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SEC Approves New FINRA Rule 3290: Consolidation of Outside Business Activity and Private Securities Transaction Rules

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On September 15, 2026, the US Securities and Exchange Commission ("SEC") approved FINRA's proposed rule change to adopt new FINRA Rule 3290 (Outside Activities Requirements). Rule 3290 replaces the existing FINRA Rule 3270 (Outside Business Activities of Registered Persons) and FINRA Rule 3280 (Private Securities Transactions of an Associated Person) with a single, consolidated framework. The new rule, which becomes effective on October 25, 2027, narrows the scope of reportable activities, introduces a risk-based approach to outside activity oversight, and codifies longstanding industry practices and prior FINRA guidance. The new rule also expressly excludes from the rule certain personal investments. For example, the rule excludes an associated person's purchase, sale, rental, or lease of a main home and up to two secondary homes, subject to certain conditions.

This client alert summarizes the key provisions of new Rule 3290, highlights the significant differences from the current regulatory framework, and identifies action items for FINRA member broker-dealer firms.

Background: Current FINRA Rules 3270 and 3280

FINRA Rule 3270—Outside Business Activities

Under the current framework, Rule 3270 requires registered persons of a member firm to provide prior written notice to their member firm before engaging in any business activity outside the scope of the person's relationship with the member. The member firm must then evaluate whether the proposed activity will:

- Interfere with the registered person's responsibilities to the member or its customers; or
- Be viewed by customers or the public as part of the member firm's business.

Based on that assessment, the member determines whether to condition, limit, or prohibit the activity. Rule 3270 exempts passive investments and private securities transactions subject to Rule 3280.

Notably, Rule 3270 applies to all outside business activities, regardless of whether they are investment-related, requiring registered persons to report activities as varied as bartending, refereeing sports events, or serving as a real estate agent, as well as activities such as serving as an officer or director of an unaffiliated financial services entity or public corporation.

FINRA Rule 3280—Private Securities Transactions

Rule 3280 applies to a broader population, all registered and unregistered persons of a member firm (collectively, "associated persons"), and governs private securities transactions (*i.e.,* securities transactions outside the regular course or scope of employment with the member). Key requirements include:

- **Prior written notice** to the member describing the proposed transaction, the associated person's role, and whether selling compensation is involved.
- **If selling compensation is involved:** the member must provide written approval or disapproval; if approved, the member must record the transaction on its books and records and supervise the transaction as if it were executed on behalf of the member.

- **If no selling compensation:** the member must provide prompt written acknowledgment of the notice and may impose conditions at its discretion.

"Selling compensation" is broadly defined as any compensation paid directly or indirectly in connection with the purchase or sale of a security.

Key Provisions of New Rule 3290

A. Outside Activities of Registered Persons (Rule 3290(a) and (c))

Rule 3290(a) requires a registered person to provide prior written notice to the member before engaging in any investment-related activity outside the scope of the person's relationship with the member. The registered person is required to update the notice to account for any material changes.

Rule 3290(c) requires the member to assess the following four factors upon receiving notice:

- Whether the activity constitutes an outside securities transaction (requiring the separate, more rigorous process under Rule 3290(b) and (d));
- Whether the activity involves a customer of the registered person (this is a new factor not present under Rule 3270);
- Whether the activity will interfere with or otherwise compromise the registered person's responsibilities to the member or its customers; and
- Whether the activity will be viewed by customers or the public as part of the member's business.

Based on this assessment, the member evaluates whether to condition, limit, or prohibit the activity.

B. Outside Securities Transactions of Associated Persons (Rule 3290(b) and (d))

Rule 3290(b) requires any associated person to provide prior written notice to the member before engaging in any securities transaction outside the regular course or scope of the person's association with the member. The notice must describe the proposed transaction, the person's proposed role, and whether selling compensation is involved. The associated person is required to update the notice to account for any material changes.

Rule 3290(d) governs the member's response:

Transactions Not Involving Selling Compensation

- The member must provide prompt written acknowledgment of receipt of the notice.
- The member may impose reasonable conditions or limitations at its discretion.

Transactions Involving Selling Compensation

- The member must approve, approve with conditions, or disapprove the transaction in writing before the associated person participates.
- If approved, the member must record the transaction on its books and records and supervise the transaction as if it were executed on behalf of the member consistent with current Rule 3280.
- The member must assess the same four factors applicable to outside activities (described above), with the second factor focused on customers of the member if the associated person is unlicensed.

