

Routing

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

Table of Contents

SEC 2

FINRA 3

MSRB..... 3

NASAA..... 4

NASDAQ/NASDAQ
TRADER/OTCBB 4

NYSE/EURONEXT/AMEX..... 4

FINCEN 5

PRA 5

FCA..... 6

Resource Links 7

Reader Survey 8

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 September 24th, 2015
- **DEADLINE:** Monthly SIS Filing Due September 29th, 2015

ITEMS IN THIS EDITION

- **SEC** – SEC charges a broker-dealer with operating secret trading desk and misusing dark pool subscriber trading information – Page 2
- **SEC** – SEC charges a broker-dealer for compliance and surveillance failures – Page 2
- **SEC** – SEC adopts registration rules for security-based swap dealers and major security-based swap participants – Page 2
- **SEC** – A large investment adviser settles charges it failed to disclose conflict to clients – Page 2
- **SEC** – Broker-Dealer to pay \$ 20 million for overcharging retail customers in municipal bond underwritings – Page 2
- **SEC** – Brokerage affiliates to pay \$ 180 million to settle hedge fund fraud charges – Page 2
- **FINRA** – Regulatory Notice 15-30 SEC approves consolidated rule to address conflicts of interest relating to the publication and distribution of equity research reports – Page 3
- **FINRA** – Regulatory Notice 15-31 SEC approves rule to address conflicts of interest relating to the publication and distribution of debt research reports – Page 3
- **FINRA** – FINRA bars former broker for churning customer accounts – Page 3
- **MSRB** – Proposed MSRB rule G-42 moves to additional phase of rulemaking – Page 4
- **FINCEN** – FinCEN proposed AML regulations for Investment Advisers – Page 5

Service Spotlight: Investment Adviser Compliance Program Reviews

As the third quarter comes to a close, CCOs should be wrapping up their ongoing internal reviews or scheduling their one-time annual reviews to meet the requirements of SEC Rule 206(4)-7 under the Investment Adviser Act of 1940 (“Adviser Act”). RRS structures its compliance review to determine if your compliance program is designed to consistently and effectively prevent, detect, and correct compliance problems in a timely manner. The RRS review process is similar in scope to an SEC regulatory examination and incorporates the extensive regulatory and industry experience of our staff.

RRS implements its review through a four stage process involving: 1) risk assessment and scope; 2) onsite examination and testing; 3) compilation and vetting of RRS’ analysis and findings; and 4) delivery of a written report and work papers.

Whether you want a high-level review to supplement your own internal reviews or an independent detailed transaction level review, RRS CAN HELP.

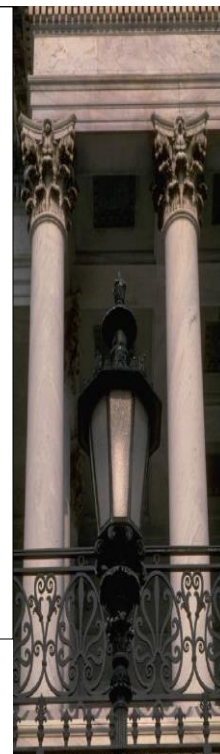
Contact:

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 * Research@RRSCompliance.com

Washington, DC



SEC

SEC Announces:

Asset Freeze against Alleged EB-5 Fraudster in Seattle Area ([Link](#))

SEC Charges:

Houston-Area Businessman in Ponzi scheme ([Link](#))

32 Defendants in Scheme to Trade on Hacked News Releases. ([Link](#))

A broker-dealer with Operating Secret Trading Desk and Misusing Dark Pool Subscriber Trading Information ([Link](#))

Former Software Executive with FCPA Violations ([Link](#))

A large Bank with FCPA Violations ([Link](#))

A Broker-dealer for Compliance and Surveillance Failures ([Link](#))

Former Investment Bank Analyst and Two Others with Insider Trading in Advance of Client Deals ([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

List of No Action Letters:

Securities Exchange Act of 1934, Sections 12(b) and 12(g), Investment Company Act of 1940 Section 7. ([Link](#))

Securities Exchange Act of 1934 — Rule 14a-8 Fidelity Freedom 2020 Fund, Fidelity Freedom 2025 Fund, and Fidelity Advisor Municipal Income Fund (Omission of Shareholder Proposal) ([Link](#))

SEC Final Rules:

Adoption of Updated EDGAR Filer Manual. ([Link](#))

Pay Ratio Disclosure. ([Link](#))

Registration Process for Security-Based Swap Dealers and Major Security-Based Swap Participants. ([Link](#))

