

Routing

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The Regulatory & Compliance Update is published by Renaissance Regulatory Services for its clients' legal, compliance, senior management, and supervisory personnel.

This memorandum is distributed to RRS clients at no charge and includes "hot topics" of focus by regulators and of interest to compliance professionals. The document is intended to provide reminders of regulatory matters that were released or issued during the previous month.

The information contained in this publication was compiled from various regulatory releases and is believed to be true and correct as of the date of distribution. Many regulatory issues are subject to interpretations that can change as industry rules and regulations change, and as compliance issues evolve. Readers are cautioned to consider their individual situations and are encouraged to contact RRS staff for guidance on any issues. The information is not intended as legal or accounting advice, which can only be provided by a duly qualified attorney or certified public accountant.

Hot Topics

EVENTS

- **DEADLINE:** Monthly FOCUS Filing Due March 25th, 2014
- **FINRA:** Fixed Income Conference, March 11, 2014, New York, NY
- **FINRA:** Annual Conference May 19-21, Washington, DC

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Service Spotlight: Supervisory Controls

RRS provides a full range of services to assist with your firm's compliance with NASD Rules 3010, 3012 and FINRA Rule 3130, including:

- Comprehensive Risk Assessment
- Review of Supervisory Structure
- Written Supervisory and Supervisory Control Procedures Gap Analysis
- Transactional and forensic testing of the written supervisory procedures
- Report Preparation
- Draft CEO Certification
- Annual Compliance Meetings
- Compliance Program Testing Training
- Ongoing Compliance Support

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Washington, DC

SEC**SEC Announces:**

Initiative Directed at Never-Before Examined Registered Investment Advisers ([Link](#))

SEC Charges:

Three California Residents Behind Movie Investment Scam ([Link](#))

Wall Street Investment Banker With Insider Trading in Former Girlfriend's Account to Pay Child Support ([Link](#))

Arizona-based Private Equity Fund Manager in Expense Misallocation Scheme ([Link](#))

List of No Action Letters:

Managed Funds Association ([Link](#))

Firsthand Technology Value Fund, Inc. ([Link](#))

The Brink's Company ([Link](#))

Nuveen Investment Funds ([Link](#))

MEAG MUNICH ERGO. ([Link](#))

Broker-dealer Compliance Support

RRS' regulatory and compliance consulting and support solutions for broker-dealers' includes:

- SEC/FINRA compliance examinations
- AML program development and reviews
- Annual compliance meetings
- Written supervisory policies and procedures
- Regulatory mandates
- Compliance programs and training
- Code of ethics

For more information contact John Pinto at (202) 463-6575 or JohnPinto@RRSCompliance.com

SEC to Hold Cybersecurity Roundtable

Washington D.C., Feb. 14, 2014 — The SEC announced that it will host a roundtable next month to discuss cybersecurity and the issues and challenges it raises for market participants and public companies, and how they are addressing those concerns. ([Link](#))

Switzerland-based Multinational Financial Services Holding Company Agrees to Pay \$196 Million and Admits Wrongdoing in Providing Unregistered Services to U.S. Clients

Washington D.C., Feb. 21, 2014 — The SEC announced charges against Zurich-based Credit Suisse Group AG for violating the federal securities laws by providing cross-border brokerage and investment advisory services to U.S. clients without first registering with the SEC. ([Link](#))

SEC Continues Microcap Fraud Crackdown, Proactively Suspends Trading in 255 Dormant Shell Companies

SEC announced the latest actions in its microcap fraud-fighting initiative known as Operation Shell-Expel, suspending trading in 255 dormant shell companies ripe for abuse in the over-the-counter market. ([Link](#))

SEC Seeks Stop Orders Against 20 Purported Mining Companies With Misleading Registration Statements

Washington D.C., Feb. 3, 2014 — The SEC announced the filing of stop order proceedings against 20 purported mining companies believed to have included false information in their registration statements. ([Link](#))

SEC Publishes Draft Strategic Plan For Public Comment

Washington D.C., Feb. 3, 2014 — The SEC published for public comment its Draft Strategic Plan that outlines the agency's strategic goals for fiscal years 2014 to 2018. ([Link](#))

SEC Names Michael Maloney As New Chief Accountant in Enforcement Division

Washington D.C., Feb. 11, 2014 — The SEC announced that Michael F. Maloney has been named the new chief accountant in the SEC's Division of Enforcement. ([Link](#))

