



May 13, 2025

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006

Re: Regulatory Notice 25-05, FINRA Requests Comment on a Proposal to Reduce Unnecessary Burdens and Simplify Requirements Regarding Associated Persons' Outside Activities

Dear Ms. Mitchell,

The American Securities Association¹ (ASA) appreciates the opportunity to comment on FINRA's proposal to streamline and reduce unnecessary burdens regarding the outside business activities (OBA) of associated persons, as outlined in Regulatory Notice 25-05. We are writing to express our support for several key aspects of the proposal, as well as to provide suggestions to further ease onerous burdens for FINRA's consideration.

Support for Consolidation and Streamlining

We strongly support FINRA's initiative to consolidate Rules 3270 and 3280 into a single rule, narrowing the scope of reportable outside activities to those that are investment-related. This approach will reduce unnecessary compliance burdens for both firms and registered persons by eliminating the requirement to report and assess non-investment-related activities, such as refereeing sports games, driving for a car service, or bartending on weekends. These activities do not pose an investment risk to investors and do not warrant regulatory oversight, but do require significant resources in order to meet current obligations. Eliminating these and similar activities from the parameters of the rule will allow firms to focus on activities that are more likely to impact clients or create conflicts of interest.

Focus on Registered Representatives Only

We recommend that FINRA narrow the scope of outside business activity disclosure and review requirements to registered representatives actively engaged in securities transactions. Individuals who are not registered and do not have client contact generally do not pose a risk to investors and should not be subject to OBA monitoring. This targeted approach would reduce unnecessary compliance burdens and allow firms and regulators to focus resources on the population that directly impacts investor protection.

¹ ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. ASA's mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This mission advances financial independence, stimulates job creation, and increases prosperity. ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.





Limiting Supervision to Investment-Related Activities by Registered Representatives

While we support the proposal's focus on investment-related activities, this focus should be explicitly limited to activities conducted by registered representatives in connection with securities transactions or client relationships. Expanding supervision beyond this scope, particularly to non-registered persons or unaffiliated registered investment adviser (RIA) activities, risks regulatory overlap, investor confusion, and unnecessary burden on broker-dealers.

Existing Rule Language Supports Narrower Scope

A literal reading of current OBA rules supports limiting monitoring and disclosure requirements to registered representatives engaged in securities transactions. FINRA's expansive guidance over the years has broadened the scope beyond the original intent, creating regulatory uncertainty and inefficiency. We urge FINRA to clarify the rules to reflect this narrower, more precise focus rather than relying on guidance that is more than thirty years old.

Exclusions for Low-Risk Investment-Related Activities

We support the proposal's exclusion of certain non-investment-related activities, such as weekend jobs or personal pursuits that do not involve securities or client impact, from reporting requirements. Similarly, rental property activities generally do not impact investors and should be excluded unless there is direct client involvement warranting supervision.

Concerns Regarding Supervision of Unaffiliated RIA Activities

We urge FINRA to remove any obligation for broker-dealers to supervise outside investment activities conducted at unaffiliated RIAs. This requirement is outdated and inconsistent with modern regulatory frameworks, including Regulation Best Interest, which clearly delineates the standards and responsibilities applicable to broker-dealers and investment advisers. Imposing broker-dealer supervision over unaffiliated advisory activities risks investor confusion, regulatory overlap, and disproportionate burdens on broker-dealers without reciprocal obligations for RIAs. It is unfair for broker-dealers to be subject to this duplicative requirement and investors should be reasonably assured that SEC and state securities regulators are adequately supervising RIA compliance with their regulatory regimes.

Flexibility for Firms to Adopt Enhanced Supervisory Procedures

We recommend that FINRA explicitly acknowledge that member firms may adopt additional reporting and supervisory requirements through their Written Supervisory Procedures (WSPs) to capture non-investment related activities as necessary to fulfill their supervisory obligations. Incorporating such a provision into the proposal would enable firms to establish clear expectations for registered representatives as they determine necessary to assess without requiring firms to acquire such oversight authority contractually or otherwise with their representatives.

Clarification and Practical Considerations for Private Securities Transactions and Beneficial Ownership

We urge FINRA to reconsider the requirement that firms receive prior written notice for "buying away" private securities transactions involving registered representatives. In 2017, when FINRA announced in [Regulatory Notice 17-20](#) (May 2017) a retrospective review of these rules, it was clear that the intention of these rules was to require supervisory and recordkeeping obligations on "selling away"





activity, but not on passive investments made by registered representatives. While firm awareness of selling away PSTs is important for investor protection, passive “buying away” activity does not provide protection to consumers and imposes significant and unnecessary administrative burdens on member firms. Instead, we recommend adopting a more flexible risk-based approach that eliminates obligations for supervision of buying away PSTs. This would allow firms to focus resources on transactions that pose genuine supervisory concerns while reducing unnecessary compliance overhead. Additionally, we encourage FINRA to clarify and limit reporting obligations related to beneficial ownership interests in private securities held by spouses and other family members, as firms lack the ability to enforce disclosure or attestations from non-associated persons. Eliminating these requirements would better align regulatory expectations with practical realities, focusing oversight on activities directly involving the representative.

Additional Requests for Clarity

While we support the overall direction of the proposal, we encourage FINRA to provide further guidance and illustrative scenarios, particularly regarding:

- The definition of “investment-related activity,” ideally focused on client investments or activities that could impact clients.
- The treatment of complex ownership structures, such as LLCs used to facilitate investments, to clarify when disclosures or Form U4 amendments are required.
- The application of disclosure requirements to activities involving spouses, domestic partners, or household members.
- The scope of “affiliate” definitions to ensure clarity on activities performed at affiliated entities versus unaffiliated firms, recognizing that there are legitimate relationships between broker-dealers and banks, credit unions and insurance companies, where the registered representative should not be required to report their activity with their primary employer as an outside activity.

Conclusion

The proposed changes represent a positive step toward modernizing the OBA framework, reducing unnecessary burdens, and focusing regulatory oversight where it is most needed. However, FINRA should reconsider the continued imposition of unnecessary oversight of unaffiliated RIA activity and non-registered persons without client contact. We look forward to continued engagement and offer our assistance in developing further guidance as the rulemaking process progresses.

Thank you for considering our comments.

Sincerely,

Jessica Giroux

Jessica R. Giroux
General Counsel
American Securities Association

