



Political Law Alert

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FINRA Pay-to-Play Rule Effective August 20, 2017

On October 24, 2016, the Financial Industry Regulatory Authority (FINRA) announced in Regulatory Notice 16-40 that its pay-to-play and related recordkeeping rules, FINRA Rules 2030 and 4580, will take effect on August 20, 2017.

The SEC had previously stated that it would not recommend action against an investment adviser under SEC Rule 206(4)-5's placement agent restrictions on an adviser's ability to use affiliates or third parties as placement agents until the later of the effective date of FINRA's pay-to-play rule or the MSRB's amendments to Rule G-37 subjecting municipal advisors to its pay-to-play restrictions. As the MSRB's amendments to Rule G-37 are already in effect, the SEC is expected to begin enforcing Rule 206(4)-5's placement agent restrictions on August 20, 2017, as well.

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