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FINRA Proposes Single Rule to Replace FINRA Rules 3270 and 3280: Morgan Lewis & Bockius

FINRA has proposed a single, streamlined rule (the Proposed Rule) to replace FINRA Rule 3270 (Outside Business Activities of Registered Persons) and FINRA Rule 3280 (Private Securities Transactions of an Associated Person) (collectively, the Existing Rules). FINRA's stated goal for this proposal, described in Regulatory Notice 25-05, is to create a more efficient framework for tracking and, as required, supervising outside activities of registered persons and associated persons of FINRA member firms. Comments are due by May 13, 2025.

The proposal includes a flowchart to assist firms in understanding the Proposed Rule (Attachment B) and Q&As demonstrating the differences between the current and proposed frameworks in certain scenarios (Attachment C).

WHAT CHANGES DOES THE PROPOSED RULE MAKE?

The outside activities within scope of the Proposed Rule include "investment-related activities"—a helpful proposed change and clarification from the Existing Rules: [1]

- The term "investment-related activity" is defined in the Proposed Rule as "pertaining to financial assets, including securities, crypto assets, commodities, derivatives (such as futures and swaps), currency, banking, real estate or insurance."

> According to the proposal, the term includes, but is not limited to, "acting as or being associated with a broker-dealer, issuer, insurance agent or company, investment company, investment adviser, futures commission merchant, commodity trading advisor, commodity pool operator, ***municipal advisor***, futures sponsor, bank, savings association or credit union."

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