ADISA
ALTERNATIVE & DIRECT INVESTMENT SECURITIES ASSOCIATION
Education ▲ Networking ▲ Advocacy

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Via Electronic Submission

Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: File Number SR–FINRA–2026–004 – Proposed Amendments to FINRA Rule 2210 Regarding Projections and Targeted Returns

Dear Ms. Countryman:

The Alternative & Direct Investment Securities Association (ADISA)[1] appreciates the opportunity to comment on FINRA's proposed amendments to Rule 2210 relating to projections, hypothetical performance, and targeted returns in communications with investors.

ADISA is the nation's leading trade association representing participants in the alternative investment industry, including broker-dealers, registered representatives, investment advisers, sponsors, due diligence professionals, compliance officers, and other firms involved in the offering and distribution of alternative investment products. Our members share FINRA's commitment to investor protection, transparent communications, and high standards of professional conduct.

At the outset, ADISA supports FINRA's decision to revisit Rule 2210. The securities industry has evolved significantly over the past decade, and investor communications have likewise changed. We believe the proposal represents an important step toward modernizing the rule while maintaining the strong investor protections that have long been the hallmark of FINRA's communications standards.

[1] Through its 5,000 financial industry members (over 1,000 firms), ADISA reaches over 220,000 finance professionals, with sponsor members raising in excess of $200 billion annually, serving more than 1 million investors. ADISA is a non-profit organization (501(c)(6)), registered to lobby, and also has a related 501(c)(3) charitable non-profit (ADISA Foundation) assisting with scholarships and educational efforts.

Perhaps most importantly, the proposal moves toward greater consistency between broker-dealer communications regulated by FINRA and investment adviser communications governed by the SEC's Marketing Rule. Many financial professionals today operate through affiliated broker-dealers and registered investment advisers. Those firms often provide substantially similar services to substantially similar clients but remain subject to different communications standards depending solely upon the regulatory capacity in which the communication is delivered. Greater harmonization promotes consistency, reduces unnecessary compliance complexity, and ultimately benefits investors by creating clearer expectations across both regulatory frameworks.

At the same time, ADISA believes several refinements would improve the proposal and facilitate more consistent implementation.

Alternative Investments Present Unique Communication Challenges
Alternative investments frequently differ from traditional publicly traded securities in important respects. Non-traded REITs, non-traded BDCs, private placements, interval funds, tender offer funds, Delaware statutory trusts, qualified opportunity zone funds, oil and gas funds, and other alternative investments often involve long investment horizons, periodic distributions, complex capital structures, tax considerations, leverage, and illiquid assets.

Unlike publicly traded securities, these investments often have limited historical performance information or meaningful benchmark comparisons. As a result, carefully constructed projections or targeted return illustrations, accompanied by robust disclosures and reasonable assumptions, can provide investors with useful educational information regarding how an investment is intended to operate under various market conditions.

Accordingly, ADISA encourages FINRA to expressly recognize that reasonable projection methodologies for alternative investments may differ from those used for traditional traded securities and should be evaluated within the context of the investment's structure and objectives.

A Principles-Based Framework for Forward-Looking Communications
As FINRA modernizes Rule 2210, ADISA respectfully encourages the adoption of a principles-based framework recognizing that not all forward-looking communications present the same level of investor-protection risk. A communication designed to explain how an investment operates under stated assumptions should not necessarily be evaluated under the same standards as a communication projecting future investment performance or targeted returns.

Rather than applying a single analytical approach to every forward-looking communication, FINRA should recognize a graduated framework based on the purpose of the communication and the nature of the underlying assumptions. For example:

- **Educational Illustrations** that explain how an investment is designed to operate under clearly identified hypothetical assumptions and are intended to educate investors regarding product mechanics rather than predict investment performance;
- **Distribution or Cash-Flow Illustrations** that are based on existing contractual arrangements, identifiable operating cash flows, or other objectively supportable assumptions and are intended to demonstrate how income-producing investments may generate distributions under specified conditions;
- **Targeted Return Illustrations** that express expected investment outcomes based upon clearly stated assumptions and therefore warrant enhanced documentation, supervisory review, and disclosure; and
- **Performance Projections**, which inherently involve the greatest degree of uncertainty and should remain subject to the highest level of regulatory scrutiny and supporting documentation.

Such a graduated framework would better align regulatory requirements with the differing risks presented by various types of communications while preserving FINRA's longstanding principles that communications be fair, balanced, and not misleading. This framework would also provide firms and regulators with a more practical and consistent methodology for evaluating communications based upon their purpose, assumptions, and potential impact on investors, rather than treating all forward-looking information as presenting the same regulatory concerns.

Distinguish Educational Modeling from Performance Projections
ADISA also encourages FINRA to recognize an important distinction between performance projections and educational cash-flow modeling. Many alternative investments – including Delaware statutory trusts, non-traded REITs, qualified opportunity zone funds, oil and gas funds, and certain private placement programs – have structural features that are difficult to explain without illustrating how the investment is designed to operate over time. These illustrations often depict projected cash flows, anticipated distributions, financing assumptions, tax characteristics, capital events, or hypothetical exit scenarios. Their purpose is not to predict investment performance or guarantee returns, but rather to help investors understand the mechanics of the investment under specific stated assumptions.

For many alternative investments, there is no meaningful public market benchmark or lengthy performance history available to demonstrate how the investment strategy functions. In those circumstances, well-designed educational illustrations may provide investors with a better understanding of the product than historical performance information alone.

