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FINRA Proposes Rule on the Use of Third-Party Service Providers

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After many years of negotiations with the SEC staff, FINRA recently proposed for comment Rule 3190 to clarify the scope of the obligations and supervisory responsibility of member firms for functions outsourced to third-party service providers. The rule would reiterate current restrictions on all member firm's outsourcing arrangements while also applying new and heightened obligations to clearing and carrying firms. In addition, the proposed rule explicitly treats affiliates like any other third-party provider and requires notice to FINRA of outsourcing arrangements. The comment period expires on May 13, 2011.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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