

**Routing**

- Legal & Compliance
- Senior Management
- Supervisory Principals
- Operations
- Internal Audit
- Registered Representatives
- Registration & Licensing
- Training

**Table of Contents**

SEC ..... 2

FINRA ..... 3

MSRB..... 4

NASDAQ/NASDAQ  
TRADER/OTCBB ..... 4

NYSE/EURONEXT/AMEX..... 5

FINCEN.....7

PRA ..... 7

FCA..... 8

Resource Links ..... 9

Reader Survey .....10

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 February 26<sup>th</sup>, 2014
- **DEADLINE:** SIPC-7 Due March 3<sup>rd</sup>, 2014 (For Clients with a Calendar Year End)
- **DEADLINE:** Annual Audit Report Due March 3<sup>rd</sup>, 2014
- **FINRA:** Annual Conference, May 19th – 21st, Washington, DC

ITEMS IN THIS EDITION

- **SEC**—Announcement of 2014 Examination Priorities – Page 2
- **SEC**—Responsibilities of the General Counsel – Page 2
- **SEC**—SEC Issues Risk Alert on Investment Advisers' Due Diligence Processes for Selecting Alternative Investments – Page 2
- **SEC**—N.Y.-Based Money Manager and Firm for Misleading Advertisements-Page 2
- **SEC**—M&A Brokers – Page 2
- **SEC**—Interpretive Guidance on Municipal Advisor Registration Rules – Page 2
- **FINRA**—2014 Annual Audit, FOCUS, Form Custody, Supplemental Statement of Income (SSOI) and Off-Balance Sheet (OBS) Report Filing Due Dates – Page 3
- **FINRA**—FINRA Releases 2014 Regulatory and Exam Priorities – Page 3
- **FINRA**—FINRA Issues New Investor Alert: The IRA Rollover: 10 Tips to Making a Sound Decision – Page 3
- **MSRB**—MSRB Publishes 2013 Annual Report and Audited Financial Statements – Page 4
- **FinCEN**—Broker-Dealer Admits Violation of the Bank Secrecy Act for Failed Madoff Oversight; Fined \$461 Million by FinCEN – Page 7
- **FinCEN**—FinCEN Publishes Two Rulings on Virtual Currency Miners and Investors –Page 7

**Service Spotlight: AML Program Testing**

The USA PATRIOT Act, FINRA and the Bank Secrecy Act (BSA) require an independent testing of a broker dealer's or Investment Company's anti-money laundering (AML) compliance program. RRS' AML compliance testing service offers an in-depth review of your firm's AML program to measure its effectiveness in monitoring and detecting suspicious activity. Our AML compliance testing service includes: OFAC and CIP compliance, review of the firms' written AML policies and procedures, and review of applicable FinCEN requirements. With our experienced personnel and Certified Anti-Money Laundering Specialist (CAMS) we can help you Manage Through Change by meeting your AML independent testing requirement.

Contact:

**John Pinto**  
**(202) 463-6575**  
JohnPinto@RRSCompliance.com

*Renaissance Regulatory Services, Inc.*

350 Camino Gardens Blvd. • Suite 105 • Boca Raton, FL 33432 • (561) 368-2245

[www.RRSCompliance.com](http://www.RRSCompliance.com) \* [Research@RRSCompliance.com](mailto:Research@RRSCompliance.com)

Washington, DC



## **SEC**

### **SEC Announces:**

2014 Examination Priorities ([Link](#))

New Date for Compliance with Final Municipal Advisor Registration Rules ([Link](#))

### **SEC Charges:**

A Snack Foods Company and Two Former Executives in Accounting Scheme to Boost Earnings Growth ([Link](#))

A Public Accounting Firm With Violating Auditor Independence Rules ([Link](#))

An Investment Adviser Affiliate With Defrauding Clients ([Link](#))

Accountant With Insider Trading in Wife's Account ([Link](#))

Money Manager and Firm for Misleading Advertisements ([Link](#))

A Global Aluminum Producer Company With FCPA Violations ([Link](#))

Private Equity Manager With Stealing \$9 Million in Investor Funds ([Link](#))

