

Routing

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- Senior Management
- Supervisory Principals
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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:** Quarterly FOCUS Filing Due July 24th, 2014
- **DEADLINE:** Quarterly Form Custody Filing Due July 24th, 2014
- **DEADLINE:** Quarterly SSOI Filing Due July 29th
- **DEADLINE:** SIPC-6 Due July 30th (For Clients with a Calendar Year End)
- **DEADLINE:** SIPC-7 Due August 29th (For Clients with a Fiscal Year Ending June 30th)

ITEMS IN THIS EDITION

- **SEC** – Charges Against Broker-dealer and Two Officials for Market Access Violations – Page 2
- **SEC** – Charges Hedge Fund Advisory Firm and Others in South Florida-Based Scheme to Misuse Investor Proceeds – Page 2
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- **SEC** – Charges Albany, N.Y.-Based Investment Adviser With Defrauding Clients – Page 2
- **SEC** – Awards \$875,000 to Two Whistleblowers Who Aided Agency Investigation – Page 2
- **FINRA** – Fines A Financial Services Firm \$8 Million; Over \$89 Million Repaid to Retirement Accounts and Charities Overcharged for Mutual Funds – Page 3
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Service Spotlight: Form BD/ADV Review & Filing

RRS Registration Services experts can review, update and file your Forms BD/ADV to help ensure that the information remains current and accurate. As the summer sets in, things tend to slow down at most firms and also with the regulators. This provides an excellent opportunity for firms to review their Forms BD/ADV and identify any necessary updates. RRS' staff has extensive experience reviewing Forms BD/ADV for appropriate disclosures. The review includes reviewing Forms BD, BR Part 1 of the Form ADV, Part 2A and Part 2B for appropriate disclosures. RRS can also update Form filings, prepare and submit amendments, and help you prepare and process renewals with FINRA and the States.

Contact:

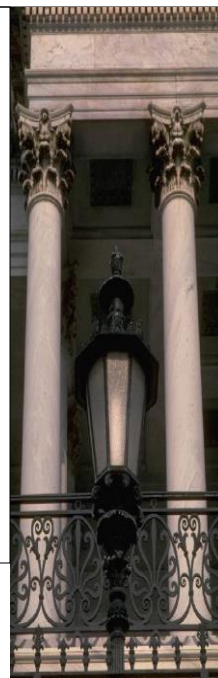
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SEC

SEC Announces:

New Hires in the Office of Administrative Law Judges ([Link](#))

Order for Tick Size Pilot Plan ([Link](#))

Fraud Charges Against Three Former Bank Executives in Accounting Scheme ([Link](#))

Charges Against Broker-dealer and Two Officials for Market Access Violations ([Link](#))

Adoption of Updated EDGAR Filer Manual ([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 Charges:

Former Brokers with Trading Ahead of IBM-SPSS Acquisition ([Link](#))

Hedge Fund Advisory Firm and Others in South Florida-Based Scheme to Misuse Investor Proceeds ([Link](#))

Private Equity Firm With Pay-to-Play Violations Involving Political Campaign Contributions in Pennsylvania ([Link](#))

Hedge Fund Adviser With Conducting Conflicted Transactions and Retaliating Against Whistleblower ([Link](#))

Four California Residents in \$12 Million Insider Trading Scheme ([Link](#))

New York-Based Dark Pool Operator With Failing to Safeguard Confidential Trading Information ([Link](#))

Albany, N.Y.-Based Investment Adviser With Defrauding Clients ([Link](#))

Bitcoin Entrepreneur With Offering Unregistered Securities ([Link](#))

Charter School Operator in Chicago With Defrauding Bond Investors ([Link](#))

List of No Action Letters:

Deutsche Bank Aktiengesellschaft ([Link](#))

Awards \$875,000 to Two Whistleblowers Who Aided Agency Investigation

The SEC announced a whistleblower award of more than \$875,000 to be split evenly between two individuals who provided tips and assistance to help the agency bring an enforcement action. ([Link](#))