SEC Adopts Registration Rules for Security-Based Swap Dealers and Major Security-Based Swap Participants

The SEC adopted new rules to provide a comprehensive, efficient process for security-based swap dealers and major security-based swap participants to register with the SEC. ([Link](#))

SEC Adopts Rule for Pay Ratio Disclosure

The SEC adopted a final rule that requires a public company to disclose the ratio of the compensation of its CEO to the median compensation of its employees. ([Link](#))

A large oil and natural gas company, Former CFO, Current COO Charged with Accounting Fraud

The SEC announced charges alleging that oil and Natural Gas Production Company, its former CFO, and its current COO inflated values of oil and gas properties, resulting in fraudulent financial reports for the Tennessee-based company. ([Link](#))

A large investment adviser Settles Charges it failed to Disclose Conflict to Clients

The SEC announced that the broker firm has agreed to settle charges it breached its fiduciary duty by failing to disclose a \$50 million loan that one of its senior executives received from an advisory client. ([Link](#))

Broker-Dealer to Pay \$20 Million for Overcharging Retail Customers in Municipal Bond Underwritings

The SEC announced that the broker and the former head of its municipal underwriting desk have agreed to settle charges that they overcharged customers in new municipal bonds sales. ([Link](#))

Three Maryland Men Settle Charges They Defrauded Investors in Real Estate Investment Company

The SEC announced that three Maryland men have agreed to settle charges that they defrauded investors in a company that owns and operates residential and commercial real estate. ([Link](#))

Brokerage Affiliates to pay \$180 Million to Settle Hedge Fund Fraud Charges

The SEC announced that two broker firm have agreed to pay nearly \$180 million to settle charges that they defrauded investors in two hedge funds by claiming they were safe, low-risk, and suitable for traditional bond investors. ([Link](#))

SEC Names Shamoil T. Shipchandler as Regional Director of Fort Worth Office

The SEC announced that Shamoil T. Shipchandler has been named Regional Director of its Fort Worth Regional Office. He will join the agency in early October. ([Link](#))

Ask about Our Order Handling and Best Execution Surveillance Solutions

Contact John Pinto at

(202) 463-6575

JohnPinto@RRSCompliance.com

Shelly Luisi Named Associate Director in the Division of Corporation Finance

The SEC announced that Shelly Luisi has been named as an Associate Director in the Division of Corporation Finance. She begins her new role in September. ([Link](#))

FINRA**FINRA Fines:**

A broker firm \$950,000 for Sales of Unregistered Penny Stocks and AML Violations. ([Link](#))

A broker firm \$800,000 for Regulation SHO Violations. ([Link](#))

A large broker firm \$2 Million for Net Capital Deficiencies. ([Link](#))

Regulatory Notices:

[15-28](#) SEC Approves Amendments Relating to Web-based Delivery of the Regulatory Element of Continuing

[15-29](#) FINRA Revises the Series 4 Examination Program

[15-30](#) SEC Approves Consolidated Rule to Address Conflicts of Interest Relating to the Publication and Distribution of Equity Research Reports

[15-31](#) SEC Approves Rule to Address Conflicts of Interest Relating to the Publication and Distribution of Debt Research Reports

FINRA Conferences & Events:

Advertising Regulation Conference ([Link](#))

Small Firm Conference ([Link](#))

South Region Compliance Seminar ([Link](#))

FINRA Bars Former Broker for Churning Customer Accounts

The FINRA announced that it has permanently barred, a former registered representative of a broker firm, from the securities industry for churning customers' accounts and other securities rule violations.

He also failed to report a dozen unsatisfied judgments and liens on his U4 Registration Form as required by FINRA rules. ([Link](#))

Military Spouses Receive Fellowships to Conduct Financial Counseling

Fifty military spouses throughout the United States and overseas have been awarded the FINRA Investor Education Foundation's 2015 Military Spouse Fellowship. The FINRA Foundation fellowship provides spouses with the training necessary to earn the AFC® (Accredited Financial Counselor) designation. This accreditation will provide these military spouses with marketable job skills and the resources and experience they need to help military families build brighter financial futures. ([Link](#))

MSRB**MSRB Regulatory Notices for August 2015:**

[2015-13](#) MSRB Adjusts Fees to Align Revenues with Operational and Capital Expenses

MSRB holds quarterly meeting

The Board discussed its earlier proposal to require dealers to provide pricing reference information for municipal securities transactions on retail customer confirmations and has directed staff to prepare a second proposal for public comment. ([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