Two College Professors in Naked Short Selling Scheme ([Link](#))

### **List of No Action Letters:**

Response of The Chief Counsel's Office  
Division of Investment Management ([Link](#))

M&A Brokers ([Link](#))

### **SEC Final Rules:**

Responsibilities of the General Counsel ([Link](#))

Temporary Stay of Final Rule on Registration of Municipal Advisors ([Link](#))

### **SEC Events:**

Sunshine Act Meeting ([Link](#))

### **SEC Issues Risk Alert on Investment Advisers' Due Diligence Processes for Selecting Alternative Investments**

The SEC's Office of Compliance Inspections and Examinations (OCIE) issued a Risk Alert on the due diligence processes that investment advisers use when they recommend or place clients' assets in alternative investments such as hedge funds, private equity funds, or funds of private funds. ([Link](#))

### **Interpretive Guidance on Municipal Advisor Registration Rules**

The SEC announced that its Office of Municipal Securities has issued interpretive guidance to address questions from market participants regarding the implementation of new final SEC rules requiring municipal advisors to register with the SEC. ([Link](#))

### **Enforcement Co-Director George Canellos to Leave SEC**

The SEC announced that George S. Canellos, co-director of its Enforcement Division, will leave the agency later this month after four-and-a-half years of service in senior leadership positions. ([Link](#))

### **SEC Names Michael Osnato as Chief of Enforcement Division's Complex Financial Instruments Unit**

The SEC announced that Michael J. Osnato, Jr. has been named chief of the Enforcement Division unit that conducts investigations into complex financial instruments. ([Link](#))

### **RRS Compliance Examinations**

**Save Money on Compliance and  
Increase Effectiveness**

**Call (561) 368-2245**

[JohnPinto@RRSCompliance.com](mailto:JohnPinto@RRSCompliance.com)

### **Myron Marlin, Director of Communications, to Leave SEC**

The SEC announced that Myron Marlin will be leaving the SEC after nearly five years as communications director, serving under chairs Mary Jo White, Elisse B. Walter, and Mary L. Schapiro. ([Link](#))

### **Agencies Approve Interim Final Rule Authorizing Retention of Interests in and Sponsorship of Collateralized Debt Obligations Backed Primarily by Bank-Issued Trust Preferred Securities**

Five federal agencies approved an interim final rule to permit banking entities to retain interests in certain collateralized debt obligations backed primarily by trust preferred securities (TruPS CDOs) from the investment prohibitions of section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, known as the Volcker rule. ([Link](#))

**SEC Obtains Settlements in Penny Stock “Shell Packaging” Case**

The SEC announced nearly \$300,000 in settlements against a Virginia-based “shell packaging” company and its CEO who were charged with facilitating a penny stock scheme as well as a Bronx, N.Y.-based stock promoter who received proceeds from the fraud. ([Link](#))

**Former Fund Manager Agrees to Settle Fraud Charges**

The SEC announced that a former portfolio manager has agreed to be barred from the securities industry and pay a \$100,000 penalty for making misrepresentations about the valuation of a fund consisting of other private equity funds. ([Link](#))

**Barbara Lorenzen Named to Senior Position in National Exam Program**

The SEC announced that Barbara S. Lorenzen has been promoted to a senior position in the agency’s Office of Compliance Inspections and Examinations (OCIE), which conducts the national examination program. ([Link](#))

**Broker-Dealer Agrees to Pay \$2.5 Million and Admits Providing Flawed “Blue Sheet” Trading Data**

The SEC charged a Broker-Dealer with failing to provide the agency with complete and accurate information about trades done by the firm and its customers, which is commonly called “blue sheet” data. ([Link](#))

**FINRA****Regulatory Notices:**

**14-01** Final Renewal Statements for Broker-Dealers, Investment Adviser Firms, Agents and Investment Adviser Representatives, and Branches