Enforcement Division's Chief Operating Officer Adam Storch to Leave SEC

The SEC announced that Adam D. Storch, chief operating officer and managing executive of the Enforcement Division, is leaving the agency next month. ([Link](#))

Geoffrey Aronow, Chief Counsel, Office of International Affairs, to Leave SEC

The SEC announced that Geoffrey Aronow, the chief counsel and senior policy advisor in the Office of International Affairs, will leave the agency this month. Mr. Aronow joined the Commission in January 2013. ([Link](#))

SEC Adopts Cross-Border Security-Based Swap Rules

The SEC adopted the first of a series of rules and guidance on cross-border security-based swap activities for market participants. The new rules will be key to finalizing the remaining proposals. ([Link](#))

SEC Obtains Court Order to Halt Fraudulent Bond Offering by City of Harvey, Ill.

The SEC obtained an emergency court order against a Chicago suburb and its comptroller to stop a fraudulent bond offering that the city has been marketing to potential investors. ([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

Application of "Security-Based Swap Dealer" and "Major Security-Based Swap Participant" Definitions to Cross-Border Security-Based Swap Activities

Application of "Security-Based Swap Dealer" and "Major Security-Based Swap Participant" Definitions to Cross-Border Security-Based Swap Activities. ([Link](#))

Cicely LaMothe Named Associate Director in the Division of Corporation Finance

The SEC announced that Cicely LaMothe has been named as an associate director in the agency's Division of Corporation Finance. ([Link](#))

Chicago-Area Attorney Charged After SEC Exam Spots Fraud in Real Estate Investment Offering

The SEC charged the founder of an investment advisory firm located in suburban Chicago with defrauding investors in connection with a real estate venture for which his firm offered securities. ([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:

A Financial Services Firm \$8 Million; Over \$89 Million Repaid to Retirement Accounts and Charities Overcharged for Mutual Funds ([Link](#))

Three financial services firms \$1 Million Each for Submitting Inaccurate Blue Sheet Data ([Link](#))

Regulatory Notices:

14-27 SEC Approves Amendments to Codes of Arbitration Procedure to Require Redaction of Personal Confidential Information from Documents Filed With FINRA Dispute Resolution

14-26 New Payments for Market Making Certification Requirement for FINRA Form 211

14-25 FINRA Announces Updates of the Interpretations of Financial and Operational Rules

FINRA Hearing Panel Expels Success Trade Securities and Bars CEO for Fraudulent Scheme

FINRA announced that a FINRA hearing panel has expelled Washington, D.C.-based Success Trade Securities, Inc. from membership and barred its CEO and President for the fraudulent sale of promissory notes and for creating a Ponzi scheme. In addition, the firm and CEO are jointly and severally ordered to pay approximately \$13.7 million in restitution to 59 investors, the majority of whom were current and former NFL and NBA players. ([Link](#))

FINRA Makes Dark Pool Data Available Free to the Investing Public

As part of the FINRA's effort to increase market transparency and thereby enhance investor confidence, FINRA began providing data indicating the activity levels in each alternative trading system (ATS), including all market facilities commonly called "dark pools." This important information will shed light on the securities that are traded in each "dark pool," which occurs away from traditional stock exchanges. While the trades in these facilities are made available on a real-time basis to investors and professionals today through securities information processors (SIPs), these trades are not attributed to a specific ATS or "dark pool." Under FINRA's new transparency initiative, the public will now be able to see the total shares traded each week by security in each ATS or "dark pool." This data will be provided to the non-professional investing public free of charge and is available through FINRA's website. ATSs account for a significant percentage of total OTC trading in exchange-listed equities in the United States. Currently over 30 percent of the total National Market System volume of shares traded occurs over the counter. ([Link](#))