Two Hong Kong-Based Firms to Pay \$11 Million for Insider Trading Ahead of Nexen Acquisition by Company in China

Washington D.C., Feb. 11, 2014 — The SEC announced that two Hong Kong-based asset management firms whose accounts were frozen in a major insider trading case have agreed to pay nearly \$11 million to settle the charges against them. ([Link](#))

SEC Names Rick Fleming as Investor Advocate

Washington D.C., Feb. 12, 2014 — The SEC announced that Rick A. Fleming has been named as the first head of the agency's Office of the Investor Advocate. ([Link](#))

Paul A. Leder Named as Director of SEC's Office Of International Affairs

Washington D.C., Feb. 12, 2014 — The SEC announced that Paul A. Leder has been named director of its Office of International Affairs, which advises the Commission on cross-border enforcement and regulatory matters and coordinates the SEC's involvement with regulatory authorities outside the United States. ([Link](#))

David Fredrickson Named Chief Counsel in the Division of Corporation Finance

Washington D.C., Feb. 12, 2014 — The SEC announced that David Fredrickson has been named associate director and chief counsel in the agency's Division of Corporation Finance. He is expected to assume his new position in March. ([Link](#))

Fee Rate Advisory #3 for Fiscal Year 2014

Washington D.C., Feb. 12, 2014 — The SEC announced that starting on March 18, 2014, the fee rates applicable to most securities transactions will be set at \$22.10 per million dollars. The assessment on security futures transactions will remain unchanged at \$0.0042 for each round turn transaction. ([Link](#))

SEC Approves 2014 PCAOB Budget and Accounting Support Fee

Washington D.C., Feb. 14, 2014 — The SEC voted February 5 to approve the 2014 budget of the Public Company Accounting Oversight Board (PCAOB) and related annual accounting support fee, as required by the Sarbanes-Oxley Act of 2002. ([Link](#))

Elizabeth Murphy Named as Associate Director in the Division of Corporation Finance

Washington D.C., Feb. 14, 2014 — The SEC announced that Elizabeth Murphy has been named an associate director in its Division of Corporation Finance. ([Link](#))

SEC Names Sharon Binger as Director of Philadelphia Regional Office

Washington D.C., Feb. 20, 2014 — The SEC named Sharon B. Binger as director of the Philadelphia Regional Office, where she will oversee enforcement and examinations in the Mid-Atlantic region. ([Link](#))

Stephen Luparello Named as Director of SEC's Division of Trading and Markets

Washington D.C., Feb. 20, 2014 — The SEC announced that it has named Stephen Luparello as director of its Division of Trading and Markets. ([Link](#))

Division of Trading And Markets Acting Director John Ramsay to Leave SEC

Washington D.C., Feb. 20, 2014 — The SEC announced that John Ramsay, acting director of the Division of Trading and Markets, will leave the agency next month after three and a half years of leadership and service. Mr. Ramsay, who was appointed deputy director of the division in September 2010 and has served as acting director since December 2012, plans to return to the private sector. The SEC separately named Stephen Luparello as the division's director. ([Link](#))

“Find it – Before the Regulators”

The staff at RRS are continually striving to ensure that the services and support we provide to our clients are the most up to date and comprehensive available. Frequently we are able to forecast regulatory trends based on the information our clients provide to us regarding new products, services or marketing trends. This “Find it – Before the Regulators” insight enables us to develop customized compliance solutions so that our clients can address any potential regulatory deficiencies before the regulators do.

For more information contact us at (561) 368-2245.

FINRA

FINRA Fines:

An investment bank a Record \$8 Million for Substantial Anti-Money Laundering Compliance Failures ([Link](#))

Broker-Dealer and Affiliate, Securities Management & Research, \$775,000 for Supervisory Failures Related to Sales of Non-Traded REITs and Leveraged and Inverse ETFs ([Link](#))

Regulatory Notices:

[14-05](#) SEC Approves Consolidated FINRA Rules 4314 (Securities Loans and Borrowings), 4330 (Customer Protection – Permissible Use of Customers' Securities) and 4340 (Callable Securities)

[14-06](#) FINRA Announces Updates of the Interpretations of Financial and Operational Rules

