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FINRA Proposes Expanding the Application of FINRA Rules to Government Securities.

FINRA proposed amendments to Rule 0150 ("Application of Rules to Exempted Securities Except Municipal Securities") to expand the application of certain FINRA rules to business transactions in U.S. government securities. The proposed rule change also amends the Capital Acquisition Broker Rule 015 (Application of Rules to Municipal Securities) "for consistency with the revisions to FINRA Rule 0150 made pursuant to this rule filing."

The amendment goes through an extensive list of FINRA rules and explains how they will apply to transactions in government securities. The proposed rule change is considered "non-controversial," was published in the Federal Register for comments, and is immediately effective.

Comments are due by November 3, 2022.

Commentary

Notwithstanding the number of FINRA rules that may be expanded in scope, as a practical matter the effect on firms should be limited. That said, firms should review carefully both the rules and their business practices, as there will be some impact. For example, firms should consider whether there are new employee registration requirements applicable to employees engaged in distribution activities with respect to government-sponsored enterprise securities.

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October 13 2022

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