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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 December 23rd, 2014

ITEMS IN THIS EDITION

- **SEC** – A Man and Two Former City Leaders in Fraudulent Muni Bond Offering for Movie Studio Project – Page 2
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- **SEC** – CEO and Close Friend With Insider Trading Ahead of Company Sale – Page 2
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- **FCA** – FCA fines five banks £1.1 billion for FX failings and announces industry-wide remediation program – Page 9

Service Spotlight: Form BD/ADV Review

RRS Registration Services experts can review, update and file your Forms BD/ADV to help ensure that the information remain 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 companies 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 Form BR for appropriate disclosures and Parts I and II of Form ADV. RRS can also update Form filings, prepare and submit amendments, and help you prepare and process renewals with FINRA and the States.



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SEC

SEC Announces:

Charges Against India-Based Operators of High-Yield Investment Scheme Using Social Media ([Link](#))

Agenda and Panelists for Small Business Forum ([Link](#))

Next Meeting of the Advisory Committee on Small and Emerging Companies ([Link](#))

SEC Charges:

California-Based Bio-Rad Laboratories With FCPA Violations ([Link](#))

Two Canadian Citizens With Penny Stock Fraud Involving Tennessee Coal Mining Company ([Link](#))

A Man and Two Former City Leaders in Fraudulent Muni Bond Offering for Movie Studio Project ([Link](#))

California Lawyer and Two Massachusetts Men Behind Scheme to Manipulate Stock of Sports Ticket Broker ([Link](#))

Business Owner and Stockbroker in Maryland-Based Offering Fraud ([Link](#))

San Francisco-Based Penny Stock Company CEO for Defrauding Investors in Pump-and-Dump Scheme ([Link](#))

Three Penny Stock Promoters Behind Pump-and-Dump Schemes ([Link](#))

Unregistered Broker in Tampa Area With Stealing From Investors in Fraudulent Day Trading Scheme ([Link](#))

CEO and Close Friend With Insider Trading Ahead of Company Sale ([Link](#))

Penny Stock Company Executives in New Jersey With Issuing False Press Releases to Inflate Stock Price ([Link](#))

Swiss Private Banking Unit With Providing Unregistered Services to U.S. Clients ([Link](#))

List of No Action Letters:

Ellsworth Fund Ltd. ([Link](#))

Nuveen Credit Strategies Income Fund ([Link](#))

SEC Final Rules:

Regulation Systems Compliance and Integrity ([Link](#))

SEC Sanctions 13 Firms for Improper Sales of Puerto Rico Junk Bonds

The SEC sanctioned 13 firms for violating a rule primarily designed to protect retail investors in the municipal securities market. ([Link](#))

SEC Sanctions 10 Companies for Disclosure Failures Surrounding Financing Deals and Stock Dilution

The SEC announced enforcement actions against 10 companies for failing to make the required disclosures about financing deals and other unregistered sales that diluted their stock. ([Link](#))

SEC and SBA to Host Event on Small Business Capital Raising Prior to Small Business Forum

The SEC, in partnership with the U.S. Small Business Administration, announced they will jointly host an event on November 19, a day prior to this year's [Government-Business Forum on Small Business Capital Formation](#), to inform small business owners and entrepreneurs about new options that are and will become available for capital raising under the Jumpstart Our Business Startups (JOBS) Act. ([Link](#))

SEC Sanctions Two Former Defense Contractor Employees for FCPA Violations

The SEC sanctioned two former employees in the Dubai office of a U.S.-based defense contractor for violating the Foreign Corrupt Practices Act (FCPA) by taking government officials in Saudi Arabia on a "world tour" to help secure business for the company. The two employees later falsified records in an attempt to hide their misconduct. ([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

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 Staff Releases Accounting Bulletin to Update Guidance on Pushdown Accounting

The SEC's Office of the Chief Accountant and Division of Corporation Finance released a Staff Accounting Bulletin (SAB) to rescind portions of the interpretive guidance included in its SAB Series for what's known as pushdown accounting. ([Link](#))