[14-07](#) SEC Approves New Requirements for Alternative Trading Systems

[14-08](#) SEC Approves Changes to Expand the Categories of Civil Judicial Disclosures Permanently Included in BrokerCheck and to Include in BrokerCheck Information About Member Firms and Their Associated Persons of Any Registered National Securities Exchange That Uses the CRD System for Registration Purposes

[14-09](#) FINRA Requests Comment on a Proposed Rule Set for Limited Corporate Financing Brokers

FINRA Conferences & Events:

Annual Conference May 19-21, Washington, DC ([Link](#))

FINRA Foundation Issues Five Dos and Don'ts That Can Help You Achieve Greater Financial Security

The FINRA Investor Education Foundation issued five tips to help consumers both manage their day-to-day financial challenges and build a brighter financial future in 2014. Drawing on the FINRA Foundation's National Financial Capability Study of more than 25,000 Americans, the Foundation's Tips—Five Dos and Don'ts That Can Help You Achieve

Greater Financial Security—provides consumers with practical, actionable guidance to help secure greater financial stability. ([Link](#))

BATS Global Markets, FINRA Enter Regulatory Service Agreement

BATS Global Markets, Inc. (BATS) has signed an agreement with FINRA, the independent, non-governmental regulator for all securities firms doing business with the public in the United States, to provide cross-market surveillance services to BATS' four stock exchanges- BZX, BYX, EDGX and EDGA, along with certain other regulatory services. ([Link](#))

FINRA Investor Education Foundation and United Way Worldwide Announce More Than \$1.2 Million in Grants to Support Grassroots Financial Education Projects

FINRA Investor Education Foundation and United Way Worldwide (UWW) have announced more than \$1.2 million in grants to nine recipients as part of the Financial Education in Your Community initiative. ([Link](#))

FINRA Board Approves Rule Prohibiting Conditioning Settlements of Customer Disputes on a Customer's Agreement Not to Oppose Expungement

FINRA announced that its Board of Governors approved a rule proposal that would prohibit firms and associated persons from conditioning settlements of customer disputes on, or otherwise compensating customers for, an agreement not to oppose a request to expunge information from an associated person's Central Registration Depository (CRD) record. This proposal is designed to help ensure that the CRD system continues to contain information that is critical to investor protection. ([Link](#))

MSRB

MSRB Regulatory Notices for February 2014:

[2014-02](#) Request for Comment on Draft Best-Execution Rule, Including Exception for Transactions with Sophisticated Municipal Market Professionals

[2014-03](#) MSRB to Collect Additional Data About 529 College Savings Plans

[2014-04](#) Request for Comment on Draft MSRB Rule G-44, on Supervisory and Compliance Obligations of Municipal Advisors

[2014-05](#) SEC Approves New Consolidated Registration Rule and Registration Form for Dealers and Municipal Advisors

MSRB PROPOSES TO ESTABLISH FIRST BEST-EXECUTION RULE FOR MUNICIPAL SECURITIES TRANSACTIONS

MSRB requested public comment on a proposal to establish for the first time explicit requirements for municipal securities dealers to seek the most favorable price possible when executing transactions for retail investors. If ultimately approved, the proposed "best-execution"

standard would provide benefits for investors, promote competition among dealers and enhance market efficiency. ([Link](#))

MSRB PROPOSES SUPERVISION RULE FOR MUNICIPAL ADVISORS

MSRB requested public comment on proposed supervisory and compliance obligations for municipal advisors when engaging in municipal advisory activities. Establishing a supervision rule is a key step in the MSRB's development of a regulatory framework for municipal advisors, as directed by Congress in the Dodd-Frank Wall Street Reform and Consumer Protection Act. ([Link](#))

FINRA Rulebook Consolidation

Since 2008, FINRA has been in the process of consolidating NASD Conduct Rules into the FINRA Rules. Firms are required to update their written supervisory and control procedures to address the Rule changes as they become effective.

These rule changes have included substantive revisions to existing rules and regulations, as well as new requirements. These significant revisions to industry rules impact all broker-dealers, and firms must stay vigilant in order to stay up-to-date.

RRS can provide planning and support to all aspects of the rule revisions affecting your firm including GAP analysis, project planning, drafting supervisory policies and procedures or training for the new rules.

