneficial interests of restricted persons are likely to exceed the de minimis threshold.

an aid in the administration of trust, estate, and other fiduciary accounts, and may not be advertised or otherwise offered for sale to the general public. These types of funds are exempt from the new issue allocation restrictions of Rules 5130 and 5131(b), provided they have investments from 1,000 or more accounts and do not limit beneficial interests in the fund principally to trust accounts of restricted persons.¹²

The second type is generally referred to as a CTF or collective investment trust, which is a bank-maintained fund that generally consists of assets of one or more employer-sponsored benefits or retirement plans, government plans, or church plans. CTFs generally serve as investment options for plan participants available through employer-sponsored retirement plans, performing the same investment pooling function, among other similarities, as registered investment companies (“RICs”).

With nearly \$7 trillion in assets, CTFs are often the preferred pooled investment vehicle over RICs in employer-sponsored retirement plans. For example, CTFs are the leading vehicle for target-date funds, which often serve as the default investment option for retirement plan participants who do not make active investment elections.

The primary benefits of CTFs over comparable RICs are lower transaction and management costs, which can have a significant impact on investor returns. Furthermore, CTFs can be launched more quickly, and they offer greater customization options tailored to particular retirement plans. Though exempt from registration under the federal securities laws, FINRA has observed that some CTFs voluntarily adopt certain practices similar to RICs, including daily valuation of holdings and publication of fund literature such as fact sheets and annual reports.

Whereas RICs are exempt from the new issue allocation restrictions of Rules 5130 and

¹² See Rule 5130(c)(2).

5131(b),¹³ CTFs are not categorically exempt from the new issue allocation restrictions of Rules 5130 and 5131(b). Unless a general exemption applies to CTFs, an investment adviser, bank, or trust company managing a CTF would be required to represent that it is eligible to purchase new issues.

Proposed Amendments to Rules 5130(c) and 5131(b)

Given that CTFs, common trust funds, and RICs serve similar pooled investment purposes, FINRA proposes to adopt a categorical exemption for CTFs under Rule 5130(c)(13) and, by reference, under Rule 5131(b). The proposed exemption would apply to a CTF, as described in Section 3(a)(12)(A)(iv) of the Exchange Act,¹⁴ provided that two conditions are satisfied. These proposed conditions, described below, would help to ensure that exempt CTFs are treated similarly to other exempt investment funds for purposes of Rules 5130 and 5131(b).

The first condition is that “the fund has investments from 1,000 or more plan participants and beneficiaries of one or more employee retirement benefits plans.”¹⁵ This condition is

¹³ See Rule 5130(c)(1).

¹⁴ 15 U.S.C. 78c(a)(12)(A)(iv) (“The term ‘exempted security’ or ‘exempted securities’ 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 interest, participation, or security is issued in connection with a qualified plan . . .”).

¹⁵ A CTF as described in Exchange Act Section 3(a)(12)(A)(iv) qualifies as an “exempted security” under Section 3(a)(12)(A) only if an interest or participation in the fund “is issued in connection with a qualified plan as defined in [section 3(a)(12)(C)].” Section 3(a)(12)(C) defines “qualified plan” as “(i) a stock bonus, pension, or profit-sharing plan which meets the requirements for qualification under section 401 of [the Internal Revenue Code of 1954], (ii) an annuity plan which meets the requirements for the deduction of the employer’s contribution under section 404(a)(2) of [such Code], (iii) a governmental plan as defined in section 414(d) of [such Code] which has been established by an employer for the exclusive benefit of its employees or their beneficiaries for the purpose of distributing to such employees or their beneficiaries the corpus and income of the funds accumulated under such plan, if under such plan it is impossible, prior to the satisfaction of all liabilities with respect to such employees and their beneficiaries, for any part of the corpus or income to be used for, or diverted to, purposes other than the exclusive benefit of such employees or their beneficiaries, or (iv) a church plan, company, or account that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940, other than any plan described in clause (i), (ii), or (iii) of this subparagraph which (I) covers employees some or all of whom are employees within the meaning of section 401(c) of [such Code], or (II) is a plan funded by an annuity contract described in section 403(b) of [such Code].” 15 U.S.C. 78c(a)(12)(C). For purposes of the requirement that the fund hold investments from one or more plan participants and beneficiaries of one or

analogous to one of the conditions for the common trust fund exemption, which requires that the fund has investments from 1,000 or more accounts.¹⁶ FINRA believes this language achieves the same goal of requiring that the fund be widely held, while accounting for the differences between common trust funds and CTFs (that is, common trust funds pool assets from individual trust accounts whereas CTFs generally pool assets from employer-sponsored retirement plans).