FINRA Brings 144A Corporate Debt Transactions Into the Light

FINRA began publicly disseminating Rule 144A transaction data in corporate debt securities, bringing transparency to a market that had previously operated in the dark. 144A transactions—re-sales of restricted corporate debt securities to large institutions called qualified institutional buyers (QIBs)—account for a significant portion of the volume in corporate debt securities. In the first quarter of 2014, 144A transactions comprised nearly 13 percent of the average daily volume in investment-grade corporate debt, and nearly 30 percent of the average daily volume in high-yield corporate debt. 144A transactions comprised nearly 20 percent of the average daily volume in the corporate debt market as a whole. ([Link](#))

FINRA's Statement on Chair White's Enhancing Our Market Structure Speech

FINRA applauds Chair White's speech on the important issue of enhancing America's equity market structure. ([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

MSRB

MSRB Launches New Tool on EMMA® to Improve Investor Access to Municipal Pricing

In a significant enhancement to the transparency of municipal bond prices for retail investors, the MSRB launched a new electronic tool to help users more quickly and easily gauge the trade price of a municipal bond. ([Link](#))

MSRB To Survey Municipal Advisors On Business Activities

To inform the development of a professional qualification exam for municipal advisors, the MSRB will conduct a survey of registered municipal advisors. The confidential electronic survey will assess the business activities of municipal advisory professionals. ([Link](#))

MSRB to Host Education and Outreach Seminar in Chicago

The MSRB will host a public education and outreach seminar for municipal market professionals and others in Chicago, Illinois on July

29, 2014. The MSRB, which oversees the \$3.7 trillion municipal securities market, will discuss municipal market structure issues and development of new regulations for professionals that provide financial advice to state and local governments, among other topics. ([Link](#))

MSRB Publishes report on Municipal Variable Rate Demand Obligations and Auction Rate Securities

The MSRB published its most recent statistical report on trading, interest rate and other characteristics of the municipal variable rate securities market. The report, "Municipal Variable Rate Demand Obligations and Auction Rate Securities: Interest Rate and Trading Trends," updates earlier trend analysis and provides information on municipal variable rate securities through March 2014. ([Link](#))

NASDAQ—NASDAQ-TRADER— OTCBB

Data News:

[2014-17](#) NASDAQ OMX Will Modify the Trade (Non-Cross) Message on U.S. TotalView-ITCH Data Feeds. Effective July 14, 2014.

Equity Trader Alert:

[2014-47](#) NASDAQ to Begin Listing Three Compass EMP Funds on Wednesday, July 2, 2014

[2014-46](#) Limit Up/Limit Down Exchange Traded Product Tier 1 List Update. Effective July, 1 2014.

[2014-45](#) Modifications to PSX Pricing Effective July 1, 2014

[2014-44](#) Modifications to Pricing Effective July 1, 2014

[2014-43](#) NASDAQ OMX U.S. Markets will Close Early on Thursday, July 3, 2014, and will be Closed on Friday, July 4, 2014

[2014-42](#) Equity Invoice Detail Reports Now Available via Report Center

[2014-41](#) NASDAQ Prepares for Russell Reconstitution

Equity Technical Update:

[2014-10](#) NASDAQ OMX Updates TRF Specifications for FIX and CTCI to Add Milliseconds. Effective September 29, 2014.

Data Technical News:

[2014-16](#) Apple Inc. (AAPL) declared EX-dividend for 7-1 Stock Split

Options Trader Alert:

[2014-15](#) Modifications to PHLX Complex Rebates and Firm Pricing and BX Options Rebates and Fees for July 1, 2014

[2014-14](#) NASDAQ OMX Announces Changes to the Penny Pilot Program, Effective July 3, 2014

[2014-13](#) PHLX Permit Fees Effective August 2, 2014

Options Regulatory Alert:

[2014-21](#) PHLX Notifies Participants of FIND Order Inconsistency

2014-20 JBO Origin Code Marking on PHLX. Effective September 1, 2014.