**14-02** FINRA Requests Comment on Proposed Amendments to FINRA Rule 4210 for Transactions in the TBA Market

**14-03** Proxy Rate Reimbursement and Enhanced Brokers’ Internet Platforms Amendments to FINRA Rule 2251

**14-04** SEC Approves Amendments to FINRA Rules 6271 and 6272 Regarding the Requirements For Firms Seeking Registration as FINRA Alternative Display Facility (ADF) Market Participants

**Information Notices:**

**1/8/14** 2014 Annual Audit, FOCUS, Form Custody, Supplemental Statement of Income (SSOI) and Off-Balance Sheet (OBS) Report Filing Due Dates

**Supervisory Controls**

RRS’ provides a full range of services to assist with your firm’s compliance with FINRA Rules 3010, 3012 and 3013, including:

- Comprehensive Risk Assessment
- Review of Supervisory Structure
- Written Policies and Procedures Gap Analysis
- Compliance Program Testing
- Report Preparation
- Draft CEO Certification
- Annual Compliance Meetings and Training
- Ongoing Compliance

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

**FINRA Conferences & Events:**

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

**FINRA Releases 2014 Regulatory and Exam Priorities**

FINRA released its 2014 Regulatory and Examination Priorities letter which highlights significant risks and issues that could adversely affect investors and market integrity this year. ([Link](#))

**FINRA Issues New Investor Alert: The IRA Rollover: 10 Tips to Making a Sound Decision**

FINRA issued a new Investor Alert called The IRA Rollover: 10 Tips to Making a Sound Decision to help the investing public decide if an IRA rollover is right for them. The decision to move your retirement nest egg or stay put is an important one, which usually involves significant funds. The largest source of IRA contributions comes from individuals who move their money from their employer-sponsored retirement plans, according to the Employee Benefit Research Institute. ([Link](#))

**FINRA Orders Two Broker-Dealers to Pay Fines and Restitution Totaling More Than \$1 Million for Unsuitable Sales of Leveraged and Inverse ETFs, and Related Supervisory Deficiencies**

FINRA announced that it has ordered two broker-dealers to pay combined fines of \$550,000 and a total of nearly \$475,000 in restitution to 65 customers in connection with sales of leveraged and inverse exchange-traded funds (ETFs). ([Link](#))

### **FINRA Investor Education Foundation and the American Library Association Announce \$1.19 Million in Grants to Public Libraries to Support Financial Literacy**

The FINRA Investor Education Foundation and the American Library Association (ALA) have announced \$1.19 million in grants to 17 recipients as part of the Smart investing@your library® initiative. ([Link](#))

### **FINRA Bars a Vice President of a Broker-Dealer and Broker Friend in Insider Trading Scheme**

FINRA announced that it has barred a Vice President in the conflicts office of a Broker-Dealer and a former registered representative from the securities industry for their roles in an insider trading scheme. FINRA's investigation found improperly shared material, non-public information during conversations that took place between March 2006 to October 2007 regarding at least 15 pending corporate merger and acquisition transactions. Also in connection with its investigation, FINRA barred a third broker in January 2013 for failing to appear for testimony related to his trading activity in this scheme. ([Link](#))

### **FINRA Fines A New York-Based Securities Firm \$475,000 for Inadequate Anti-Money Laundering Program and for Failing to Register Foreign Finders**

FINRA announced that it has fined a New York-based securities firm that services Mexican clients investing in U.S. and global securities, \$475,000 for not having adequate anti-money laundering (AML) systems and procedures in place and for failing to register approximately 200 to 400 foreign finders who interacted with the firm's Mexican clients. FINRA also suspended their former AML Officer and Chief Compliance Officer for 30 days in a principal capacity, as he was responsible for the firm's AML procedures and for monitoring suspicious activities. As a result of the firm's AML compliance failures, the firm opened an account for a corporate customer owned by an individual with reported ties to a drug cartel, and did not detect, investigate or report the suspicious rapid movement of \$28 million in and out of the account. ([Link](#))

## **MSRB**

### **MSRB Regulatory Notices for January 2014:**

[2014-01](#) Request for Comment on Draft MSRB Rule G-42, on Duties of Non-Solicitor Municipal Advisors

### **MSRB Publishes 2013 Annual Report and Audited Financial Statements**

The MSRB published its 2013 Annual Report, which highlights the MSRB's progress in key priority areas, including enhancing regulatory efficiency, improving financial disclosure by state and local governments, and increasing municipal market transparency. The report also includes financial highlights for the organization for the fiscal year that ended September 30, 2013, and a link to access full audited financial statements on the MSRB's website. ([Link](#))

### **FINOP Support Services**

RRS provides multiple levels of **FINOP support** for your financial reporting obligations. From preparation of full books and records to net capital reviews and FOCUS filing with **FINRA** and the **NFA**, RRS professional staff can help.

