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## FINRA and MSRB Submit Pay-to-Play Rules to SEC for Approval

On December 16, 2015, the Financial Industry Regulatory Authority (FINRA) and Municipal Securities Rulemaking Board (MSRB) submitted their respective pay-to-play rules to the Securities and Exchange Commission (SEC) for approval. FINRA Proposed Rule 2030 sets forth pay-to-play restrictions on broker-dealers that act as placement agents for investment advisers or their managed funds, while the proposed amendments to MSRB Rule G-37 do so for registered municipal advisors. Please note that this draft of FINRA's Proposed Rule includes significant changes from the prior draft, including the elimination of a draconian disclosure requirement.

**Effective Date:** Once the SEC approves these rules, they are likely to take effect in the second half of 2016 or in 2017. Within two months of SEC approval, FINRA and the MSRB will issue releases establishing the effective date for their respective rules. FINRA and the MSRB will set the effective date for their rules between six months and one year after the dates of such releases.

**Impact on Investment Adviser Rule Restricting Placement Agents:** The FINRA and MSRB Rules are the final pieces of the regulatory regime to implement the SEC Rule 206(4)-5 restrictions on investment advisers' ability to use affiliates or third parties as placement agents. Once both of the above rules are effective, the SEC will begin enforcing the Rule 206(4)-5 placement agent restrictions. Pursuant to the terms of an FAQ issued by the SEC on June 25, 2015, the SEC staff will not recommend enforcement of Rule 206(4)-5's placement agent provision until the later of the effective dates of the FINRA pay-to-play rule and the MSRB Rule G-37 amendments.

**Details of FINRA and MSRB Rules Will Be Forthcoming:** We are reviewing the text of both releases and will provide analysis of the proposed rules in a future mailing.

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