2014-19 PHLX Bid/Ask Differentials for "NDX" and "PCLN" Option Classes through July 19, 2014

2014-18 NOM Bid/Ask Differentials for "NDX" and "PCLN" Options Class through July 19, 2014

2014-17 PHLX Options Notification of Rule Change Impacting Margin Rules

2014-16 PHLX Qualified Contingent Cross (QCC) – Originating Order Designation

Financial Products News:

2014-35 NASDAQ OMX Announces Launch of NASDAQ LadderRite 0-5 Year USD Corporate Bond Index Effective July 7, 2014

2014-34 NASDAQ OMX Announces Launch of Two New Indexes

2014-33 NASDAQ OMX Announces Launch of the NASDAQ Global Risk Managed Income Indexes

2014-32 NASDAQ OMX Announces Launch of Six New Indexes

Watching the States—Beware the Free Lunch!!

State Regulators have increased their emphasis on senior issues, and seminars in particular, in recent months. In fact, the AARP recently announced an initiative with NASAA to send "Monitors" to seminars as apparent undercover agents. The program is in response to last year's sweep examinations focusing on seminars by NASAA, the SEC and FINRA, where the regulators allegedly found after that while many free meal financial seminars were advertised as "educational," or "workshops," 100 percent of the "seminars" were instead sales presentations; 50 percent featured exaggerated or misleading advertising claims; and one-quarter involved possibly unsuitable recommendations to attendees.

This initiative is a reminder that firms must review their policies and procedures relative to seminars and senior marketing efforts. This review should include the seminar approval process, review of sales literature and presentations, and alerting their representatives of the importance of sticking to approved scripts and presentations. Firms should also consider asking the attendees to identify whether they are representing their own interests or that of a third party (i.e. AARP).

RRS' staff has extensive experience in dealing with State regulatory matters. RRS preventative compliance services include *review of marketing materials and communications with the public*, branch office examination, regulatory mandates, complaint assessment, and mystery shopping for branch offices and seminars.

For more information contact us (561) 368-2245 or Research@RRSCompliance.com

2014-31 NASDAQ OMX to Terminate Six Newfound Indexes Effective After the Close of Business on June 13

FINRA Updates the OTCBB/OTC Equities High Price Dissemination List

FINRA® is publishing its quarterly OTCBB/OTC Equities High Price Dissemination List, which will be available via a Unit of Trade query of the Daily List. This updated list of OTC Equity Securities eligible for trade report dissemination for trades of fewer than 100 shares will be effective June 16, 2014. All changes can be viewed by going to <http://www.otcbb.com/AllDailyList/>. ([Link](#))

NYSE - EURONEXT – AMEX

Intercontinental Exchange Announcements:

Intercontinental Exchange Sets August 7th for Second Quarter 2014 Earnings Announcement ([Link](#))

ICE INDEX AND GASTERRA RENEW CONTRACT FOR GAS STORAGE SERVICE

Intercontinental Exchange (NYSE: ICE), the leading global network of exchanges and clearing houses, announced that ICE Endex has agreed with GasTerra, the international natural gas Dutch trading firm, to continue the facilitation of gas storage auction services in the Netherlands. ([Link](#))

Intercontinental Exchange Announces Closing of Euronext Initial Public Offering

The Intercontinental Exchange, announced the closing of the initial public offering (IPO) of the ordinary shares of Euronext N.V., the pan-European exchange group. Euronext's ordinary shares are listed under the symbol "ENX" on Euronext Paris, Euronext Amsterdam and Euronext Brussels and commenced trading on June 20, 2014. ([Link](#))