C. Definition of "Investment-Related Activity" (Rule 3290(f)(3))

A central feature of Rule 3290 is its narrowing of reportable activities from all outside business activities to only those that are "investment-related." Rule 3290(f)(3) defines an investment-related activity as an activity pertaining to financial assets, including but not limited to:

- Securities, crypto assets, commodities, derivatives (including futures and swaps), and currency;
- Banking, real estate, and insurance;
- Acting as or being associated with a broker-dealer, issuer, insurance agent or company, investment company, investment adviser, futures commission merchant ("FCM"), commodity trading adviser ("CTA"), commodity pool operator ("CPO"), municipal advisor, futures sponsor, money services business, bank, savings association, or credit union; and
- Personal investments involving securities transactions ("buying away"), except those subject to FINRA Rule 3210 (Accounts at Other Broker-Dealers and Financial Institutions).

Importantly, non-investment-related activities such as refereeing sports games, bartending, or similar pursuits are no longer subject to prior written notice requirements under the new rule.

D. Activities Treated as Outside Activities (Not Private Securities Transactions)

Rule 3290 reclassifies several categories of activity that would otherwise be treated as private securities transactions under the current rule, subjecting them instead to the less burdensome outside activity notice and assessment framework:

Portfolio Managers and Investment Committee Members (Rule 3290.02)

Serving as a portfolio manager or investment committee member for registered investment companies, unregistered investment companies, business development companies ("BDCs"), real estate investment trusts ("REITs"), or tax-exempt entities is treated as an outside activity—unless the person is selling shares of those entities for compensation, in which case it remains an outside securities transaction.

Unaffiliated Registered Investment Adviser Activity (Rule 3290.03)

Activity conducted at an SEC-registered or state-registered investment adviser ("RIA") that is not affiliated with the member firm is treated as an outside activity. This is a significant change from current practice under NASD Notices to Members 94-44 and 96-33, which treated such RIA activity as a private securities transaction subject to the member's supervision and recordkeeping obligations. Under Rule 3290.03, the member's supervision and recordkeeping obligations for the unaffiliated RIA activity are eliminated, though the member retains the ability to impose conditions or limitations, or to prohibit the activity entirely in its discretion.

GLBA and Regulation R Activity (Rule 3290.05)

Securities activities conducted pursuant to the exceptions under the Gramm-Leach-Bliley Act ("GLBA") or Regulation R are treated as outside activities rather than outside securities transactions.

E. Exclusions from Rule 3290

Rule 3290 establishes several categories of activity that are wholly excluded from the rule's requirements:

Affiliate Activity (Rule 3290(g)(1))

Activity conducted on behalf of the member or an affiliate (defined as an entity that controls, is controlled by, or is under common control with the member) is excluded.

Immediate Family Transactions (Rule 3290(g)(2))

Securities transactions among immediate family members that do not involve selling compensation are excluded.

Certain Personal Investments (Rule 3290(g)(3))

- Securities transactions subject to FINRA Rule 3210 (Accounts at Other Broker-Dealers and Financial Institutions);
- Personal investments in non-securities (*e.g.,* commodities, real estate partnerships that are not securities); and
- The purchase, sale, rental, or lease of a main home and up to two secondary homes that are: (i) solely owned by the associated person or the associated person and immediate family; (ii) owned by the associated person as a sole proprietorship; (iii) owned by a corporation, limited liability company, partnership, limited partnership, or other entity that is solely owned by the associated person or the associated person and immediate family; or (iv) owned by a trust with the associated person or the associated person and immediate family as the sole beneficiaries.

Contractual Arrangements (Rule 3290.04)

Activity conducted pursuant to a contractual arrangement between the member and another entity, where the activity is performed on behalf of the member, is excluded.

F. Codification of Allocation Arrangements (Rule 3290.01)

Rule 3290.01 codifies the guidance previously set forth in NASD Notice to Members 96-33. Where an associated person is associated with multiple FINRA member firms and one member approves an outside securities transaction involving selling compensation, the members may develop a written allocation arrangement under which at least one member assumes responsibility for compliance with the applicable books, records, and supervision requirements.

G. Explicit Supervision of Conditions and Limitations (Rule 3290.06)

Rule 3290.06 explicitly requires member firms to establish and maintain a system to reasonably supervise compliance with any conditions or limitations imposed on outside activities and outside securities transactions. While this obligation was implicit under the current rules through FINRA Rule 3110 (Supervision), Rule 3290.06 now codifies it as a standalone requirement, reinforcing the expectation that conditions are not merely imposed but actively monitored.

H. Recordkeeping (Rule 3290(e))

Member firms must maintain all records relating to compliance with Rule 3290 in accordance with Exchange Act Rule 17a-4(e)(1), which requires retention for at least three years following the termination of the associated person's employment with the member.

I. General Exemptive Authority (Rule 3290(h))

Rule 3290(h) grants FINRA staff the authority to conditionally or unconditionally grant exemptions from the rule's requirements under the FINRA Rule 9600 Series upon a showing of good cause after taking into consideration all relevant factors.