SEC Adopts Rules to Improve Systems Compliance and Integrity

The SEC voted to adopt new rules designed to strengthen the technology infrastructure of the U.S. securities markets. The rules – together comprising Regulation Systems Compliance and Integrity (Regulation SCI) – impose requirements on certain key market participants intended to reduce the occurrence of systems issues and improve resiliency when systems problems do occur. ([Link](#))

SEC Suspends Trading in Companies Touting Operations Related to Prevention or Treatment of Ebola

The SEC [suspended trading in four companies](#) that claim to be developing products or services in response to the Ebola outbreak, citing a lack of publicly available information about the companies' operations. ([Link](#))

A Firm and Two Officials Agree to Settle SEC Case

The SEC announced that Los Angeles-based broker-dealer agreed to settle [a pending SEC case for market access violations](#) by admitting wrongdoing, paying a \$2.44 million penalty, and retaining an independent consultant. ([Link](#))

SEC Names Kevin Kelcourse as Associate Director for Exam Program in Boston

The SEC announced that it has named Kevin M. Kelcourse as the associate director for the Office of Compliance Inspections and Examinations (OCIE) in Boston. In that role, he will oversee the SEC's exam program in six New England states with a staff of approximately 65 examiners, accountants and attorneys. ([Link](#))

FINRA**FINRA Fines:**

A firm \$15 Million for Supervisory Failures Related to Equity Research and Involvement in IPO Roadshows ([Link](#))

Regulatory Notices:

[14-46](#) FINRA Requests Comment on a Proposal to Identify OTC Equity Trades Reported More Than Two Seconds After Execution as "Out of Sequence" and Not Last Sale Eligible

[14-47](#) FINRA Requests Comment on a Proposal to Tighten Business Clock Synchronization Requirements

[14-48](#) FINRA Requests Comment on a Proposal to Publish OTC Equity Volume Executed Outside Alternative Trading Systems

[14-49](#) SEC Approves Amendments to the Codes of Arbitration Procedure to Increase Arbitrator Honoraria by Increasing Arbitration Filing Fees, Member Surcharges and Process Fees and Hearing Session Fees

[14-50](#) FINRA Requests Comment on a Proposal to Establish a "Pay-to-Play" Rule

[14-51](#) FINRA Requests Comment on Proposed FINRA Rules Requiring the Identification of Non-Member Broker-Dealers in Order Audit Trail System (OATS) Reports and the Reporting of Additional Order Information by Alternative Trading Systems (ATS)

[14-52](#) FINRA Requests Comment on a Proposed Rule Requiring Confirmation Disclosure of Pricing Information in Fixed Income Securities Transactions

[14-53](#) FINRA Reminds Alternative Trading Systems (ATSs) and ATS Subscribers of Their Trade Reporting Obligations in TRACE-Eligible Securities

FINRA Investor Survey Reveals Strong Support for Additional Regulatory Protections

FINRA released a [survey](#) of U.S. investors designed to measure perceptions of fairness and to gauge demand for additional regulatory protections. FINRA's survey of 1,000 adults revealed that 92 percent of investors agreed (62 percent strongly agreed and 30 percent somewhat agreed) that it is important to have a regulatory "cop on the beat" to protect investors and police the markets. In addition, 70 percent of investors surveyed strongly agreed and 24 percent of investors somewhat agreed that it is important that regulators use the latest tools and technology to protect investors. ([Link](#))

FINRA and MSRB Release Proposals to Provide Pricing Reference Information for Investors in Fixed Income Markets

FINRA and the MSRB released companion proposals that would require disclosure of pricing reference information on customer confirmations for transactions in fixed income securities. The proposals are substantially similar but seek input on factors unique to the corporate and municipal bond markets. ([Link](#))

Corrected: FINRA Announces New Public Board Members

FINRA has named two new Public Governors—Joshua S. Levine and Robert W. Scully—to its Board of Governors. ([Link](#))

MSRB

MSRB Regulatory Notices for October 2014:

[2014-20](#) Request for Comment on Draft Rule Amendments to Require Dealers to Provide Pricing Reference Information on Retail Customer Confirmations

