

# FINRA Proposes Pay-to-Play Rule for CABs

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September 2017

In an effort to ensure that all corners of the financial advisory industry is under the thumb of the strict U.S. Securities and Exchange Commission (SEC) pay-to-play rule, the Financial Services Regulatory Authority (FINRA) announced on August 18, 2017, that it would subject Capital Acquisition Brokers (CABs) to pay-to-play restrictions. According to FINRA, CABs are members of FINRA that engage in a limited range of activities, “essentially advising companies and private equity firms on capital raising and corporate restructuring” and act as placement agents for sales of certain securities to institutional investors under certain conditions.

FINRA proposes to make CABs subject to FINRA’s new pay-to-play rules for its registered reps, FINRA Rules 2030 and 4580. These rules just became effective on August 20, 2017 (*See Election Law News*, November 2016). The SEC has indicated that FINRA’s rules are as strict as the SEC’s own pay-to-play rules for investment advisers so that investment advisers may compensate those FINRA members who solicit state and local government business on their behalf.

FINRA is asking for comments on this proposed rule. Comments were due by September 14, 2017. For more information, please see the notice [here](#).

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## Practice Areas

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