The second condition is that “the fund was not formed or maintained for the specific purpose of permitting restricted persons to invest in new issues.” This requirement is a safeguard to protect against circumvention of Rule 5130’s prohibitions. The same language is also used in the exemptions for foreign investment companies and business development companies under Rule 5130.¹⁷

FINRA believes the proposed exemption reflects the proposition that sales to and purchases by entities that have numerous beneficial owners generally are not the type of transactions that Rules 5130 and 5131 are designed to prohibit.¹⁸ The proposed exemption would allow CTFs to more easily obtain access to new issues, and it would expand the pool of investors who can participate in IPOs through their retirement investments in a CTF.

If the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice.

2. Statutory Basis

more employee retirement benefits plans, the plan must be a “qualified plan” as defined in Exchange Act Section 3(a)(12)(C).

¹⁶ See Rule 5130(c)(2)(A).

¹⁷ See Rule 5130(c)(6)(C), (c)(12).

¹⁸ See Notice to Members 03-79, supra note 3.

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁹ which requires, among other things, that FINRA rules must 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.

FINRA believes that the proposed exemption for CTFs would expand access to investment options and maintain the integrity of the public offering process without diminishing investor protection. The proposed rule change would allow CTFs to more easily invest in new issues. This will benefit investors by expanding the underlying investment options in their employer-sponsored retirement plans and promoting capital formation by giving more investors access to IPOs. By expanding access to IPOs through a widely held pooled investment vehicle, the proposed rule change maintains the integrity of the public offering process while facilitating vibrant capital markets.²⁰

Further, FINRA believes that the conditions of the proposed exemption are consistent with the provisions of Section 15A(b)(6). The condition that would require a CTF relying on the proposed exemption to have investments from 1,000 or more plan participants and beneficiaries of one or more employee retirement benefit plans helps to ensure that the CTF is widely held. Having numerous beneficial owners substantially reduces the risk that a CTF would be used by restricted or covered persons to circumvent the prohibitions of Rules 5130 and 5131(b). Moreover, the condition that, for purposes of this proposed exemption, the CTF cannot be formed or maintained for the specific purpose of circumventing the prohibition in Rule 5130,

¹⁹ 15 U.S.C. 78o-3(b)(6).

²⁰ See Regulatory Notice 23-09 (May 2023) (“FINRA promotes the capital raising process through appropriately tailored rules for its members that are designed to promote transparency and to establish important standards of conduct for the benefit of all market participants, including investors and issuers.”).

would further mitigate the unlikely risk that a restricted person would invest in a CTF for the purpose of investing in new issues.

B. Self-Regulatory Organization’s Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act.

Economic Impact Assessment

FINRA has undertaken an economic impact assessment, as set forth below, and identified the potentially material impacts of the proposed rule change on the affected parties. FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act.

1. Regulatory Need

As discussed, CTFs typically have numerous beneficial owners, such that receiving new issue allocations would present little risk to the integrity of the public offering process. Due to their size and operational structure, however, it can be difficult for CTFs to meet the requirements of Rules 5130 and 5131 without a general exemption. FINRA is proposing an exemption to these rules for CTFs under two conditions that are designed to permit CTFs to participate in public offerings subject to conditions that mitigate the risks that Rules 5130 and 5131 are designed to prevent.

2. Economic Baseline

The economic baseline for the proposed rule change is the current requirements and provisions to which CTFs are subject, the products with which they primarily compete, and the current market for initial public offerings (“IPOs”).

As described above, CTFs provide an alternative to RICs as a pooled investment vehicle offered to participants in employer-sponsored retirement plans. According to the Department of Labor, as of 2023, there were 101,987 private sector retirement plans with 100 or more participants.²¹ Of these, 29,664 plans had assets invested in one or more of the 4,992 available CTFs, which in aggregate held over \$4.7 trillion in assets.²² Approximately half of CTFs' total assets (\$2.5 trillion) were invested in common stocks.

The market for IPOs is economically important. Between 2014 and 2023, annual IPO proceeds ranged from \$7 billion to \$119 billion, and the average first-day return on IPO shares ranged between 12 percent and 49 percent.²³

3. Economic Impacts

Anticipated Benefits

The proposed rule change would enable CTFs that invest or desire to invest in IPOs to incur less regulatory burden in demonstrating their eligibility to receive new issues. Specifically, both CTFs with restricted or covered persons as beneficial owners as well as those without such persons could invest in IPOs without needing to determine whether and how many of their

²¹ See U.S. Department of Labor, Employee Benefits Security Administration, Private Pension Plan Bulletin Historical Tables and Graphs 1975-2023, at 4, available at <https://www.dol.gov/sites/dolgov/files/ebsa/researchers/statistics/retirement-bulletins/private-pension-plan-bulletin-historical-tables-and-graphs.pdf>.