[2014-21](#) Amendments to EMMA Continuing Disclosure Service to Add AssetBacked Securities Disclosures Under Securities Exchange Act Rule 15Ga-1

MSRB Holds Quarterly Board Meeting

The Board of Directors of the MSRB held its quarterly meeting October 29-31, 2014 where it focused on regulatory and market transparency initiatives aimed at promoting a fair and efficient municipal securities market, and held its annual policy meetings with the chairs of the SEC and FINRA. ([Link](#))

Municipal Trading Volume Dips In Third Quarter 2014

The MSRB [released municipal market statistics](#) that show a 25.4 percent decline in the number of municipal bond trades for the quarter ending September 30, 2014 compared to the same quarter a year ago, among other findings. The MSRB's quarterly statistics published include data on trading patterns, interest rate resets and continuing disclosure filings for the \$3.7 trillion municipal bond market. The MSRB, which regulates the municipal market, is an independent source of market data and operates the [Electronic Municipal Market Access \(EMMA®\) website](#) to disseminate trading and disclosure documents and data. ([Link](#))

FINRA and MSRB Release Proposals To Provide Pricing Reference Information For Investors In Fixed Income Securities

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MSRB Proposes Professional Qualification Standards For Municipal Advisors

The MSRB [filed a proposed rule change with the SEC to create baseline standards of professional qualification for municipal advisors](#). The Dodd-Frank Wall Street Reform and Consumer Protection Act charged the MSRB with developing professional standards as part of a comprehensive regulatory framework for municipal advisors. ([Link](#))

MSRB and FINRA To Host Webinar On Proposals To Provide Pricing Reference Information To Investors

The MSRB and FINRA are hosting a joint educational webinar on companion rule proposals that would require disclosure of pricing reference information on customer confirmations for transactions in fixed income securities. The free webinar will take place Thursday, December 18, 2014 at 3:00 p.m. ET. The goal of the webinar is to help market participants submit meaningful comments in response to the rule proposals. ([Link](#))

MSRB To Accept Disclosures About Municipal Asset-Backed Securities

The MSRB announced the effectiveness of a change to the [Electronic Municipal Market Access \(EMMA®\)](#) service to add disclosures related to municipal asset-backed securities required under [Securities Exchange Act Rule 15Ga-1](#). The change will provide for the collection and public dissemination of certain disclosures related to municipal asset-back securities. [Read the regulatory notice](#). ([Link](#))

BD and IA Services

RRS provides a full range of services to assist broker-dealers and investment advisers' registration. With renewals ready to begin the first week of November, contact RRS to sign up for our services.

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

NASAA

States Report Rise in Enforcement Actions Against Licensed Broker Sales Agents

NASAA reported a significant rise in the number of formal enforcement actions initiated by state securities regulators in 2013 against licensed broker-dealer sales agents, as well as unlicensed individuals and firms. ([Link](#))

New Products in Classic Schemes Identified as Top Investor Threats

NASAA identified emerging threats investors are likely to face in 2015, including schemes involving binary options, marijuana-related businesses, stream-of-income investments, and digital currency. ([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.

NASAA Urges Investors to Approach High-Yield Investment Programs With Caution

NASAA issued an advisory urging investors to approach high-yield investment programs with caution. The advisory is on the NASAA website [here](#). ([Link](#))

NASAA Issues Advisory on Third-Party Custodians of Self-Directed IRAs and Other Qualified Plans

NASAA issued an advisory to help investors separate fiction from fact regarding the responsibilities of third-party custodians of self-directed individual retirement accounts (IRAs) and other qualified plans. The advisory is on the NASAA website [here](#). ([Link](#))

NASDAQ—NASDAQ-TRADER—**OTCBB****Data News:**

[2014-12](#) Nasdaq Introduces Market Data Fee for Trading Platforms

Equity Trader Alert:

[2014-100](#) Nasdaq Report Center Offering New Nasdaq Order Execution and Routing Report