SROs Launch Study to Analyze Implementation Cost of the Consolidated Audit Trail

The national securities exchanges and FINRA (collectively, the self-regulatory organizations, or SROs) began distributing a cost study questionnaire to gather information to assess and manage the financial impact of anticipated Consolidated Audit Trail (CAT) reporting requirements on the broker-dealer community. The SROs are obligated to submit to the SEC a national market system (NMS) plan to create, implement and maintain a consolidated order tracking system, or the CAT. The SROs are currently working together to identify an optimal design for the CAT and this study is a key part of that deliberative process. The SROs have requested that recipients return the completed questionnaire by August 6, 2014. ([Link](#))

Intercontinental Exchange Agrees to Sell NYFIX and Metabit to ULLINK

Intercontinental Exchange announced that it has signed a definitive agreement with ULLINK, a provider of electronic trading and connectivity solutions to the financial community, for the combined sale of NYFIX and Metabit, both units of NYSE Technologies. The

transaction, which is subject to regulatory approval, is expected to close in the third quarter of 2014. The terms of the transaction were not disclosed. ([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

Intercontinental Exchange Introduces Clearing for High Yield Single Name CDS

Intercontinental Exchange announced that ICE Clear Credit, the leading clearing house for credit default swaps (CDS), has launched clearing for non-investment grade, high yield single name CDS instruments. ([Link](#))

NYSE Governance Services Announces 2014 Leadership Award Winners

New York Stock Exchange Governance Services, a subsidiary of Intercontinental Exchange, announced the winners and finalists of its inaugural Governance, Risk & Compliance Leadership Awards. The awards program recognizes exemplary leaders in governance, risk and compliance. ([Link](#))

Euronext IPO priced at €20 per Share

Intercontinental Exchange announced the pricing of the initial public offering (IPO) of the ordinary shares (the Shares) of Euronext N.V. (Euronext or the Company), the pan-European exchange group. ([Link](#))

ICE Index Achieves Daily Volume Record in Dutch TTF Natural Gas Futures

Intercontinental Exchange announced that ICE Endex reached a daily volume record of 23,620 contracts in Dutch TTF natural gas futures on June 17, 2014. The previous record of 20,630 contracts was set on February 21, 2014. ([Link](#))

Intercontinental Exchange Agrees to Sell Wombat Financial Software to SR Labs

The Intercontinental Exchange announced that it has signed a definitive agreement with SR Labs for the sale of the Wombat Financial Software, a unit of NYSE Technologies. The transaction is expected to close in third-quarter 2014 and terms were not disclosed. ([Link](#))

NYSE President Farley to Testify on Market Structure

The New York Stock Exchange, part of the Intercontinental Exchange (NYSE: ICE) global network, announced that NYSE President Thomas W. Farley will appear before the Homeland Security and Governmental Affairs Permanent Subcommittee on Investigations to discuss equity market structure. ([Link](#))

Intercontinental Exchange Announces Records in Sterling and MSCI EAFE Contracts

Intercontinental Exchange announced that daily volume records were reached in Sterling and the MSCI EAFE (Europe, Australasia and Far East) contracts on June 13, 2014. ([Link](#))

Liffe Sets Daily Volume Record in 2 Year Euro Swapnote® Futures

The Intercontinental Exchange announced that Liffe reached a daily volume record of 70,480 contracts in 2 year Euro Swapnote® futures on June 12, 2014. The previous record of 38,482 contracts was set on November 11, 2008. ([Link](#))

Liffe Sets Daily Volume Record in MSCI World Euro Index Futures

Intercontinental Exchange announced that Liffe reached a daily volume record of 205,570 contracts in MSCI World Net Total Return (NTR) Euro Index futures on June 11, 2014. The previous record of 197,264 contracts was set on March 14, 2014. ([Link](#))

Intercontinental Exchange Completes First Phase of Liffe Transition to ICE Platform; Liffe US Interest Rates Successfully Transitioned

The Intercontinental Exchange provided an update in relation to the transition of the Liffe futures and options contracts to the ICE futures exchanges, trading platform and clearing infrastructure. ([Link](#))

