

JULY 28, 2011

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News for and about the securities compliance industry

Top Story

■ SEC system to keep track of large traders' activities

The Securities and Exchange Commission, in an effort to aid any investigation of future flash crashes, has adopted rules that allow the agency to better monitor activities of hedge funds, banks and other large traders. The large-trader reporting system "would significantly bolster our ability to oversee the U.S. securities markets," said Mary Schapiro, chairman of the SEC. Read the [news release](#) from the SEC. [Reuters](#) (7/26), [Bloomberg](#) (7/26)

Industry News

■ U.S. regulators tell banks to protect risk management from cuts

U.S. banks are shedding staff and reducing costs, but regulators have warned them to protect systems and staff related to risk management. [Financial Times](#) (tiered subscription model) (7/1)

■ FINRA looks to change the way illiquid securities are valued

The Financial Industry Regulatory Authority has proposed amendments to the way broker-dealers show the estimated value of illiquid securities on client account statements. The proposals would require, for example, that upfront fees and other expenses be subtracted from the offering proceeds if the estimated value of shares is listed as the par value. [InvestmentNews](#) (free registration) (7/19)

■ Analysts warn about opportunities of regulatory arbitrage

Analysts at JPMorgan Cazenove said the Dodd-Frank Act and rules from the Basel Committee on Banking Supervision are creating arbitrage opportunities upon which some banks are already capitalizing. "In our opinion, [it] has already resulted in US investment banks buying correlation books [and] re-securitized assets from European counterparts to benefit from regulatory arbitrage," the analysts wrote. [Read the white paper from JPMorgan Cazenove](#). [Risk.net/Risk magazine](#) (subscription required) (7/11)

■ Schapiro urges more SEC funding, expects fiduciary rule in the fall

The Dodd-Frank Act will fall flat unless lawmakers cough up "significant additional resources" to fund regulators' activities, Mary Schapiro, Securities and Exchange Commission chairman, said on the law's first anniversary. Schapiro also said that she hoped the SEC would propose a universal fiduciary standard by this fall. [Read the full text](#) of Chairman Schapiro's testimony. [AdvisorOne.com](#) (7/21)

■ Dodd-Frank obstructs global capital rules, JPMorgan says

Efforts by U.S. bank regulators to enforce global capital rules are being made difficult by some provisions of the Dodd-Frank Act, JPMorgan Securities said. The act prohibits the use of credit rating agencies in evaluating bank risks, and U.S. regulators have no practical alternative. [Reuters](#) (7/1)

■ FINRA's licensing rules for operations executives starts soon

The Financial Industry Regulatory Authority said in a posting on its website that rules governing the licensing of bank operations personnel will start Oct. 17. The Securities and Exchange Commission approved a proposal from FINRA to develop a registration category and testing for some operations executives. [Read Regulatory Notice 11-33](#) from FINRA. [Securities Technology Monitor](#) (7/25)

■ **Labor Dept. extends deadline for retirement-plan disclosures to April**

The U.S. Department of Labor has pushed back the deadline for complying with a new rule requiring retirement-plan providers to disclose information including fiduciary duties, fees and compensation. The Labor Department moved the deadline for Rule 408(b)(2) from January to April 2012. The shift comes in response to complaints from companies that feared there would not be enough time to comply with the final rule. [AdvisorOne.com](#) (7/14)

■ **Broker class actions could benefit from FINRA proposal**

The Financial Industry Regulatory Authority wants to ban "collective action" claims from its arbitration forums. Such a change might make it easier for brokers to pursue class-action employment claims. The Securities and Exchange Commission would have to approve FINRA's proposal. [See more information from FINRA's July meeting.](#) [InvestmentNews](#) (free registration) (7/22)

■ **Inspector general: SEC doesn't monitor firms that get exemptions**

The Securities and Exchange Commission often fails to make sure that companies that get exemptions from its rules comply with the conditions imposed when they got those exemptions, the agency's inspector general said. The regulator doesn't even have a procedure for keeping up with what the exempted companies do, the regulator's internal watchdog said. [The Washington Post](#) (6/30)

■ **Do you have what it takes to be a compliance officer?**

An advisory firm's chief compliance officer needs the right combination of knowledge and authority, Les Abromovitz writes. The CCO needs to be an expert on the Investment Advisers Act of 1940, including the relevant rules from the Securities and Exchange Commission. CCOs can't claim to be ignorant or to have delegated their responsibility for compliance if the SEC comes knocking, Abromovitz wrote. [RIABiz.com](#) (7/13)

■ **Financial advisers are still in the dark about Dodd-Frank rules**

Eight rules required by the U.S. Dodd-Frank Act could have major consequences for financial advisers, but because most of them haven't yet been written, advisers still don't know how they will affect their businesses. The full effect of Dodd-Frank probably won't be known until the end of 2012. [InvestmentNews](#) (free registration) (7/17)

■ **Calculation of risk-weighted assets causes concerns**

Most respondents to a Risk.net poll said the process for calculating risk-weighted assets is too subjective and could be an area ripe for manipulation. About 69% of respondents said regulators, such as the Basel Committee on Banking Supervision, should review the RWA calculation. An official at the Basel Committee said the panel plans to look into the issue, but that it is not urgent. [Risk.net](#) (subscription required) (7/14)

■ **Other News**

SEC tells SIPC to reimburse victims of Allen Stanford

[AdvisorOne.com](#) (7/25)

Insiders question the use of Basel III as a macroprudential tool

[Risk.net/Risk magazine](#) (subscription required) (6/29)

■ **FINRA Reaffirms Its Guidance in NTM 00-02 on Soliciting Business in Foreign Jurisdictions and Withdraws NTM 98-91**

■ **FINRA Provides Additional Guidance Regarding Reporting Requirements Under Rule 4530**

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