Accordingly, ADISA respectfully encourages FINRA to acknowledge that properly prepared educational modeling – when accompanied by prominent disclosures, reasonable and clear assumptions, balanced discussion of risks, and clear statements that the illustration is hypothetical and not predictive – serves a fundamentally different purpose than a projection of expected investment performance. Recognizing this distinction would improve investor understanding while remaining fully consistent with FINRA's longstanding commitment to fair, balanced, and non-misleading communications.

Providing guidance or examples illustrating the types of educational modeling that would generally be considered consistent with Rule 2210 would further assist firms in developing communications that educate investors without creating unrealistic expectations or diminishing investor protections.

Educational Illustrations of Various Distributions

ADISA respectfully encourages FINRA to recognize that not all forward-looking illustrations present the same regulatory considerations. In particular, illustrations of anticipated distributions or cash flows that are derived from contractual lease income, executed loan agreements, contractual revenue streams, or other objectively supportable assumptions differ fundamentally from projections of future capital appreciation or market performance.

Many alternative investment products are designed primarily to generate current income rather than short-term appreciation. For these investments, illustrations of anticipated distributions may help investors understand the operational characteristics of the potential investment, including how contractual cash flows, financing costs, operating expenses, reserves, and other identifiable factors may affect potential distributions over time. When based on reasonable assumptions supported by existing contractual arrangements or other objectively verifiable information, these illustrations are intended to serve primarily as educational tools rather than predictions of future investment performance.

Accordingly, ADISA encourages FINRA to clarify in the final rule or accompanying guidance that distribution illustrations supported by contractual cash flows or other objectively supportable assumptions should be evaluated under a framework that recognizes their distinct purpose and characteristics. Such guidance could continue to require robust disclosures regarding assumptions, risks, uncertainties, and statements that these are not a guarantee of future results, while acknowledging that these illustrations differ materially from projections based primarily on anticipated market appreciation or speculative future performance.

Providing this clarification would enhance investor understanding of income-oriented alternative investments, promote greater consistency in regulatory expectations, and enable firms to communicate meaningful information regarding product structure without compromising FINRA's longstanding commitment to fair, balanced, and non-misleading communications.

Provide Additional Guidance Regarding Reasonable Assumptions

The proposal appropriately requires firms to establish a reasonable basis for projections and targeted returns. However, firms would benefit from additional regulatory guidance regarding what FINRA considers to be reasonable assumptions and acceptable methodologies.

We encourage FINRA to provide interpretive guidance, illustrative examples, or other compliance resources addressing topics such as:

- assumptions regarding projected cash flows and distributions;
- treatment of leverage and financing assumptions;
- assumptions regarding appreciation or depreciation;
- use of historical operating information;
- sensitivity analyses and multiple scenario presentations; and
- appropriate disclosures accompanying projections.

Providing practical examples would improve consistency among firms, facilitate more effective supervision, and provide appropriate investor protections.

Consider Establishing Safe Harbors

ADISA also encourages FINRA to consider adopting compliance safe harbors for firms that utilize standardized methodologies and prescribed disclosures.

Instituting such safe harbors would provide greater certainty for member firms while allowing FINRA to establish clear expectations regarding documentation, supervisory review, disclosure language, and recordkeeping. Such guidance would likely improve compliance, provide supervisory guidance, and reduce inconsistent interpretations during examinations.

Avoid Hindsight Evaluation

One area deserving additional clarification is how FINRA intends to evaluate the reasonableness of assumptions after a projection has been communicated.

ADISA believes compliance should be judged based upon the facts, assumptions, and information reasonably available at the time the communication is prepared—not by comparing the projection to actual market performance months or years later. Financial markets and investment outcomes are inherently uncertain, and reasonable assumptions made at the time of the initial investment may not ultimately prove accurate based on market fluctuations and other factors despite being entirely appropriate when developed.

Clarifying this principle would provide firms with greater confidence while preserving FINRA's ability to address misleading or unsupported communications.

Emphasize Disclosure Rather Than Prohibition

ADISA supports FINRA's continued emphasis on meaningful disclosures. Rather than broadly prohibiting projections, ADISA believes that investor protection is better served by requiring firms to provide clear explanations of:

- material assumptions;

- inherent limitations of the projection;
- risks that could materially affect outcomes;
- sensitivity to changing market conditions; and
- the fact that projected performance is not a guarantee of future results.

Well-crafted disclosures allow investors to evaluate projections in their proper context and support more informed investment decisions.

Preserve Appropriate Flexibility for Sophisticated Investors
Finally, ADISA encourages FINRA to consider whether additional flexibility may be appropriate when communications are directed to institutional or sophisticated investors, including accredited investors, where firms remain subject to Regulation Best Interest, suitability obligations, and supervisory requirements.

Providing appropriate flexibility in these contexts would recognize differences in investor sophistication while maintaining the regulatory protections that apply to recommendations and communications.

Conclusion
ADISA appreciates FINRA's thoughtful approach to modernizing Rule 2210. We believe the proposal represents meaningful progress toward aligning communications standards with today's regulatory environment while preserving FINRA's longstanding commitment to investor protection.

With the additional clarifications discussed above – particularly regarding alternative investment products, reasonable assumptions, safe harbors, avoidance of hindsight review, and practical implementation – the final rule can provide firms with greater regulatory certainty while improving the quality of investor communications.

ADISA appreciates the opportunity to provide these comments and would welcome the opportunity to work with FINRA staff as the rulemaking process continues.

Respectfully submitted,

Catherine Bowman
Chair of the ADISA Legislative and Regulatory Committee

ADISA Drafting Committee:
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cc: Jade Miller, ADISA Chief Executive Officer