

# FINRA's Capital Acquisition Broker Pay-to-Play Rules Now Effective

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Aiming to ensure that there is no path to investments or financial advisory business from state or local agencies or retirement funds without a ban on certain political activities, the Financial Industry Regulatory Authority (FINRA) recently extended pay-to-play restrictions to Capital Acquisition Brokers (CABs) if they solicit such state or local government business.

The U.S. Securities and Exchange Commission (SEC) approved FINRA's CAB Rule 203 (Engaging in Distribution and The U.S. Securities and Exchange Commission (SEC) approved FINRA's CAB Rule 203 (Engaging in Distribution and Solicitation Activities with Government Entities) and CAB Rule 458 (Books and Records Requirements for Government Distribution and Solicitation Activities), which became effective on December 6, 2017.

FINRA has explained that this rule change subjects CABs to the same pay-to-play rules as non-CAB member firms, making them "regulated persons." CABs thus now join a long list of persons in the financial services industry subject to pay-to-play rules, including investment advisers, municipal advisors, broker-dealers, swap dealers, security-based swap dealers, registered reps, and investment advisor representatives. The federal rules overlap with state pay-to-play rules in 20-plus states, and local rules in scores of jurisdictions around the country.

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## Practice Areas

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