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FINRA Files New Rules Governing Member Payments to Unregistered Persons

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On September 25, 2014, the Financial Industry Regulatory Authority filed a proposed rule change with the Securities and Exchange Commission to modify existing rules that govern FINRA members' ability to make payments to unregistered persons. The proposal also addresses payments to non-registered foreign finders, retired registered representatives, and persons subject to disqualification or sanction. Initially proposed for comment in December 2009, the proposal would consolidate and codify certain existing rules and interpretations of the National Association of Securities Dealers, Inc. and the New York Stock Exchange and create a general prohibition on making a transaction-based payment to persons that are not registered as broker-dealers with the SEC, but by reason of such payment would be required to register.

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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