RRS services include:

- General Ledger and trial balance preparation.
- Net capital computation with supporting schedules.
- Monthly or quarterly FOCUS filings.
- Net capital interpretive guidance.

For more information contact Bart McDonald at (561) 368-2245 or [BartMcDonald@RRSCompliance.com](mailto:BartMcDonald@RRSCompliance.com)

### **MSRB Seeks Applicants for Board of Directors**

The Board of Directors of the MSRB announced it is seeking qualified applicants to fill seven positions on the Board beginning on October 1, 2014. The MSRB, which regulates the \$3.7 trillion municipal securities market, is governed by a Board that sets the strategic direction of the organization, makes policy decisions, authorizes rulemaking and market transparency initiatives, and oversees MSRB operations. ([Link](#))

### **MSRB Advances Cornerstone of Regulatory Framework for Municipal Advisors with Proposed Rule on Standards of Conduct**

To protect state and local governments and investors, the MSRB advanced a cornerstone of its regulatory framework for municipal advisors by publishing a proposed rule on the duties of advisors when providing advice on municipal securities transactions and related products to their clients. The Dodd-Frank Wall Street Reform and Consumer Protection Act charged the MSRB with developing standards of conduct and qualification for municipal advisors to help safeguard the interests of state and local governments that engage the services of municipal advisors. ([Link](#))

## **NASDAQ—NASDAQ-TRADER—**

### **OTCBB**

#### **Equity Trader Alert:**

[2014-1](#) NASDAQ to Begin Listing Three First Trust ETFs on Tuesday, January 7, 2014

[2014-2](#) NASDAQ OMX Announces a Change to FIX Protocol

[2014-3](#) Limit Up/Limit Down Update and Testing Details

[2014-5](#) NASDAQ to Begin Listing Vident Core U.S. Equity ETF on Wednesday, January 22, 2014



[2014-6](#) NASDAQ to Begin Listing Community Health Systems, Inc. CVR on Monday, January 27, 2014

[2014-7](#) NASDAQ, BX and PSX Pricing Changes Effective Monday, February 3, 2014

[2014-8](#) Limit Up/Limit Down Test Reminder and Details

[2014-9](#) Modifications to Designated Liquidity Provider (DLP) Program Effective February 3, 2014

**Data Technical News:**

[2014-1](#) Reminder NASDAQ OMX Modifies Maintenance Window for GIDS 2.0 - New Update to GIDS Sessions and Schedules

[2014-2](#) REMINDER: Beta Testing for the NASDAQ Market Data Feed Enhancements Now Available

**Options Trader Alert:**

[2014-1](#) PHLX Changes Minimum Quote Size Requirement in ICPT

[2014-2](#) NOM Announces Additional Execution Algorithm

[2014-3](#) PHLX and NOM Updates Certain Transaction Fees and Rebates

**Options Regulatory Alert:**

[2014-1](#) PHLX Announces Margin Levels for the NASDAQ OMX FX Options

[2014-2](#) PHLX Reminds Member Firms of the Fidelity Bond Requirements

[2014-3](#) NOM Bid/Ask Differentials for NDX, GOOG & PCLN Options Class Through February 21, 2014

**Financial Products News:**

[2014-1](#) NASDAQ OMX Announces Launch of Six New Indexes Effective Monday, January 13, 2014.