[2014-101](#) Nasdaq to Begin Listing Three First Trust ETFs on Wednesday, November 5, 2014

[2014-102](#) Nasdaq Institutes a \$0.0007 Remove Fee Cap for Select Symbols

[2014-104](#) Reverse Split and CUSIP Change for ProShares UltraShort Nasdaq Biotechnology ETF Effective November 6, 2014

[2014-106](#) Nasdaq Announces a Change to Midpoint Pegging with Offsets

[2014-107](#) Reverse Split and CUSIP Change for China Gerui Advanced Materials Group Limited Effective November 7, 2014

[2014-108](#) Reverse Split and CUSIP Change for First Trust Enhanced Short Maturity ETF Effective November 10, 2014

[2014-109](#) Reverse Split and CUSIP Change for Dynavax Technologies Corporation Effective Monday, November 10, 2014

[2014-110](#) New MPID Pricing for The Nasdaq Stock Market

[2014-111](#) Nasdaq to Begin Listing FlexShares Trust Fund on Thursday, November 13, 2014

[2014-112](#) Nasdaq Announces the Select Symbols and Amended Pricing

[2014-113](#) Update: Nasdaq Enhances Minimum Acceptable Quantity Functionality

[2014-114](#) Nasdaq U.S. Markets will be Closed on Thursday, November 27, 2014, and will Close Early on Friday, November 28, 2014

[2014-115](#) Pricing for BX Retail Price Improvement (RPI) Program

[2014-116](#) Nasdaq Announces Spin-Off/Distribution Information for B/E Aerospace, Inc. Common Stock (BEAV)

Data Technical News:

[2014-35](#) UPDATED 11/24/2014: Nasdaq PHLX Announces PHLX Market Data Feed Updates

[2014-36](#) OTC Equity Securities to be Removed from the Nasdaq Daily List and Fundamental Data Products

[2014-37](#) The Nasdaq Options Market (NOM) Announces ITTO Market Data Feed Update, Effective November 24, 2014

[2014-38](#) Select Legacy Proprietary Data Feeds Enabled Until Friday, November 21, 2014

[2014-39](#) Nasdaq U.S. Proprietary Data Feed Schedules for Friday, November 28, 2014

Options Trader Alert:

[2014-36](#) PHLX Introduces Legging Orders

[2014-37](#) PHLX Updates Active SQF Port Pricing Effective December 1, 2014

Options Regulatory Alert:

[2014-41](#) NOM Bid/Ask Differentials for "NDX" and "PCLN" Options Class through December 20, 2014

[2014-42](#) PHLX Bid/Ask Differentials for "NDX" and "PCLN" Option Classes through December 20, 2014

[2014-43](#) Expiring Exercise Declaration Submissions for Friday, November 28, 2014

UTP Vendor Alert:

[2014-7](#) UTP SIP Early Close Schedule for Friday, November 28, 2014

[2014-8](#) Quarterly Failover Testing Schedule

“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.

NYSE - EURONEXT – AMEX

Intercontinental Exchange Reports ICE and NYSE Volume for October 2014; Cash Equities ADV up 32% year on year

Intercontinental Exchange, Inc. (NYSE: ICE), the leading global network of exchanges and clearing houses, reported monthly exchange traded volumes. ([Link](#))

Intercontinental Exchange Completes Transition of Liffe’s European Interest Rates to ICE Futures Europe; Now Trading on the ICE Platform alongside US Rates Contracts; Equity Derivatives to Transition Nov 17

Intercontinental Exchange (NYSE: ICE), the leading global network of exchanges and clearing houses, announced that it has successfully completed the transition of the Liffe European interest rate derivatives complex to ICE Futures Europe. ([Link](#))

ICE Benchmark Administration to Become New Administrator of the LBMA Gold Price

Intercontinental Exchange (NYSE: ICE), the leading global network of exchanges and clearing houses, announced that following an extensive selection process facilitated by the London Bullion Market Association (LBMA), ICE Benchmark Administration (IBA) has been announced as the new administrator of the [LBMA Gold Price](#). ICE Benchmark Administration expects to assume responsibility of the LBMA Gold Price in early 2015. ([Link](#))