For more information contact John Pinto at (202) 463-6575 or JohnPinto@RRSCompliance.com

MSRB Holds Quarterly Meeting

The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) held its quarterly meeting January 29-31, 2014 in Atlanta, Georgia, where it advanced the MSRB's efforts to protect investors, improve the efficiency of the municipal securities market and develop a regulatory framework for municipal advisors. ([Link](#))

MSRB ENHANCES DESIGN OF EMMA® WEBSITE TO IMPROVE ACCESS TO MUNICIPAL MARKET INFORMATION

MSRB unveiled improvements to the navigation and design of its Electronic Municipal Market Access (EMMA®) website, making it easier for investors and other municipal market participants to find important information about municipal securities. ([Link](#))

MSRB TO HOST WEBINAR TOUR OF NEWLY REDESIGNED EMMA® WEBSITE

The Municipal Securities Rulemaking Board (MSRB) will host a free webinar to provide an online tour of its redesigned Electronic Municipal Market Access (EMMA®) website on Friday, February 28, 2014 at 12 p.m. EST. ([Link](#))

MSRB PUBLISHES UPDATED FACT BOOK ON THE \$3.7 TRILLION MUNICIPAL MARKET

MSRB published its annual Fact Book, an online sourcebook that analyzes trading data and other statistics for the \$3.7 trillion municipal bond market. The new Fact Book contains data from 2013 and an analysis of the more 50 million trades that occurred in the municipal market during the last five years. It also presents year-over year comparisons of data on financial and other disclosures made by municipal bond issuers over the last two years. ([Link](#))

MSRB TO IMPLEMENT STREAMLINED REGISTRATION PROCESS FOR MUNICIPAL SECURITIES DEALERS AND MUNICIPAL ADVISORS

MSRB has received approval from the SEC to consolidate its multiple registration requirements and forms for municipal securities dealers and municipal advisors. The change will make it easier for regulated entities to meet the new and ongoing registration requirements. ([Link](#))

Municipal Securities

The RRS solutions for Municipal Securities Broker-Dealers include a wide range of preventative compliance services designed to reduce the potential for deficiencies during regulatory examinations. MSRB compliance services include examination, testing and support in the following critical areas:

- Trade Reporting (RTRS)
- Political contributions
- Underwriting activities
- Section 529 sales practices
- Official Statement Delivery
- Books and records
- Pricing
- Order Handling and Execution
- Customer confirmations
- Trade comparison and confirmation
- Supervisory Controls
- Written supervisory procedures

For more information contact John Pinto at (202) 463-6575 or JohnPinto@RRSCompliance.com

NASAA**NASAA Deputy General Counsel Named New SEC Investor Advocate**

NASAA congratulated NASAA Deputy General Counsel Rick A. Fleming on his appointment as the SEC's new Investor Advocate. ([Link](#))

Media Advisory: NASAA Leadership Letter to SEC Objecting to State Preemption of Reg A+ Offerings

The leadership of the NASAA has reached out directly to the leadership of the SEC in response to the Commission's unprecedented move to preempt state authority over small corporate offerings through its proposed rule regarding Regulation A+. The February 19, 2014 letter, signed by 18 past and present Officers, Directors, and Organizational Chairs of NASAA, said, in part: ([Link](#))

**NASDAQ—NASDAQ-TRADER—
OTCBB****Equity Trader Alert:**

[2014-10](#) NASDAQ Activates "ISLF" Directed Order Routing Strategy

[2014-11](#) NASDAQ OMX U.S. Markets will be Closed on Monday, February 17, 2014

[2014-12](#) Inogen, Inc. Scheduled to Begin Listing on NASDAQ on Friday, February 14, 2014

[2014-13](#) NASDAQ OMX Announces Additional Method for Anti-Internalization Processing for BX and PSX Equities Markets

[2014-15](#) Modifications to NBBO Setter Program Effective March 3, 2014

[2014-14](#) NASDAQ Confirms Dates for Upcoming Vodafone Group Plc ADS (VOD) Transaction

[2014-16](#) NASDAQ OMX Announces Equity Market Net Notional Value Kill Switch

[2014-17](#) Limit Up/Limit Down Implementation Reminder

[2014-18](#) Postponed - NASDAQ Limit Up/Limit Down Implementation

[2014-19](#) NASDAQ to Begin Listing PowerShares International BuyBack Achievers Portfolio on Thursday, February 27, 2014

