

New FINRA Rule 5131 Relating to Allocation and Distribution of Shares in IPOs Approved by the SEC

May 16, 2011

Please note the following recent developments with respect to the new FINRA Rule 5131, as described in our [previous client alert](#) entitled "New FINRA Rule 5131 Relating to Allocation and Distribution of Shares in IPOs Approved by the SEC", dated March 23, 2011.

FINRA has proposed two changes to amend Rule 5131. FINRA first proposes to simplify the spinning provision of the rule set forth in Rule 5131(b) by deleting paragraph (b)(1), which requires that members establish, maintain and enforce policies and procedures reasonably designed to ensure that investment banking personnel have no influence in the new issue allocation of such members. This proposal is due primarily to concerns regarding how to interpret the term "investment banking personnel" which is not defined in the rule. Because firms are currently required to have written policies and procedures with respect to spinning prohibitions in paragraph (b)(2) pursuant to NASD Rule 3010, FINRA believes the purposes of the anti-spinning provision can still be served without this particular provision.

Additionally, FINRA proposes to delay the effectiveness of paragraph (b), as well as Rule 5131(d)(4) (relating to the prohibition on market orders) from May 27, 2011 (the effective date of the new rule) until September 26, 2011. The remaining provisions will be effective on May 27, 2011.

Comments on the foregoing changes must be submitted to the SEC on or before May 16, 2011.