²² See U.S. Department of Labor, Employee Benefits Security Administration, Form 5500 Direct Filing Entity Bulletin: Abstract of 2023 Form 5500 Annual Reports, at 5 tbl. 1, available at <https://www.dol.gov/sites/dolgov/files/ebsa/researchers/statistics/retirement-bulletins/form-5500-direct-filing-entity-bulletin-abstract-of-form-5500-2023-preliminary-annual-report.pdf>.

²³ See Jay R. Ritter, University of Florida Warrington College of Business, IPO Data, available at <https://site.warrington.ufl.edu/ritter/files/IPO-Statistics.pdf>. FINRA reports the ten-year IPO statistics ending in 2023 to conform with the most recent common/collective trust statistics from the Department of Labor.

participants are restricted or covered persons. CTFs would also benefit from the ability to more easily diversify their portfolios into IPOs.²⁴

Allowing CTFs to more easily invest in new issues expands the pool of investors in IPO markets and promotes capital formation. Likewise, lowering the regulatory costs enhances market efficiency.

Anticipated Costs

As discussed above, the proposed exemption has two conditions. These conditions could potentially impose costs on CTFs that, in order to avail themselves of the exemption, would need to make sure they have investments from 1,000 or more plan participants and beneficiaries of one or more employee retirement benefits plans. A CTF could determine if the estimated value of the exemption exceeded any associated costs and only undertake such costs if it determined the exemption would be worthwhile.

There is some risk under the proposed rule change that an otherwise restricted or covered person may form or invest in a CTF for the purpose of investing in new issues. FINRA believes that these risks are mitigated by the requirements for the minimum number of plan participants and that the CTF has not been formed or maintained for the specific purpose of permitting restricted persons to invest in new issues.

Anticipated Competitive Effects

The proposed rule change may increase competition for investors (at the plan participant level), and between and among CTFs and other already-exempt investment vehicles like RICs. In particular, access to new issues may increase returns and the attractiveness of CTFs relative to

24 There is also the potential for higher returns due to access to new issues. However, academic research has documented that IPO underpricing is a short-term phenomenon. To benefit from potential underpricing of new issues, investors may need to sell their allocated shares shortly after trading begins. See Jay R. Ritter, The Long-Run Performance of Initial Public Offerings, XLVI J. Fin. 3, 3–27 (Mar. 1991).

other investment vehicles, which may increase competition between banks and mutual fund companies vying for retirement-plan assets. Some large mutual fund companies have already established affiliated banks or trust companies to manage and offer CTFs.²⁵ The proposed rule change may further encourage this trend. Increased demand for CTFs may also lower their per-unit operating costs by spreading fixed expenses across a larger asset base. This would potentially benefit both CTF sponsors and participants in plans that invest in CTFs. As noted, the proposed rule change may also promote capital formation by giving more investors access to IPOs.

4. Alternatives Considered

With respect to the condition that the CTF must have investments from 1,000 or more plan participants and beneficiaries of one or more employee retirement benefits plans, other thresholds were considered. While a lower threshold would allow more investors to access IPO shares, a higher threshold would reduce the likelihood of conflicts of interest involving restricted or covered persons obtaining new issues through a CTF. FINRA believes that the proposed threshold strikes an appropriate balance between promoting capital formation and maintaining the integrity of the public offering process. The 1,000 threshold is also in line with the existing exemption for common trust funds.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

²⁵ See, e.g., Natalya Shnitser, *Overtaking Mutual Funds: The Hidden Rise and Risk of Collective Investment Trusts*, 134 Yale L.J. 1620, 1651 (Mar. 1, 2025), available at <https://www.yalelawjournal.org/essay/overtaking-mutual-funds-the-hidden-rise-and-risk-of-collective-investment-trusts> (“While BlackRock relies on a national banking association . . . Vanguard [collective investment trusts] are maintained by the Vanguard Fiduciary Trust Company, a Pennsylvania nondepository trust company that is a wholly owned subsidiary of The Vanguard Group, Inc.”).

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Exchange Act.

Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2026-007 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2026-007. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of FINRA. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-FINRA-2026-007 and should be submitted on or before [INSERT DATE 21 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁶

Sherry R. Haywood,

Assistant Secretary.

²⁶ 17 CFR 200.30-3(a)(12).