

# FINRA PROPOSES TO UPDATE OUTSIDE BUSINESS ACTIVITIES DISCLOSURE REQUIREMENTS

On March 14, 2025, FINRA issued [Regulatory Notice 25-05](#) to propose new Rule 3290 (the “Proposed Rule”), which would replace two existing rules: Rule 3270 (Outside Business Activities of Registered Persons) and Rule 3280 (Private Securities Transactions of an Associated Person). The deadline to provide comments is May 13, 2025.

## KEY TAKEAWAYS

- The primary effect of the Proposed Rule will be to decrease outside business activity notices for activities that are unrelated to investing.
- The Proposed Rule would narrow reporting obligations because only activities that are “investment related” would need to be disclosed to broker-dealer firms. Nevertheless, the Proposed Rule has a broad definition of “investment-related activity.”
- A core change within the Proposed Rule is the different application to registered persons vs. associated persons, which includes both registered and non-registered employees.
- There are several exclusions, including not having to separately disclose non-broker-dealer activity on behalf of a FINRA member firm or its affiliates.

## SUMMARY

The text of the Proposed Rule is [here](#), and FINRA provided a [flowchart](#) to illustrate the Proposed Rule’s application and a hypothetical scenario [comparison](#) demonstrating how the proposal would apply in comparison to current Rules 3270 and 3280. Regulatory Notice 25-05 states that Rule 3290 will “streamline and reduce unnecessary burdens regarding existing requirements addressing the outside activities of member firms’ associated persons, including registered persons.” Current Rule 3270 requires registered persons to notify firms of *any* outside business activity, whereas a condition for notification under the Proposed Rule is that the outside activity is investment related.

The Proposed Rule would narrow reporting obligations because solely

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“investment-related” activities would need to be disclosed to broker-dealer firms. Nevertheless, the Proposed Rule has a broad definition of “investment-related activity,” which means “pertaining to financial assets, including securities, crypto assets, commodities, derivatives (such as futures and swaps), currency, banking, real estate or insurance.”

A core change within the Proposed Rule is the different application to registered persons vs. associated persons, which includes both registered and non-registered employees. FINRA Rule 1011(b) provides the definition of Associated Person, which includes all employees of the member broker-dealer “except any person whose functions are solely clerical or ministerial.” Within that broader group of Associated Persons, are registered persons. FINRA Rule 1220 provides the various categories of registered persons, such as securities traders, investment banking representatives, general securities principals, general securities representatives, compliance officers, etc.

There are three key components to the Proposed Rule, further outlined below.

#### *Registered Persons with Outside Activities That Do Not Involve Securities Transactions*

**Notice Requirement:** Pursuant to Proposed Rule 3290(a), if a registered person intends to participate in an outside investment-related activity that does not involve securities transactions, they will need to provide prior written notice to their broker-dealer, with sufficient detail to disclose their proposed role in the activity.

**Firm Assessment:** Proposed Rule 3290(c) requires firms to assess whether the outside activity (1) is actually an outside activity that involves a securities transaction; (2) involves any customers of the firm; (3) will interfere with or compromise the registered person’s firm/customer responsibilities; and (4) will be viewed by customers or the general public as part of the firm’s official business. The Proposed Rule would require firms to evaluate whether specific conditions or limitations, or even a prohibition, should be applied to the registered person’s outside activity. However, unlike the requirements discussed below for outside securities transactions, firms do not need to acknowledge the notice or approve the activity.

#### *Associated Persons with Outside Activities That Involve Securities Transactions*

**Notice Requirement:** Pursuant to Proposed Rule 3290(b), if an Associated Person intends to participate in an outside activity that involves securities transactions, they will need to provide prior written notice to their broker-dealer, with sufficient detail to disclose their proposed role in the activity.

Further, if the activity will result in direct or indirect compensation to the Associated Person, they must obtain the prior written approval of the broker-



dealer. The notice must include: (1) a detailed description of the activity; (2) a description of any series of related transactions; (3) the Associated Person's proposed role in the activity; and (4) whether the Associated Person will receive any compensation.

Firm Assessment and Approval: Proposed Rule 3290(d) requires firms to assess whether the securities transaction: (1) involves direct or indirect compensation to the Associated Person; (2) involves any customers of the firm; (3) will interfere with or compromise the Associated Person's firm/customer responsibilities; and (4) will be viewed by customers or the general public as part of the firm's business.

Where the securities transaction does not involve compensation to the Associated Person, firms need only acknowledge the notice and establish appropriate conditions upon their employee's participation in the transaction. However, if the activity involves compensation to the Associated Person, the Proposed Rule requires firms to determine whether to approve the activity or not, set appropriate conditions or limitations, and provide written notice to the Associated Person of such determination.

All approved outside securities transactions involving compensation must be recorded in the firm's books and records and must be supervised "as if executed on behalf of the member." Subsection (e) of the Proposed Rule specifically incorporates the record keeping requirements of SEC Rule 17a-4(e) (1), which generally requires firms to maintain records for at least three years after the Associated Person's employment or other connection to the firm has ended.

#### *Exclusions*

Subsection (g) of Proposed Rule 3290 has several exclusions from the Proposed Rule's structure as outlined above. First, Notice 25-05 provides that "Activity performed on behalf of a dually registered firm is not considered activity performed away from the member. The exclusion for activity conducted at an affiliate recognizes members' ability to implement meaningful controls across business lines." Thus, non-broker-dealer activity on behalf of the FINRA member firm or its affiliates (such as working as an insurance sales representative for an affiliate or working as an investment adviser representative for a dually registered firm) is not an activity that would have to be separately disclosed to the broker-dealer. Also excluded are securities transactions for immediate family members where the Associated Person receives no compensation. Finally, certain personal investments are excluded, such as activity at another broker-dealer as allowed under FINRA Rule 3210, personal investments in non-securities, and personal real estate transactions such as buying or renting a primary residence.



## CONCLUSION

The primary effect of the Proposed Rule will be to decrease outside business activity notices for activities that are unrelated to investing. If the Proposed Rule becomes effective, firms would be best served to train their workforce on what is and what is not investment-related activity to ensure they are properly characterizing their outside activities.

The comment letter period expires on **May 13, 2025**, and comments may be submitted [here](#) or emailed to [pubcom@finra.org](mailto:pubcom@finra.org).

If you need assistance preparing a comment letter or have questions about how FINRA's proposed new Rule 3290 may impact your firm, please reach out to the authors or your regular Armstrong Teasdale lawyer.