ICE Futures Europe Sets Daily Volume and Open Interest Records in Low Sulphur Gasoil Related Contracts

Intercontinental Exchange (NYSE: ICE), the leading global network of exchanges and clearing houses, announced that ICE Futures Europe achieved a daily volume record in trade for ICE Low Sulphur Gasoil futures. A new total daily volume record for ICE Low Sulphur Gasoil futures across ‘G’ and ‘ULS’ code contracts was set on Friday, November 7, 2014 with 86,289 contracts traded. The previous total daily volume record of 67,110 contracts was established on October 14, 2014. ([Link](#))

ICE Futures Europe Announces Launch of Two Energy Contracts

Intercontinental Exchange (NYSE:ICE), the leading global network of exchanges and clearing houses, announced the introduction of two new energy futures contracts on December 1, 2014. ([Link](#))

Intercontinental Exchange Chief Financial Officer to Present at KBW Securities Brokerage & Market Structure Conference on November 19

Intercontinental Exchange (NYSE: ICE), the leading global network of exchanges and clearing houses, announced that Scott A. Hill, Chief Financial Officer, will speak at the KBW Securities Brokerage & Market Structure Conference. The presentation will take place on Wednesday, November 19 at 10:00 a.m. ET. 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 www.theice.com. ([Link](#))

NYSE to Host Floor Broker Charity Trading Day – Friday, November 21, 2014

The New York Stock Exchange, part of the Intercontinental Exchange (NYSE: ICE) global network of exchanges, announced that the NYSE Floor Broker Charity Trading Day will take place on Friday, November 21, 2014. ([Link](#))

ICE Endex and GasTerra - Gas Storage Auction

Intercontinental Exchange (NYSE: ICE), the leading global network of exchanges and clearing houses, announced the results of the ICE Endex gas storage auction held on November 19, 2014, on behalf of GasTerra. ([Link](#))

Intercontinental Exchange Completes Liffe Transition to ICE; Liffe Equity Derivatives Complex Now Trading on the ICE Platform Alongside U.S. MSCI and Russell Equity Indices

Intercontinental Exchange (NYSE: ICE), the leading global network of exchanges and clearing houses, announced that it has successfully completed the Liffe futures and options transition to ICE Futures Europe. The final phase of the Liffe transition was completed with the equity derivatives complex transferring to the ICE platform, following the previous migrations of European interest rate derivatives and soft commodity contracts. ([Link](#))

ICE Endex Achieves Daily Volume Records in TTF Natural Gas and Dutch Power Futures Contracts

Intercontinental Exchange (NYSE: ICE), the leading global network of exchanges and clearing houses, announced that ICE Endex achieved a record daily volume in [TTF Natural Gas](#) futures with 27,569 contracts traded on November 25, 2014. A new total daily volume record for Dutch Power futures across [Dutch Power Baseload](#) and [Dutch Power Peakload](#) was also reached, with 3,475 contracts traded on November 25, 2014. ([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

FINCEN

FinCEN Statement on Providing Banking Services to Money Services Businesses

The Financial Crimes Enforcement Network ("FinCEN"), as the agency primarily responsible for administering the Bank Secrecy Act, is issuing this Statement to reiterate expectations regarding banking institutions' obligations under the Bank Secrecy Act for money services businesses. ([Link](#))

FinCEN Penalizes Florida Credit Union for Failures in Managing High-Risk International Financial Activity

FinCEN assessed a \$300,000 [civil money penalty](#) against a Miami located firm for significant Bank Secrecy Act (BSA) violations. North Dade's anti-money laundering (AML) failures exposed the United States financial system to significant opportunities for money laundering and terrorist financing from known high-risk jurisdictions. ([Link](#))

PRA

Widening access to the Sterling Monetary Framework: broker-dealers and central counterparties

The Bank of England is widening access to its Sterling Monetary Framework (SMF) to accept broker-dealers and central counterparties (CCPs). ([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 at its meeting 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](#))