MSRB announces new officers and board members for fiscal year 2016

The principal regulator of the municipal securities market, the MSRB, announced new officers and members of its Board of Directors who will begin their terms on October 1, 2015. The Board makes policy decisions, authorizes rulemaking and oversees the operation of the MSRB's Electronic Municipal Market Access (EMMA®) website. ([Link](#))

Municipal Securities trading activity rises in second quarter

The MSRB released municipal market statistics for the second quarter of 2015, showing a significant increase in the number of municipal securities trades compared to previous quarters. Municipal securities trading activity increased 14 percent in the second quarter of 2015 to 2.56 million trades, up from 2.24 million trades in the second quarter a year ago. ([Link](#))

Proposed MSRB rule G-42 moves to additional phase of rulemaking

The MSRB announced that the SEC has ordered the MSRB's proposed rule to establish core standards of conduct for municipal advisors into an additional phase of the rulemaking process. ([Link](#))

NASAA**NASAA's Electronic Filing Depository Reaches Milestone**

The NASAA announced that its new Electronic Filing Depository has been used to facilitate more than 10,000 notice filings with state securities regulators since its launch less than eight months ago. ([Link](#))

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

[2015 – 2](#) New Data Consolidation Fee for NASDAQ Last Sale Plus (NLS Plus) Filed

Equity Trader Alert:

[2015 – 130](#) FINRA / NASDAQ TRF Will Temporarily Remove Support for "Carry over Declined Trades"

[2015 – 131](#) NASDAQ Announces Ex-Date Ruling for Superior Uniform Group, Inc.

[2015 – 132](#) NASDAQ Announces Port Connectivity Details for DR Data Center Migration to Chicago

[2015 – 133](#) Pre-Closing Dividend/Distribution, Reverse Split and Name Change Information for Targacept, Inc.

[2015 – 134](#) Reverse Split & CUSIP Change for Rentech, Inc.

[2015 – 135](#) Compass EMP Lists Two ETFs

[2015 – 136](#) NASDAQ Updates Pricing

Data Technical News:

[2015 – 19](#) PHLX Announces Market Data Feed Updates

Options Trader Alert:

[2015 – 21](#) NASDAQ Announces Port Connectivity Details for DR Data Center Migration to Chicago

Options Regulatory Alert:

[2015 – 26](#) NOM Bid/Ask Differentials for "NDX" and "PCLN" Options Class

[2015 – 27](#) PHLX Bid/Ask Differentials for "NDX" and "PCLN" Option Classes

UTP Vendor Alert:

[2015 – 12](#) New Quote Condition Modifier to be introduced

[2015 – 13](#) Release and Testing Dates Announced for Revised Issue Symbol Directory to Support ETMF's

NYSE - EURONEXT – AMEX**Intercontinental Exchange Reports Record Second Quarter 2015 Results**

(NYSE: ICE), reported financial results for the second quarter of 2015. For the quarter ended June 30, 2015, consolidated net income attributable to ICE was \$283 million on \$797 million of consolidated revenues less transaction-based expenses. ([Link](#))

Intercontinental Exchange Declares Quarterly Dividend of \$0.75 per Share

(NYSE: ICE), announced a \$0.75 per share dividend for the third quarter of 2015. The dividend is payable on September 30, 2015 to shareholders of record as of September 16, 2015. The ex-dividend date is September 14, 2015. ([Link](#))

Intercontinental Exchange Reports ICE and NYSE Monthly Statistics for July 2015; Energy Daily Volume up 3%, Aqs up 8%, Cash Equities up 23% over Prior July

(NYSE: ICE), reported July exchange traded volume. NYSE's U.S. cash equities ADV increased 23%, while U.S. equity options ADV declined 14% over the prior July. NYSE's U.S. cash equities market share was 23.8% and NYSE's U.S. options market share was 19.9%. ([Link](#))

NYSE Welcomes Two New Transfers: The Madison Square Garden Company and VEREIT Join NYSE's Network of Leading Global Companies

The (NYSE: ICE), is pleased to welcome The Madison Square Garden Company (NYSE: MSG) and VEREIT, Inc. (NYSE: VER) to their community of leading companies following the transfer of their stock listings from NASDAQ. ([Link](#))

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

ICE Trade Vault Europe Approved by ACER as Registered Reporting Mechanism

(NYSE:ICE), announced that the Agency for the Cooperation of Energy Regulators has approved ICE Trade Vault Europe Limited (ICE Trade Vault Europe) as a Registered Reporting Mechanism to meet the reporting requirements of the European wholesale energy markets. ([Link](#))