Intercontinental Exchange Chairman and CEO Makes Presentation at Sandler Conference on June 5

The Intercontinental Exchange announced that Jeffrey C. Sprecher, Chairman and CEO, will speak at the Sandler O'Neill Global Exchange and Brokerage Conference. The presentation will be broadcast live over the Internet and can be accessed in the investor relations and media section of ICE's website at <http://ir.theice.com/investors-and-media/events-and-presentations/default.aspx> ([Link](#))

PRA

Rate Announcements:

Index-Linked Treasury Stocks ([Link](#))

CRD IV: updates for credit risk mitigation, credit risk, governance and market risk - CP 12/14

This consultation seeks views on proposed changes to the Prudential Regulation Authority's (PRA) rules, guidance and supervisory

statements in the areas of credit risk mitigation, credit risk, governance and market risk. ([Link](#))

Changes to the Bank Return

The Bank of England today announces that it will be replacing the Bank Return publication with a new Weekly Report. ([Link](#))

Bank of England consults on implementation of loan-to-income ratio limit for mortgage lending

At its June meeting, the Financial Policy Committee (FPC) made the following recommendation to the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). ([Link](#))

The UK productivity puzzle – a sectoral perspective

Speaking at a Market News Connect lunch, Ian McCafferty, a member of the Bank of England Monetary Policy Committee, spells out some new analysis of the UK's productivity performance. He notes that "a fuller understanding of why productivity has remained so weak, and to what extent it is therefore likely to recover, is critical for the path of interest rates as the expansion continues.....The faster the recovery in productivity, the slower the absorption of remaining spare capacity over the forecast horizon, which would allow a longer time before the first rise in interest rates and a more gradual trajectory thereafter." ([Link](#))

Announcement of Renminbi clearing bank in London

The People's Bank of China (PBoC) has confirmed the appointment of China Construction Bank as the Renminbi (RMB) clearing bank in London. This follows the signing of a Memorandum of Understanding (MoU) on RMB clearing and settlement in London between the PBoC and Bank of England on 31 March 2014, setting out the cooperation between the two institutions relating to the operations of the RMB clearing and settlement service in London, in the broader context of encouraging cross-border use of RMB to support the longer-term rebalancing of the world economy. ([Link](#))

Spare capacity and inflation - speech by Martin Weale

In a speech given to the Northern Ireland CBI in Belfast, Martin Weale outlined the factors he believes are most important for assessing inflationary pressure in the economy. He focused on two areas of the economy where inflationary pressure can build and which MPC action can influence. First, pressures within firms, affecting how they set prices. Secondly – and more important in Weale's view – pressures in the labor market, which affect wage growth. ([Link](#))

Quarterly Bulletin pre-release articles: 'How have world shocks affected the UK economy?' and 'Sterling Monetary Framework: Annual Report 2013–14'

The close integration of the United Kingdom into the rest of the world economy means that the domestic economic environment is shaped, in part, by broader global developments. Over the recent past, these have included events that are external to the United Kingdom, such as the euro-area crisis, as well as ones that are common to many

economies (including the United Kingdom) – such as the stresses in global financial markets over 2007–09 and the large swings in

FINRA Exams

The following issues were covered during a recent FINRA program related to Anti Money Laundering – Things to keep in mind when reviewing your AML policies and procedures:

