
FINRA Requests Comment on Proposed New Outside Business Activities Rule

APRIL 2, 2018

FINRA is seeking comment on a proposed new rule, FINRA Rule 3290 (the “Proposed Rule”), which governs the outside business activities and private securities transactions of registered persons. The Proposed Rule would replace both current FINRA Rule 3270 (Outside Business Activities of Registered Persons) and current FINRA Rule 3280 (Private Securities Transactions of Associated Persons), and is intended to reduce unnecessary burdens and focus compliance resources on activities most likely to pose a risk to investors. The comment period expires on April 27, 2018. FINRA requests comment on all aspects of the proposal, and specifically requests comment on the issues listed in Appendix A.

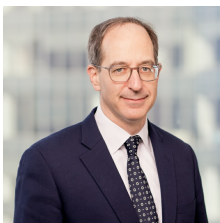
Summary and Highlights

The proposed changes to the rules governing outside business activities and private securities transactions are based on FINRA’s retrospective review of these rules to assess their effectiveness. This retrospective review confirmed the continuing importance of these rules but also indicated that the rules could be better aligned with their goal of protecting the investing public when a member firm’s (“Firm’s”) registered or associated persons engage in potentially problematic activities that are unknown to the Firm but could be perceived by the investing public as part of the Firm’s business. In addition, the retrospective review confirmed that the rule could be better aligned with the current regulatory landscape and business practices. In this regard, notable changes of the Proposed Rule include:

- definitions of the terms “investment-related” and “business activity” and specific Firm obligations for each activity category; and
- exclusion of activities of registered persons on behalf of Firm affiliates from the scope of the Proposed Rule.

[Read the full alert here.](#)

Authors



Bruce H. Newman

PARTNER

✉ bruce.newman@wilmerhale.com

☎ +1 212 230 8835



Tiffany J. Smith

PARTNER

Co-Chair, Blockchain &
Cryptocurrency Working Group

✉ tiffany.smith@wilmerhale.com

☎ +1 212 295 6360