[2014-2](#) NASDAQ OMX Announces Launch of Six New Indexes Effective Monday, January 13, 2014

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

[2014-4](#) NASDAQ OMX Announces Launch of Additional Large Mid Cap Indexes in the NASDAQ Global Index Family

[2014-5](#) NASDAQ OMX to Begin Dissemination of New Third Party ETF Data on GIDS 2.0 Effective January 13, 2014

[2014-6](#) NASDAQ OMX Announces Launch of Two New Indexes Effective Tuesday, January 28, 2014

[2014-7](#) NASDAQ OMX to Begin Dissemination of New Third Party ETF Data on GIDS 2.0 Effective January 27, 2014

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

**UTP Vendor Alert:**

[2013-13](#) FINRA Alternative Display Facility (ADF) Plans to Reactivate as UTP Participant in February 2014

**NYSE - EURONEXT – AMEX**

**NYSE to Suspend Trading in:**

The Dolan Company and Commence Delisting Proceedings ([Link](#))

**NYSE EURONEXT Announcements:**

Euronext announces 2013 performance of indices and yearly recap ([Link](#))

**NYSE MKT Issues Short Interest Report:**

Settlement date of December 31, 2013 ([Link](#))

Settlement date of January 15, 2014 ([Link](#))

**NYSE Group, Inc. Issues Short Interest Report:**

Settlement date of December 31, 2013 ([Link](#))

Settlement date of January 15, 2014 ([Link](#))

**NYSE Weekly Program-Trading Data Releases:**

Averaged 28.1 Percent of NYSE Volume during Dec. 9-13 ([Link](#))

Averaged 24.9 Percent of NYSE Volume during Dec. 23-27 ([Link](#))

Averaged 43.1 Percent of NYSE Volume during Dec. 16-20 ([Link](#))

Averaged 27.0 Percent of NYSE Volume during Dec. 30-Jan. 3 ([Link](#))

***IA Compliance Programs***

RRS provides a full range of services to assist with your firm's compliance with SEC Rule 206(4)-7, including:

- Comprehensive risk assessment
- Written policies and procedures assessment
- Document review and forensic testing
- Supervisory controls examinations
- Financial statement review
- Best practices assessment
- Implementation assistance
- Ongoing compliance support

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

### **Euronext and EnterNext partner with Oddo Midcap Forum in promoting listed companies to investors**

Euronext and EnterNext, the subsidiary designed to promote and grow its market for SMEs, will be official partners of the 17th Oddo Midcap Forum on 9-10 January at the Centre de Congrès in Lyon, France. This year's event will be attended by 355 investors and 184 listed companies, confirming its success in attracting the investment community. ([Link](#))

### **Figeac Aéro lists on Alternext**

EnterNext, the Euronext subsidiary designed to promote and grow the market for SMEs, congratulates Figeac Aéro, specialised in precision machining for the aerospace industry, on its listing on Alternext in Paris. ([Link](#))

### **Euronext strengthens senior management team**

Euronext N.V., a wholly owned subsidiary of IntercontinentalExchange Group (NYSE: ICE), announced a series of management changes that will support and strengthen development in Europe. The new senior management structure, according to Dominique Cerutti, Chief Executive of Euronext, "will accelerate our targeted growth opportunities in Europe by bringing outstanding additional talent to our leadership team as we address the rapidly changing and increasingly competitive global landscape." ([Link](#))

### **NL Ondernemingsfonds (Dutch Entrepreneurs Fund) new source of financing for businesses**

On the initiative of Euronext Amsterdam, banks, institutional investors and Robeco are joining forces to set up the NL Ondernemingsfonds to provide financing for businesses in the Netherlands. The fund will co-finance company loans. The NL Ondernemingsfonds, the long-term scope of which is projected to reach € 1 billion, will issue its first loans this year. ([Link](#))

### **NYSE Euronext and Invesco PowerShares Announce Launch of NYSE Century ETF**

NYSE Euronext and Invesco PowerShares Capital Management LLC, a leading global provider of exchange-traded funds (ETFs), announced the launch of the PowerShares NYSE Century Portfolio (NYCC) on NYSE Arca. NYCC is based on the NYSE Century Index, which includes U.S. companies that have been incorporated for at least 100 years, are listed on a U.S. exchange and have a market capitalization of at least \$1 billion. ([Link](#))

