Update: SEC Extends Principal Trading Rule

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The SEC has officially extended the sunset for the temporary principal trading rule under the Advisers Act. It will now expire on December 31, 2014.
Temporary Rule 206(3)-3T, originally adopted in 2007, allows investment advisors that are dually registered as broker-dealers to sell stocks and bonds from their firm's product inventory for non-discretionary accounts without making prior disclosure and getting prior written consent for each trade. Instead, they can provide disclosures on a prospective or annual basis and get oral consents.
In its order, the SEC acknowledged that the principal trading rule "should be considered as part of our broader consideration of the regulatory requirements applicable to broker-dealers and investment advisers in connection with the Dodd-Frank Act."

The SEC responded to critics by emphasizing that it "has and will continue to examine firms that engage in principal transactions and will take appropriate action to help ensure that firms are complying with [the rule], including possible enforcement action."

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