

## >>>FAIRVIEW FLASH REPORT<<<

### FINRA “Capital Acquisition Broker” Rules to Simplify Requirements for Certain Broker-Dealers

#### WHAT HAPPENED?

On August 18, 2016, the SEC approved new FINRA rules regarding the registration and regulation of "capital acquisition brokers" (CABs) that choose to be subjugated to the "broker dealer-lite" rules (CAB Rules) in lieu of full broker-dealer registration.

Registration as a CAB could be advantageous for broker-dealers performing certain marketing activities for private funds, including: private equity fund portfolio transactions, marketing certain private placements to institutional investors, using private placements of the private fund's interest to raise capital, and consulting companies on M&A and corporate restructuring transactions.

The purpose of the CAB Rules is to streamline the registration for firms and simplify compliance burdens. The CAB Rule 016 defines a CAB as any broker that is compensated for one or more of the following activities:

- Advising issuers and private funds about capital raising activities;
- Advising companies on the selection of an investment banker, corporate restructuring, or the purchase or sale of a business or assets;
- Helping prepare offering materials;
- Providing negotiation and structuring services, expert testimony, litigation support, valuation services, and fairness opinions;
- Influencing a privately-owned company's disposition to a buyer that intends to operate the company; and
- Acting, soliciting, identifying, or qualifying as a finder or placement agent for the sale of unregistered securities to institutional investors.

<p><b>WHAT ARE THE IMPLICATIONS?</b></p>	<p>The CAB Rules will be similar yet more manageable than FINRA rules for broker-dealers through the following provisions:</p> <ul style="list-style-type: none"> <li>• Exempting CABs from FINRA's fair pricing rules;</li> <li>• Simplifying the prohibition on false and misleading statements in advertising;</li> <li>• Exempting CABs from holding annual compliance meetings, reviewing and investigating transactions, retaining certain documentation and supervisory procedures, and directing internal investigations;</li> <li>• Exempting CABs from the supervisory certification rule, the business continuity plan rule, and the business continuity and disaster recovery testing rule; and</li> <li>• Requiring a written anti-money laundering program that tests compliance every two years.</li> </ul>
<p><b>WHAT DOES THIS MEAN FOR ME?</b></p>	<p>Fairview encourages all broker-dealers to review their business practices and the applicability of the CAB Rules. If your brokerage activities are limited to those of a CAB, you should consider utilizing the CAB Rules, which would minimize your firm's compliance burdens.</p> <p>The CAB Rules will become effective on April 14, 2017. FINRA will accept applications for CAB registration starting on January 3, 2017. Please contact Fairview with any additional questions or concerns.</p>

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Sources: [FINRA "Capital Acquisition Broker" Rules are a Solution for Private Equity and Hedge Funds and Private Investment Banking/M&A](#)