Potential Impact on Member Firms

Compliance Program Updates

Member firms should begin evaluating their existing compliance programs in light of Rule 3290's consolidated framework. Key areas requiring attention include:

- **Policies and Procedures.** Firms will need to update written supervisory procedures ("WSPs") to reflect the new rule's consolidated structure, the narrowed scope of reportable activities, the revised assessment factors (including the new "customer of the person" factor), and the explicit supervision obligations under Rule 3290.06.
- **Outside Activity Reporting Systems.** Firms may need to update internal reporting forms and systems to align with the new categories of "investment-related activity" and "outside securities transaction," and to eliminate reporting requirements for non-investment-related activities.
- **Training.** Compliance, supervisory, and registered personnel will need training on the new rule's requirements, including the distinction between outside activities and outside securities transactions and the revised exclusions.

Supervisory Resource Reallocation

The explicit supervision requirement under Rule 3290.06, combined with the narrower activity scope, signals FINRA's expectation that firms will concentrate supervisory attention on activities that pose the greatest risk to investors—particularly those involving member firm customers and those involving selling compensation. Firms should consider whether their current supervisory structures are optimally designed to address these risk priorities.

Unaffiliated RIA Activity

The reclassification of unaffiliated RIA activity as an outside activity (rather than a private securities transaction) under Rule 3290.03 eliminates the member firm's obligation to supervise and maintain records for such activity. While this reduces regulatory burden, firms should be aware that:

- Firms retain the discretion to impose conditions, limitations, or prohibitions on unaffiliated RIA activity;
- Red flag obligations under FINRA Rule 3110 (Supervision) remain in full effect; if a firm becomes aware of indications of potential misconduct relating to outside RIA activity through email review or otherwise, it must respond appropriately; and
- Investor advocacy groups (including PIABA and NASAA) and certain state regulators expressed concerns about this change during the comment period, and it may receive enhanced regulatory scrutiny going forward.

Form U4 Considerations

FINRA noted in connection with the rulemaking that Form U4 disclosure obligations for outside business activities are outside the scope of Rule 3290 itself. However, FINRA stated that it intends to work with the SEC and state regulators to harmonize Form U4 outside business activity reporting with the new rule's framework. Firms should monitor developments in this area, as changes to Form U4 reporting obligations may follow.

Transition Timeline

With an effective date of October 25, 2027, FINRA believes it has established an effective date that balances providing member firms with sufficient time for implementation while reducing unnecessary regulatory burdens in a timely manner. However, until the effective date, firms must continue to comply with Rules 3270 and 3280. Although the effective date appears distant, the time needed to update WSPs, reporting systems, training, as well as re-evaluating existing approvals under Rules 3270 and 3280, may be significant. Accordingly, firms should consider beginning their gap analysis and implementation planning as soon as possible to ensure an orderly transition to Rule 3290's requirements upon the effective date.

Firms May Impose Stricter Requirements

Rule 3290 establishes a regulatory floor, not a ceiling. Member firms retain full discretion to impose requirements that are more restrictive than those mandated by the rule—including requiring notice of non-investment-related activities, imposing additional conditions on outside activities, or maintaining broader recordkeeping. Firms should evaluate whether their risk profiles and customer bases warrant more stringent internal policies.

Recommended Next Steps

In advance of the effectiveness of FINRA Rule 3290, we recommend that member firms consider the following actions:

- **Conduct a gap analysis** comparing existing outside business activity and private securities transaction policies against the requirements of Rule 3290.
- **Update written supervisory procedures** to reflect the consolidated framework, the narrowed scope of reportable activities, the new assessment factors, and the explicit supervision obligations.
- **Review current outside activity inventories** to identify activities that will no longer require reporting under the investment-related activity standard and activities that may be reclassified or excluded under the new rule.
- **Evaluate the treatment of dual-associated persons** and consider whether written allocation arrangements under Rule 3290.01 should be established or updated.
- **Assess supervisory systems** for monitoring compliance with conditions and limitations imposed on approved activities and transactions, consistent with Rule 3290.06.
- **Plan training programs** for compliance, supervisory, and registered personnel on the new rule's requirements and the firm's updated policies.
- **Monitor FINRA communications** regarding the effective date, Form U4 harmonization efforts, and any additional implementation guidance.

We will continue to monitor developments related to Rule 3290 and will provide additional guidance if further implementation details are announced.

For More Information

We are available at any time to answer questions, discuss scenarios, and provide guidance. If you would like further information concerning the matters discussed in this article, please contact a member of the Investment Management Group or visit us online at chapman.com.

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1 *SEC Release No. 34-106381 (September 15, 2026); File No. SR-FINRA-2026-001.*

2 FINRA Rule 3290(f)(4) defines a "secondary home" as property used for residential purposes by the associated person for at least part of the year.

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