Data Technical News:

[2014-3](#) FINRA To Move BBDS and TDDS Documentation to New Website in 2014

[2014-1](#) Reminder of NASDAQ OMX eSpeed Market Data Policy for Application Usage

[2014-4](#) NASDAQ OMX Issues Update on Symbology Initiative

Options Regulatory Alert:

[2014-4](#) NOM Bid/Ask Differentials for "NDX", "GOOG" and "PCLN" Options Class Through March 21, 2014

Financial Products News:

[2014-9](#) NASDAQ OMX Announces Launch of Two New Indexes Effective Monday, February 10, 2014

[2014-8](#) NASDAQ OMX Announces Launch of Two New Indexes Effective Tuesday, February 4, 2014

[2014-12](#) NASDAQ OMX Announces Launch of Two Test Indexes

Trading and Market Making

The evolving market structure and changes to the regulatory framework create unique compliance issues for broker-dealers engaged in trading and market making. RRS provides compliance examinations based on FINRA's TMMS examination that includes:

- Regulation NMS Compliance
- Order handling
- Best execution
- Trade reporting
- Order execution and routing disclosures
- Payment for order flow disclosures
- OATS compliance
- REG SHO
- Trader registration
- Anti-competitive practices
- Written supervisory procedures

For more information contact John Pinto at (202) 463-6575 or JohnPinto@RRSCompliance.com

Effective March 3, 2014

[2014-13](#) NASDAQ OMX Announces Launch of New Indexes Effective Monday, March 3, 2014

NYSE - EURONEXT – AMEX**NYSE to Suspend Trading in:**

GSE Holding, Inc. and Commence Delisting Proceedings ([Link](#))

NYSE MKT Issues Short Interest Report:

Settlement date of January 31, 2014 ([Link](#))

Settlement date of February 14, 2014 ([Link](#))

NYSE Group, Inc. Issues Short Interest Report:

Settlement date of January 31, 2014 ([Link](#))

Settlement date of February 14, 2014. ([Link](#))

NYSE Weekly Program-Trading Data Releases:

Averaged 29.8 Percent of NYSE Volume during Nov. 25-29 ([Link](#))

EnterNext welcomes Hamon on Euronext Brussels

The Hamon Group is a world player in engineering and contracting (design, installation and project management). Its activities include the design, the manufacturing of critical components, the installation and the after-sale services of cooling systems, process heat exchangers, air pollution control systems, heat recovery steam generators and chimneys. The products are used in power generation, oil & gas and other heavy industries like metallurgy, glass, chemicals. ([Link](#))

Euronext Fund Service to launch in France

Euronext, a wholly owned subsidiary of NYSE: ICE, welcomes the publication in France of the decree authorizing active open-end funds to be admitted to trading on regulated markets or multilateral trading facilities. ([Link](#))

iShares lists International ETF on Euronext Amsterdam

iShares, the exchange-traded funds offering of BlackRock, listed its iShares Euro Stoxx 50 ex-Financials UCITS ETF (EXFN) on the Amsterdam market of Euronext. This fund is the first ETF to come to market in continental Europe using an international security structure, where settlement of transactions is exclusively at Euroclear Bank –the ICSD. ([Link](#))

EnterNext welcomes Espírito Santo Saúde to Lisbon market

EnterNext, the Euronext N.V. subsidiary dedicated to promoting and growing its SME market, welcomed the listing of Espírito Santo Saúde, SGPS(ESS), one of the largest integrated private healthcare service groups, to the Lisbon market. ([Link](#))

EnterNext announces new Directors

The EnterNext Board of Directors, coopted Anthony Attia and CGPME, represented by Bernard Cohen-Hadad, as Directors. They replace Roland Bellegarde and Jean-François Roubaud. These appointments will be submitted to shareholders at the company's next general meeting for their approval. ([Link](#))

Crossject celebrates successful listing on Alternext

EnterNext, the Euronext subsidiary designed to promote and grow its market for SMEs, congratulated Crossject on its successful listing on Alternext in Paris. ([Link](#))

EnterNext welcomes Novisource to Amsterdam market

EnterNext, the Euronext subsidiary dedicated to promoting and growing its SME market, welcomes consultancy company Novisource (ticker symbol: NOVI) on the Amsterdam market of Euronext. ([Link](#))