Target 2.0 - Students in the driving seat of the economy

The fifteenth annual Bank of England and The Times Interest Rate Challenge begins next week. More than one thousand students will be participating in the Challenge's forthcoming regional heats. Like the Bank's Monetary Policy Committee, they will have to consider many conflicting indicators in order to set monetary policy to meet the inflation target. Prospects for the UK economy remain at the centre of public debate with enormous interest shown in the Committee and its monthly decisions. The recent introduction of forward guidance means the teams will have more to consider than ever before. ([Link](#))

Oversight Committee publishes report on role of Bank officials in relation to conduct issues in the foreign exchange market

The Oversight Committee has published an independent report by Lord Grabiner QC. This follows his investigation into whether, between 2005 and 2013, any Bank of England official was involved in, or aware of, conduct issues in the foreign exchange (FX) market. ([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

Central bank psychology - speech by Andrew Haldane

On Monday 17 November, Andrew Haldane, Chief Economist of the Bank of England, will be speaking at the Royal College of Medicine conference on Leadership: stress and hubris. He will discuss how psychological biases can affect policy making, and how the institutional design of policy making committees at the Bank of England have been designed to counteract those effects. ([Link](#))

Financial 'deglobalization': capital flows, banks and the Beatles - speech by Kristin Forbes

Speaking at Queen Mary University, Kristin Forbes discusses how global financial flows have shrunk since the financial crisis, and explores what that means for UK monetary policy. ([Link](#))

Why we need a leverage ratio, and how bank boards might take charge - speech by Martin Taylor

In a speech to the Oliver Wyman Institute's annual conference on Thursday, Martin Taylor, an external member of the Financial Policy Committee, addresses two subjects: the role of the leverage ratio in the UK's capital framework for banks, and the corporate governance of financial institutions, in particular, the over-development of board committees. ([Link](#))

Prudential Regulation Authority Fines 3 Banks £14 million for IT failures

The PRA is fining 3 banks £14 million for inadequate systems and controls which led to a serious IT incident in 2012. This is the first financial penalty the PRA has imposed since it came into being in April 2013. The FCA has separately fined the banks for the same incident. ([Link](#))

What is the right amount of guidance? The experience of the Bank of England with forward guidance - speech by David Miles

At a speech to De Nederlandsche Bank's Annual Research Conference on 13 November 2014, external Monetary Policy Committee member Professor David Miles asked what sort of guidance on future monetary policy by central banks is most useful. Drawing on analysis he presented recently at a speech at the London School of Economics on 30 September 2014, he argued that there were few situations where a central bank should commit to a specific future path for policy. Given this, it was important that any guidance should not be construed as a promise to follow a particular path for interest rates. ([Link](#))

Senior Research Advisor - Michael Kumhof

The Bank of England is delighted to announce the appointment of Michael Kumhof as the Senior Research Advisor in the Bank's new Research Hub. This is a new role set up as part of the Bank's recent Strategic Plan. The Research Hub itself has the aim of expanding the Bank's research capacity and influence in our areas of policy responsibility. Michael will play a key part in leading this. ([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

Bank of England announces terms of reference for RTGS review

Following an outage of the Real Time Gross Settlements (RTGS) system on 20 October 2014, the Bank of England announced that it had launched an independent review of the causes of the disruption. ([Link](#))

Prudential Regulation Authority consults on proposals to improve responsibility and accountability in the insurance sector

The PRA has published a consultation paper introducing a new accountability regime for the insurance sector. The proposals aim to embed a clearer system of accountability and responsibility for senior individuals working for insurance firms and groups. ([Link](#))

Quarterly Bulletin pre-release article: 'Bank funding costs: what are they, what determines them and why do they matter?'

