

## Corporate & Financial Weekly Digest

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### **FINRA Proposes Rule Changes to FINRA Rule 5131**

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The Financial Industry Regulatory Authority has proposed rule changes to FINRA Rule 5131 (New Issue Allocations and Distributions) to simplify the rule's spinning provision and to delay until September 26 the implementation date of the rule's provisions prohibiting spinning and purchasing of new issues in the secondary market prior to the start of trading of such shares in the secondary market. Paragraph (b) of FINRA Rule 5131 will prohibit an underwriter from allocating new issues to directors or executives of investment banking clients in exchange for receipt of investment banking business. The FINRA proposal would delete paragraph (b)(1) of the rule, which requires members to establish, maintain and enforce policies and procedures reasonably designed to ensure that "investment banking personnel" have no involvement or influence, directly or indirectly, in the members' new issue allocation decisions because of member concerns regarding the interpretation of this provision, particularly the term "investment banking personnel."

Paragraph (d)(4) of FINRA Rule 5131 (Market Orders) will prohibit members from accepting any market order for the purchase of shares of a new issue in the secondary market prior to the start of trading of such shares in the secondary market. Because members have requested additional time to develop a process for reliably identifying new issues and to modify their order handling systems, FINRA is proposing to delay the implementation date of this provision of the rule until September 26. The effective date of the proposed rule changes will be the date of Securities and Exchange Commission approval.

Click [here](#) to read FINRA's proposed rule change.

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