FINCEN

FinCEN Renews and Broadens Geographic Targeting Orders on Border Cash Shipments in California and Texas

The U.S. Department of the Treasury's FinCEN renewed a Geographic Targeting Order currently in place for armored cars and other common carriers of currency at two border crossings in Southern California and issued a new, similar, GTO applicable to carriers crossing the border at eight major ports of entry in Texas. ([Link](#))

FinCEN Proposes AML Regulations for Investment Advisers

The FinCEN proposed a rule requiring certain investment advisers to establish AML programs and report suspicious activity to FinCEN pursuant to the BSA. FinCEN also proposed to include investment

advisers in the general definition of "financial institution," which, among other things, would require them to file Currency Transaction Reports and keep records relating to the transmittal of funds. ([Link](#))

PRA

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 MPC sets monetary policy in order to meet the 2% inflation target and in a way that helps to sustain growth and employment. At its meeting ending on 5 August 2015, the MPC voted by a majority of 8-1 to maintain Bank Rate at 0.5%. ([Link](#))

PRA censures a large Bank for serious risk management and transparency failings

The PRA found a large Bank's control framework to be flawed both in design and operation, and found inadequacies in the firm's risk management framework policies and in its capital management and corporate lending policies and procedures. ([Link](#))

Strengthening accountability: insurers and UK branches of non-EEA banks

The PRA has set out how it will hold senior managers in insurance companies and UK branches of non-EEA banks accountable. This brings to fruition a package of accountability reforms that will allow all PRA-regulated firms to prepare for the introduction of the Senior Managers Regime and Senior Insurance Managers Regime. ([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 Rick White at (850) 443-4036 or RickWhite@RRSCompliance.com

FCA

The Financial Conduct Authority censures a large Bank for listing rules breaches and failing to be open with the regulator

The FCA has issued a public censure against a large Bank for breaching its Listing Rules. The Listing Rules require issuers to ensure that information published is not misleading so that investors can make fully informed decisions. ([Link](#))

Trading and Market Making

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

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

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

FCA secures High Court Judgment awarding injunction and over £7 million in penalties against five defendants for market abuse

The FCA took action to stop the abuse in July 2011. This is the first time that the FCA has asked the High Court to impose a permanent injunction restraining market abuse and a penalty. Four of the five defendants were incorporated or resident abroad in Switzerland, the Seychelles and Hungary. The defendants were found to have committed market abuse in relation to 186 UK-listed shares using a manipulative trading strategy known as "layering". ([Link](#))

FCA bans and fines former director, of an investment firm, for SIPP advisory failings

Former director of advisory firm, has been banned from senior positions in financial services and fined £165,900 by the FCA. The FCA found the personnel to have failed to ensure that the firm assessed the suitability of investments made through self-invested personal pensions (SIPPs) for its customers, and failed to ensure that the firm identified and managed its conflicts of interests. ([Link](#))

FCA publishes rules on how it will apply the new accountability regime to UK branches of overseas banks and Solvency II firms

The FCA, alongside the PRA, has published near final rules confirming how it will apply the new accountability regime to UK branches of overseas banks, and also confirms reforms to the approved person's regime for Solvency II firms. ([Link](#))

Consumer redress scheme opens – card security product holders have until March 2016 to claim compensation

Approximately two million people who bought card security products with one of the product names listed can start claiming compensation from late-August, the FCA announced. ([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
- Complinet – WWW.COMPLINET.COM
- Florida Securities Dealers Association “FSDA” – WWW.FLORIDASECURITIES.COM
- Financial Market Association “FMA” – WWW.FMAWEB.ORG
- Financial Services Institute “FSI” – WWW.FINANCIALSERVICES.ORG
- Investment Adviser Association “IAA” – WWW.INVESTMENTADVISER.ORG
- Investment Company Institute “ICI” – WWW.ICI.ORG
- Managed Funds Association “MFA” – WWW.MANAGEDFUNDS.ORG
- National Society of Compliance Professionals “NSCP” – WWW.NSCP.ORG
- Securities Industry and Financial Markets Association “SIFMA” – WWW.SIFMA.ORG

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

Renaissance Regulatory Services, Inc.

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

www.RRSCompliance.com

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: August 2015

Fax: (561) 807-5442

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

LOUISDEMPSEY@RRSCOMPLIANCE.COM

BART McDONALD, EXECUTIVE VICE PRESIDENT

BARTMCDONALD@RRSCOMPLIANCE.COM