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Update on FINRA's Proposed Rule on Third-Party Outsourcing

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Earlier this week, I had a conversation with Grace Vogel, Executive Vice President at [FINRA](#) (Financial Industry Regulatory Authority), about [FINRA's Proposed Rule 3190](#). The Proposed Rule addresses the regulation of third-party service providers and would require, among other things, heightened supervisory requirements for clearing and carrying firms.

Now that the comment period has ended, Ms. Vogel told me that FINRA has finished reviewing the [comments](#) and is preparing its response for submission to the SEC, at which time industry will have another opportunity to comment on the proposed rule.

More importantly, though, Ms. Vogel told me that FINRA is strongly considering eliminating the requirements around sub-vendors. The revised rule will likely say that as a good business practice firms should require their vendors to notify them of subcontracting relationships but will not actually go so far as to require such notification.

Loeb & Loeb's Outsourcing Group supports FINRA's revised position on the elimination of sub-vendors from the rule and view this as a positive development for the industry, as any requirements regarding sub-vendor notification would have made industry compliance overly burdensome (as we discussed in our [April Outsourcing Alert](#)).

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