Euronext appoints Hans Schinkel, Senior Vice President, Human Resources Amsterdam, Brussels, Lisbon and Paris

Euronext, a wholly owned subsidiary of Intercontinental Exchange Group (NYSE: ICE), announced that Hans Schinkel has been named Senior Vice President of Human Resources, effective April 1st 2014. This appointment is part of the on-going process of the separation of Euronext from ICE. ([Link](#))

GTT is first major listing in Paris in 2014

Euronext, a wholly owned subsidiary of NYSE: ICE, celebrated the successful listing of GTT, the world leader in cryogenic membrane containment systems used in the shipbuilding industry for the transport of liquefied natural gas (LNG). GTT was listed in compartment A of the regulated market in Paris. ([Link](#))

Ask about Our Order Handling and Best Execution Surveillance Solutions

Contact John Pinto at

(202) 463-6575

JohnPinto@RRSCompliance.com

FINCEN

Michigan MSB Shuts Down Following FinCEN Penalty For Sending Thousands of Wire Transmissions to Yemen Without Anti-Money Laundering Controls

FinCEN announced the assessment of a civil money penalty against a fraudulent businessman doing business as a money services business (MSB). A FinCEN investigation determined that, since November 2007, the offender committed serious and willful violations of the Bank Secrecy Act's (BSA) program, recordkeeping, and reporting requirements. The offender admitted the facts alleged in FinCEN's enforcement action and admitted that its conduct violated the Bank Secrecy Act. ([Link](#))

FinCEN Issues Guidance to Financial Institutions on Marijuana Businesses

FinCEN, in coordination with the U.S. Department of Justice (DOJ), issued guidance that clarifies customer due diligence expectations and reporting requirements for financial institutions seeking to provide services to marijuana businesses. The guidance provides that financial institutions can provide services to marijuana-related businesses in a manner consistent with their obligations to know their customers and to report possible criminal activity. ([Link](#))

FinCEN Finalizes AML Regulations for Housing Government Sponsored Enterprises

FinCEN finalized anti-money laundering (AML) regulations that will require the Housing GSEs to develop programs for the prevention of

money laundering and to file suspicious activity reports (SARs) with FinCEN. This Final Rule adopts, without significant change, all of the regulatory provisions contained in FinCEN's November 2011 Notice of Proposed Rulemaking. ([Link](#))

PRA

Bank of England publishes report into cyber-resilience exercise

The Bank of England published the findings of the Waking Shark II exercise, which tested the wholesale banking sector's response to a sustained and intensive cyber-attack. The exercise supports the recommendation by the Financial Policy Committee to improve and test resilience against cyber-attacks. The report shows that considerable progress has been made since the previous exercises in 2011 and highlights areas which could be further improved. ([Link](#))

Bank of England maintains Bank Rate at 0.5% and the size of the Asset Purchase Programme at £375 billion

The Bank of England's Monetary Policy Committee voted to maintain Bank Rate at 0.5%. The Committee also voted to maintain the stock of purchased assets financed by the issuance of central bank reserves at £375 billion. ([Link](#))

Bank of England and The Times Interest Rate Challenge reaches area finals stage

Some of the keenest economics and business studies students from UK secondary schools are in the final days of preparation for the area finals of the Bank of England and The Times Interest Rate Challenge. These follow on from the closely-contested regional heats held in November, which saw 293 teams - over 1,100 students - looking to win a place in one of the six area finals. ([Link](#))

Prudential Regulation Authority Board member re-appointed

The Court of the Bank of England has re-appointed Charles Randell as an independent director to the Board of the Prudential Regulation Authority (PRA). Mr. Randell was originally appointed for a 1 year term, ending 19 February 2014. This second term will be for 3 years and will end on 19 February 2017. ([Link](#))

Bank of England and The Times Interest Rate Challenge reaches area finals stage

Some of the keenest economics and business studies students from UK secondary schools are in the final days of preparation for the area finals of the Bank of England and The Times Interest Rate Challenge. These follow on from the closely-contested regional heats held in November, which saw 293 teams - over 1,100 students - looking to win a place in one of the six area finals. ([Link](#))

The UK economy and the world economy - speech by Ben Broadbent

In a speech at the Institute for Economic Affairs, external Monetary Policy Committee member Ben Broadbent discusses the relationship between UK and global growth. He stresses the importance of

developments in the global economy and international capital markets for both short-run domestic demand and economic performance over longer horizons. ([Link](#))