Like any business, a bank needs to finance its commercial activities – most notably making loans to households and firms – with some source of funding. This article sets out the range of funding sources available to banks – such as savers' retail deposits and wholesale borrowing from investors – and explains why the cost of banks' funding is of central importance to both monetary and financial stability. ([Link](#))

Bank of England and HM Treasury Funding for Lending Scheme – 2014 Q3 Usage and Lending data

The Bank has published data on the use of the Funding for Lending Scheme (FLS) showing, for each group participating in the FLS Extension, the net quarterly flows of lending to UK businesses and the amount borrowed from the Bank in the third quarter of 2014. ¹Participants in the FLS Extension are able to make drawdowns up to the end of January 2015. ([Link](#))

Target Two Point Zero results for 28 November 2014

The fifteenth annual Target Two Point Zero – Bank of England and The Times Interest Rate Challenge is now underway, with 307 teams across the United Kingdom competing for the Challenge Trophy and £5,000 for their school or college. ([Link](#))

FCA**Former executives fined and banned from senior roles after insurance add-ons mis-selling**

The FCA has fined three former senior executives £928,000. The FCA's action follows previous enforcement action taken against Swinton: in 2013 it was fined £7.4m after it adopted an aggressive sales strategy that resulted in mis-sales of monthly add-on insurance policies; and in 2009 the firm was fined £770,000 for failures in its sales of PPI. ([Link](#))

Former trader pleads guilty to insider dealing

In a case brought by the FCA a former senior execution trader has pleaded guilty to an indictment reflecting 8 instances of insider dealing. Profits from the dealing exceeded £250,000. He is the third individual to plead guilty to insider dealing offences arising out of Operation Tabernula, the FCA's largest and most complex insider dealing investigation. He will be sentenced in the New Year. ([Link](#))

FCA confirms price cap rules for payday lenders

People using payday lenders and other providers of high-cost short-term credit will see the cost of borrowing fall and will never have to pay back more than double what they originally borrowed, the FCA confirmed. ([Link](#))

FCA fines five banks £1.1 billion for FX failings and announces industry-wide remediation program

The FCA has imposed fines totalling £1,114,918,000 (\$1.7 billion) on five banks for failing to control business practices in their G10 spot foreign exchange (FX) trading operations: Citibank N.A. £225,575,000 (\$358 million), HSBC Bank Plc £216,363,000 (\$343 million), JPMorgan Chase Bank N.A. £222,166,000 (\$352 million), The Royal Bank of Scotland Plc £217,000,000 (\$344 million) and UBS AG £233,814,000 (\$371 million) ('the Banks'). ([Link](#))

FCA finds small firms need to manage financial crime risks more effectively

The FCA has found that many small banks and commercial insurance intermediaries fail to effectively manage financial crime risk. The two reviews published follow related work by the FCA's predecessor on banks in 2011 and intermediaries in 2010. ([Link](#))

The Financial Conduct Authority and industry agree to improve the way consumer complaints are dealt with

Financial firms have collaborated with the FCA on a [thematic review](#) and, as a result, have agreed to make improvements to the way they deal with consumer complaints. The FCA will be consulting on possible changes to its dispute resolution rules later this year. ([Link](#))

FCA fines firm for failures surrounding sale of Keydata Products

The FCA has fined a firm £560,000 for failures surrounding the sale of Keydata products. ([Link](#))

FCA fines 3 firms £42 million for IT failures

The FCA has fined 3 firms £42 million for IT failures which occurred in June 2012 and meant that the Banks' customers could not access banking services. ([Link](#))

FCA publishes terms of reference for credit card market study

The FCA has published the terms of reference for a credit card market study. The FCA announced the market study in April 2014 after its own research showed that the credit card market was not working well for some consumers. ([Link](#))

FCA publishes Guidance Guarantee Policy Statement

The FCA has [published standards](#)¹ for the bodies responsible for delivering the Government's new Guidance Guarantee aimed at those with defined contribution (DC) pensions. The FCA has also published rules requiring pension provider firms to direct their customers to the guidance service at retirement. ([Link](#))

New rules will protect consumers from harmful fee-charging credit broking practices, says FCA

New rules have been introduced by the FCA to tackle poor practice in the credit broking market which is causing serious detriment to consumers. ([Link](#))

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
- Complanet – 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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RE: November 2014

Fax: (561) 807-5442

LouisDempsey@RRSCompliance.com

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