### **Euronext launches rapeseed complex**

Euronext, a wholly owned subsidiary of IntercontinentalExchange Group (NYSE: ICE), announced that it will launch a combined Rapeseed derivatives complex by the end of 2014, offering the industry both Rapeseed meal and Rapeseed oil futures and options in individual contracts, subject to all relevant regulatory approvals. The launch also expands the Euronext commodities offering to cover the bio-diesel sector as it allows European mineral oil participants to hedge their bio-diesel price exposure. ([Link](#))

### **NYSE Euronext Welcomes Santander Consumer USA Holdings to the NYSE on its First Day as a Publicly Traded Company**

Santander Consumer USA Holdings Inc., a leading provider of consumer finance solutions in the US, opened for trading on NYSE under the ticker symbol "SC" after its initial public offering. Goldman, Sachs & Co. is the Designated Market Maker for the company's stock. ([Link](#))

### **Euronext launches Multicurrency Trading Service for ETFs**

Euronext, a wholly owned subsidiary of IntercontinentalExchange Group (NYSE: ICE), announced the launch of a multicurrency trading service for ETFs, including for the first time on a U.S. or European exchange, the Chinese Yuan Renminbi (CNY) and the Hong Kong Dollar (HKD), subject to approval of relevant clearing authorities. The new service will allow international investors to trade any Euronext listed ETFs in 20 different currencies. Euronext plans to make it available from Monday 17th February 2014. ([Link](#))

### **Euronext launches new Single Stock Futures**

Euronext, a wholly owned subsidiary of IntercontinentalExchange Group (NYSE: ICE), announced the launch of an enlarged suite of Single Stock Futures on a range of its most liquid Euronext listed stocks. The launch enhances the existing offering of individual equity options, index futures and options. ([Link](#))

## ***Anti-money Laundering Programs***

RRS provides a comprehensive suite of services to aid in AML compliance, AML Program development, testing, training and surveillance for broker-dealers, investment advisers and other financial institutions.

- Program Development
- Customer Identification
- Enhanced Due Diligence
- OFAC Compliance
- BSA Compliance
- Suspicious Activity Surveillance
- SAR/CTR Reporting
- Program Testing
- Training Plans and Presentations

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

### **Euronext Amsterdam welcomes Rabobank Certificates**

The Amsterdam market of Euronext, a wholly owned subsidiary of IntercontinentalExchange Group (NYSE: ICE), saw the launch of trading in Rabobank Certificates (ticker symbol: RABO). ([Link](#))

**NYSE Announces Super Bowl Week Leading Up to Super Bowl XLVII**

NYSE is proud to announce Super Bowl Week with NYSE-listed companies and the NY/NJ Super Bowl Host Committee. Celebrating the first open-air, cold-weather Super Bowl in history, Super Bowl Week will highlight many of the world's greatest brands, unique companies and exciting events that help make the Super Bowl one of the world's most anticipated sporting events. ([Link](#))

**Altice celebrates Initial Public Offering on Euronext Amsterdam**

Shares in multinational cable telecommunications company Altice S.A. (ticker symbol: ATC) began trading on the Amsterdam market of Euronext, a wholly owned subsidiary of IntercontinentalExchange Group (NYSE: ICE). With a total offering valued at approximately € 1.3 billion Altice is the largest IPO in continental Europe for twelve months. ([Link](#))

# COMPREHENSIVE COMPLIANCE SOLUTIONS

[WWW.RRSCOMPLIANCE.COM](http://WWW.RRSCOMPLIANCE.COM)

**FINCEN****A Broker-Dealer Admits Violation of the Bank Secrecy Act for Failed Madoff Oversight; Fined \$461 Million by FinCEN**

FinCEN fined a Broker-Dealer \$461 million for willfully violating the Bank Secrecy Act (BSA) by failing to report suspicious transactions arising out of Bernard L. Madoff's decades-long, multi-billion dollar fraudulent investment scheme. In consenting to the assessment of a civil money penalty, the Broker-Dealer admitted to the facts set forth by FinCEN and that its conduct violated the Bank Secrecy Act. ([Link](#))