Bank of England approach to supervising international banks

The Bank of England has published a Consultation Paper on its approach to supervising international banks. This sets out how the Prudential Regulation Authority (PRA) will supervise UK branches of banks based outside the European Economic Area (EEA) and also explains in more detail the PRA's approach to EEA branches and subsidiaries. ([Link](#))

The transition to a new normal for monetary policy - speech by David Miles

In a speech to the Mile End Group, David Miles – member of the Bank of England's Monetary Policy Committee – argues that there are good reasons to think that the neutral, or 'equilibrium', Bank Rate will be significantly lower than its long-run average of 5% for some years ahead. ([Link](#))

COMPREHENSIVE COMPLIANCE SOLUTIONS

WWW.RRSCOMPLIANCE.COM

FCA

CPP redress scheme opens - customers have until end of August 2014 to claim

Seven million people who bought Card Protection and/or Identity Protection products from Card Protection Plan Limited (CPP) or from their bank or card provider can start claiming compensation from mid-February FCA announced. ([Link](#))

The FCA appoints adviser on wholesale banking and investment management

The Financial Conduct Authority (FCA) has appointed James Kelly as an adviser in the wholesale banking and investment management division within Supervision. A former managing director at Goldman Sachs and UBS, James Kelly will bring with him significant industry experience. ([Link](#))

The Financial Conduct Authority publishes its findings on transition management

Over £165 billion of assets invested in pensions and other large funds are transferred between investment managers, markets and products every year – potentially affecting the returns enjoyed by millions of consumers on their investments – by 13 specialist transition management (TM) providers. Following FCA's first review of the sector, firms have been advised to ensure that their controls, oversight and governance arrangements meet our requirements in all areas. ([Link](#))

An Insurance Intermediary is fined £30 million for widespread failings

The FCA has issued its largest ever retail fine of £30,647,400 to an Insurance Intermediary. The FCA found that company had serious, systemic and long running failings, extending across many key aspects of its business. In particular, during the period January 2005 to October 2011, it miss- sold insurance policies, failed to investigate complaints adequately, its Board was insufficiently engaged with compliance matters and its senior management were reluctant to address risks to customers if there was a cost implication involved. ([Link](#))

Fraudulent Trader sentenced to seven years imprisonment following successful FCA prosecution

A Fraudulent Trader was sentenced to seven years at Southwark Crown Court for defrauding investors of over £21m, following previous guilty pleas for fraud, forgery and operating a collective investment scheme without authorization. ([Link](#))

FCA finds annuity market not working for consumers - Competition Market Study launched

The annuities market is not working well for consumers, a review by the FCA has found. The FCA will now use its new remit to launch a Competition Market Study to get to the heart of the issue and make recommendations that will have wider implications as to how the market operates. ([Link](#))

Over 30,000 Building Society customers to be refunded mortgage arrears fees

The Building Society Group will voluntarily refund all administration fees for mortgage arrears since January 2009. ([Link](#))

FCA wins case against two investment schemes

The High Court has ruled that two investment schemes from two investment firms and a number of other firms were collective investment schemes. They were promoted and operated without FCA authorization. ([Link](#))

The FCA publishes report into mortgage lenders' arrears management and forbearance

In a review of lenders' approaches to mortgage arrears management, the FCA found firms had improved practices, placing greater emphasis on the need to treat customers fairly, but identified areas on which the industry should now focus. ([Link](#))

The Financial Conduct Authority fines A UK Online Trading Company £4 million for making 'unfair profits' and not being open with the FCA

The FCA has fined Two Online Trading Companies £4,000,000 for allowing the US based Group to withhold profits worth approximately £6 million (\$9,941,970) that should have been passed on to The Online Trading Company's UK's clients. ([Link](#))

FCA bans former Financial Advisory Firm CEO

The FCA has banned the former Chief Executive Officer of a Financial Advisory Firm from performing any function in relation to any regulated activity in the financial services industry. ([Link](#))

Did you Know?