FINRA Exam Focus and AML Best Practices

- Due Diligence on Politically Exposed Persons ("PEPs") should include domestic politicians (i.e. Spitzer case) – FINRA will start specifically checking to see if firms are conducting enhanced due diligence or surveillance on such clients;
- 312 due diligence procedures and implementation;
- FINRA may question if your firm has ever refused to open an account or closed an account due to AML red flags. If not, they may take a closer look at the implementation of the firm's AML program;
- For Suspicious Activity Reports ("SARs") ensure that you maintain good documentation of the issue that resulted in the SAR and be ready for FINRA to ask to see the files for issues that were brought to the AML officer's attention but no SAR was filed (these files should be extremely well documented). FINRA will also look at the number of SAR's filed (industry surveys show an average of 10 per year for mid-large size firms). More than 10 SAR filings or no SAR filings may draw greater scrutiny; and
- Some firm's are getting their registered representatives involved with the AML Program (and giving them a sense of accountability) by having them sign off that they have reviewed their "high risk" clients' activity on a monthly basis – compliance oversights the processes, but it does let the representative know that if that client engages in any suspect behavior they can't wash their hands of it.

commodity prices since 2008. ([Link](#))

Joint News Release with HM Treasury and the Financial Conduct Authority - Chancellor of the Exchequer announces Fair and Effective Markets Review

The government is announcing further steps to raise standards of conduct in the financial system with a joint review by the Treasury, the Bank of England and the Financial Conduct Authority (FCA) into the way wholesale financial markets operate. Strong and successful financial services that set the highest standards are an essential part of building a resilient economy. ([Link](#))

Bank of England launches new framework to test for cyber vulnerabilities

In a speech at the British Bankers' Association, Andrew Gracie, Executive Director, Resolution at the Bank of England, formally launched a new framework to help identify areas where the financial sector could be vulnerable to sophisticated cyber-attack. This is part of the Bank of England's response to the Financial Policy Committee's recommendation to test and improve resilience to cyber-attack. ([Link](#))

Bank of England/Gfk NOP Inflation Attitudes Survey - May 2014

This news release describes the results of the Bank of England's latest quarterly survey of public attitudes to inflation, undertaken between the 8th and 13th of May 2014. ([Link](#))

Bank of England's Executive Director for Communications

The Bank of England's Executive Director for Communications, Nils Blythe, has decided to leave the Bank in mid-July. He plans to take a break in his career over the summer and will be setting up a communications consultancy later in the year. He will act as a consultant to the Bank of England on communications issues. ([Link](#))

FCA

FCA comments on Financial Policy Committee recommendations

"Following the FPC's recommendations today, the FCA will consult on general guidance which will provide details on how we propose to follow the recommendation on loan to income ratios. This will include how we will calculate and apply the de minimis £100 million threshold and the ratios." ([Link](#))

Former equities trader charged with insider dealing

The FCA has charged a former equities trader with 9 counts of insider dealing, contrary to Section 52(1) of the Criminal Justice Act 1993. ([Link](#))

Large payday lender to pay redress for unfair debt collection practices

A payday lender has entered an agreement with the FCA which will see it pay compensation of over £2.6m to around 45,000 customers for unfair and misleading debt collection practices. ([Link](#))

Financial Conduct Authority fines major financial services firm and large building society for financial promotions failures

The FCA has fined a major financial services firm and a large building society for failing to ensure financial promotions for the financial services firm's Cluquet Product were clear, fair and not misleading. ([Link](#))

FCA finalizes rules to improve the protection of client money and custody assets

The FCA has finalized changes to the client money and custody assets (client assets) rules. These changes affect approximately 1,500 FCA regulated firms that carry out investment business, from the largest

investment banks to the smallest investment advisor, who collectively hold over £100bn of client money and £10tn of custody assets. ([Link](#))

FCA updates retirement income market study terms of reference

The FCA has published an update setting out its current and ongoing work on the retirement income market. As part of this update, a revised Terms of Reference for its market study into retirement income has been published. The update follows changes made to the pension and retirement income landscape announced by the Government in the Budget on 19 March 2014. ([Link](#))

FCA says logbook lenders must raise standards

Research published lifts the lid on how these firms treat their customers. The FCA has found evidence of poor firm behavior, including little or no affordability checks with some applicants encouraged to manipulate details of their income on application forms. ([Link](#))

COMPREHENSIVE COMPLIANCE SOLUTIONS

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

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

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