**FinCEN Publishes Two Rulings on Virtual Currency Miners and Investors**

FinCEN published two administrative rulings, providing additional information on whether a person's conduct related to convertible virtual currency brings them within the Bank Secrecy Act's (BSA) definition of a money transmitter. The first ruling states that, to the extent a user creates or "mines" a convertible virtual currency solely for a user's own purposes, the user is not a money transmitter under the BSA. The second states that a company purchasing and selling convertible virtual currency as an investment exclusively for the company's benefit is not a money transmitter. The rulings further

interpret FinCEN's March 18, 2013 Guidance to address these business models. ([Link](#))

**PRA****Co-operative Bank enforcement investigation**

PRA confirms it is undertaking an enforcement investigation in relation to the Co-operative Bank and as part of that investigation will consider the role of former senior managers. No further information will be provided on the investigation until the legal process has concluded and an outcome has been reached. ([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 asset purchases financed by the issuance of central bank reserves at £375 billion. ([Link](#))

**Launch of new Indexed Long-Term Repo operations**

The Bank of England is launching new regular market-wide Indexed Long-Term Repo (ILTR) operations. This is the next step in the Bank's new approach to providing liquidity insurance designed to increase the availability and flexibility of liquidity insurance, as announced by the Governor in October. ([Link](#))

**Bank of England announces Houlton £50 banknote to be withdrawn on 30 April 2014**

The Bank of England announces that the £50 banknote carrying the portrait of Sir John Houlton, the first Governor of the Bank of England, will be withdrawn from circulation on 30 April. From that time, only the £50 note featuring Matthew Boulton and James Watt, which was introduced in November 2011, will hold legal tender status. ([Link](#))

**The balance of growth - speech by Ben Broadbent**

In a speech at the London School of Economics, Ben Broadbent – external member of the Monetary Policy Committee – addresses two key questions relevant to the current debate over the economic recovery. Why have real wages declined, and should we expect them to pick up? And does the composition of growth today tell us anything about growth in the future? ([Link](#))

**Achieving a sustainable recovery: where next for business investment? - speech by Ian McCafferty**

Speaking at Nottingham Business School, in light of the latest unemployment data, Ian McCafferty reaffirmed the MPC's message (which was published in the minutes from their January meeting) that "the MPC sees no immediate need to increase interest rates, even if unemployment reaches 7% in the near future". He also repeated the message that "when the time comes to reduce the current degree of stimulus, it would be appropriate to do so only gradually". ([Link](#))

**Inflation, interest rates and forward guidance – speech by Paul Fisher**

In a speech at the State Street Global Advisors London Pensions and Investments Breakfast Briefing, Paul Fisher – MPC member and Bank of England Executive Director, Markets – considers recent trends in the economy, the current stance of monetary policy and forward guidance. ([Link](#))

**Value for Money review**

The Bank of England announced the results of a Value for Money review aimed at improving the efficiency and effectiveness of the Bank's support division - Central Services - and to allow more resources to be devoted to the Bank's expanded range of responsibilities. ([Link](#))

**FCA****Three arrested in FCA boiler room investigation**

The FCA, with the assistance of the City of London Police, executed search warrants at six addresses in Kent, Essex, and Bedfordshire. ([Link](#))

**FCA publishes finalised guidance on inducements for product providers and advisory firms**

In finalised guidance on inducements published, FCA makes it clear that financial advisers and product providers share the responsibility of managing potential conflicts of interests when receiving and making payments under service and distribution agreements. ([Link](#))

**A Bank fined £7.6m for failures in its anti-money laundering controls**

FCA has fined a Bank £7,640,400 for failings relating to its anti-money laundering (AML) policies and procedures over corporate customers connected to politically exposed persons (PEPs). ([Link](#))

**£31m in compensation to be paid out following FCA's Arch cru consumer redress scheme**

Compensation has begun to be paid by financial advisers to people who invested in the CF Arch cru Investment and Diversified funds as a result of unsuitable advice. Over £8.26m has so far been received by consumers. ([Link](#))