A helpful reminder for investment advisers of certain periodic obligations that may be applicable under either state or federal laws and regulations:

- **Delivery of Privacy Policy** – Privacy regulations require “financial institutions”, including investment advisers, to distribute their privacy policy to existing clients on an annual basis. Advisers should be sure to distribute a copy of their privacy policy, even if there were no changes and document delivery of the privacy notice. Documentation can be achieved simply by retaining a copy of the privacy notice with a copy of the mailing list used to distribute the Policy.
- **Update of Form ADV** – The Investment Advisers Act of 1940 (“Advisers Act”), and most state regulations, require that a registered investment advisers Form ADV (both Part 1 and Part II) be updated within 90 days of the adviser's fiscal year end.
- **Brochure Rule** – The Advisers Act, and most state regulations, require that a registered investment adviser provide, or offer to provide at no charge, their clients with a copy of Part II of their Form ADV or the equivalent “brochure” statement in lieu of Part II of the Form ADV, on an annual basis.
- **Review of Compliance Procedures** – Advisers Act Rule 206(4)-7 requires SEC registered investment advisers to “Review, no less frequently than annually, the adequacy of the policies and procedures established pursuant to this section and the effectiveness of their implementation”. Written evidence of this review should be maintained. Several states have also adopted similar rules in their statutes for State registered investment advisers.
- **Hedge Fund Audited Financial Statements** – For investment advisers that manage hedge funds, audited financial statements, prepared in accordance with generally accepted accounting principles, must be provided to investors of the hedge fund(s) within 120 days of the fund's fiscal year end, in order to qualify for exemptions under the Advisers Act custody rules.

RRS offers the *Compliance Administrator* program, which is designed to provide a support mechanism to investment adviser and broker-dealer CCOs, to help meet their regulatory and compliance requirements through the delivery of a standard suite of products and services designed to emulate a compliance back-office. The service integrates RRS' registration, financial reporting and consulting services to deliver broad based support to your compliance program. Please call us at (561) 368-2245 for more information on how RRS can help support your compliance program.

Resource Links

Government

- U.S. Securities & Exchange Commission – WWW.SEC.GOV
- North American Securities Administrators Association - WWW.NASAA.ORG
- FINCEN - WWW.FINCEN.GOV
- Commodity Futures Trading Commission – WWW.CFTC.GOV
- Financial Conduct Authority - WWW.FCA.GOV.UK
- Prudential Regulatory Authority – WWW.BANKOFENGLAND.CO.UK

SRO

- FINRA - WWW.FINRA.ORG
- NASDAQ - WWW.NASDAQ.COM
- New York Stock Exchange - WWW.NYSE.COM
- Municipal Securities Rulemaking Board - WWW.MSRB.ORG
- National Futures Association WWW.NFA.FUTURES.ORG

Industry

- Alternative Investment Management Association “AIMA” – WWW.AIMA.ORG
- Bank Insurance & Securities Association “BISA” – WWW.BISANET.ORG
- Complinet – WWW.COMPLINET.COM
- Florida Securities Dealers Association “FSDA” – WWW.FLORIDASECURITIES.COM
- Financial Market Association “FMA” – WWW.FMAWEB.ORG
- Financial Services Institute “FSI” – WWW.FINANCIALSERVICES.ORG
- Investment Adviser Association “IAA” – WWW.INVESTMENTADVISER.ORG
- Investment Company Institute “ICI” – WWW.ICI.ORG
- Managed Funds Association “MFA” – WWW.MANAGEDFUNDS.ORG
- National Society of Compliance Professionals “NSCP” – WWW.NSCP.ORG
- Securities Industry and Financial Markets Association “SIFMA” – WWW.SIFMA.ORG

*This list is provided for information purposes only. RRS does not specifically endorse any group noted.

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“Find It - Before the Regulators”

The RRS’ staff continually strives to ensure that the services and support we provide to our clients are the most up to date and comprehensive available. Frequently, we are able to forecast regulatory trends based on our extensive regulatory experience and the information our clients provide regarding new products, services or marketing trends. This “Find It - Before the Regulators” insight enables us to develop customized compliance solutions so that our clients can address any regulatory deficiencies before the regulators do. If you have question or suggestions, please speak with your account representative or call us at (561) 368-2245.

READER SURVEY FAX RESPONSE

TO: Louis Dempsey

RE: February 2014

Fax: (561) 807-5442

LouisDempsey@RRSCompliance.com

FROM: _____

FIRM NAME: _____ **IA** _____ **BD** _____ **OTHER** _____

PHONE: _____ **FAX:** _____

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