**FCA bans former senior executive**

FCA has banned a former senior executive from performing any function in relation to any regulated activity in the financial services industry. The FCA found that the former senior executive is not a fit and proper person due to concerns over his integrity. ([Link](#))

**Adviser banned and fined for fabricating RDR qualification certificates**

A former retail investment adviser has been fined £19,900 and banned by FCA from undertaking any regulated activity, after it was discovered that he had fabricated Statements of Professional Standing. ([Link](#))

**New rules proposed for sponsors to enhance listing regime**

Proposed new rules to ensure sponsors – typically investment banks and corporate finance specialists who assist issuers by advising them on their listing obligations – have the right skills, knowledge and expertise were published today by FCA for consultation. ([Link](#))

***Did you know? IA AML Obligations...***

Investment Advisers (including registered and unregistered hedge funds) should keep in mind that although the Patriot Act does not specifically apply to them, they are responsible if one of their clients is on any of the SDN or OFAC lists. OFAC has jurisdiction over any individual, regardless of citizenship, who is physically located anywhere in the US, and American citizens and permanent resident aliens located anywhere in the world. If a hedge fund opens an account for a person or firm sanctioned by the US or residing in a country sanctioned by the US, the Fund would be violating US laws. Therefore, such firms need to have robust OFAC procedures even though they are not specifically subject to the AML requirements under the Patriot Act (yet).

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

**A Bank and Trust Company was fined £22.9m by Financial Conduct Authority for Transitions Management failings**

A bank and trust company has been fined £22,885,000 by FCA. The Transitions Management (TM) business had developed and executed a deliberate strategy to charge clients substantial mark-ups on certain transitions, in addition to the agreed management fee or commission. These mark-ups had not been agreed by the clients and were concealed from them. ([Link](#))



## Resource Links

### Government

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

### SRO

- FINRA - [WWW.FINRA.ORG](http://WWW.FINRA.ORG)
- NASDAQ - [WWW.NASDAQ.COM](http://WWW.NASDAQ.COM)
- New York Stock Exchange - [WWW.NYSE.COM](http://WWW.NYSE.COM)
- Municipal Securities Rulemaking Board - [WWW.MSRB.ORG](http://WWW.MSRB.ORG)
- National Futures Association [WWW.NFA.FUTURES.ORG](http://WWW.NFA.FUTURES.ORG)

### Industry

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

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

*Renaissance Regulatory Services, Inc.*

350 Camino Gardens Blvd. • Suite 105 • Boca Raton, FL 33432 • (561) 368-2245

[www.RRSCompliance.com](http://www.RRSCompliance.com)

[Research@RRSCompliance.com](mailto:Research@RRSCompliance.com)

**“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: January 2014

Fax: (561) 807-5442

[LouisDempsey@RRSCompliance.com](mailto:LouisDempsey@RRSCompliance.com)

FROM: \_\_\_\_\_

FIRM NAME: \_\_\_\_\_ IA \_\_\_ BD \_\_\_ OTHER \_\_\_\_\_

PHONE: \_\_\_\_\_ FAX: \_\_\_\_\_

In order for us to better serve the industry with this publication we ask that you provide feedback on this issue.

Do you read the RCU each month?

What topics interest you the most?

What do you find most useful?

What would you like to see in future editions?

Are you a current client of RRS?

Are you interested in receiving information or a call from our Staff to discuss the products and services offered by RRS?

(Please include your phone number or E-mail address to schedule a conference)

**Thank you for your time and effort**

**Bottom Line - We Want to Know!**

We Want to Know How We’re Doing. If You Have Comments, Complaints or Suggestions Please Do Not hesitate to call (561) 368-2245 or email:

LOUIS DEMPSEY, PRESIDENT

BART McDONALD, EXECUTIVE VICE PRESIDENT

[LOUIDEMPSEY@RRSCOMPLIANCE.COM](mailto:LOUIDEMPSEY@RRSCOMPLIANCE.COM)

[BARTMCDONALD@RRSCOMPLIANCE.COM](mailto:BARTMCDONALD@RRSCOMPLIANCE.COM)