

BROKER-DEALER

FINRA and SIPC Agree To Streamline the Annual Report Filing Process for Broker-Dealers

On August 1, the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation (SIPC) announced a services agreement designed to streamline the annual report filing process for member firms. Effective September 1, member firms that currently file separate annual reports with SIPC and FINRA will be able to make a single filing using FINRA's existing reporting portal. This arrangement is intended to (1) ease reporting burdens and compliance costs for member firms, and (2) reduce the number of inconsistent or incomplete annual audited financial statements and supplementary reports being filed.

The press release announcing the services agreement is available [here](#).

CFTC

CFTC Releases Rule Enforcement Review of the North American Derivatives Exchange

The Commodity Futures Trading Commission Division of Market Oversight (DMO) recently released the results of a rule enforcement review of the North American Derivatives Exchange Inc. (Nadex). The review covered a one-year target period and evaluated Nadex's compliance with elements of Core Principles 2 (Compliance with Rules) and 12 (Protection of Markets and Market Participants), including compliance with relevant CFTC regulations related to these Core Principles.

DMO found that Nadex allocates staff, information technology and other resources to comply with Core Principles 2 and 12. Nadex also maintains a rulebook and written policies and procedures for its staff. However, DMO identified certain deficiencies relating to Nadex's trade practice investigations and made recommendations regarding Nadex's capacity to detect and investigate rule violations. In addition, DMO also identified a deficiency related to Core Principle 7 (Availability of General Information), noting that Nadex had failed to disclose relevant information regarding its market maker programs. Nadex has since cured this deficiency.

For more information, click [here](#).

BANKING

OCC Seeks Volcker Rule Comments

On August 2, the Office of the Comptroller of the Currency provided further evidence that change may be forthcoming for banks subject to the Volcker Rule (Section 13 of the Bank Holding Company Act of 1956) by issuing a notice soliciting suggestions and recommendations for revising the regulations implementing the Volcker Rule to better accomplish the purposes of the statute. All aspects of the implementing regulations are open for discussion, but the notice includes specific questions relating to 1) the scope of entities subject to the regulations; 2) the proprietary trading prohibition; 3) the covered funds prohibition; and 4) compliance programs and metrics reporting requirements.

No changes in the implementing regulations can be made without the concurrence of the Federal Reserve, the Federal Deposit Insurance Corp, the Securities and Exchange Commission and the Commodity Futures Trading Commission. With respect to the notice, Acting Comptroller of the Currency Keith Noreika said, “I look forward to reviewing the comments and to joining the other regulators soon on a Notice of Proposed Rulemaking to amend the regulation.”

The notice requests commenters to respond no later than 45 days after publication of the notice in the Federal Register.

The notice is available [here](#).

UK DEVELOPMENTS

FCA Consults on Changes To Client Assets Sourcebook

On August 1, the UK Financial Conduct Authority (FCA) published a consultation paper (CP), outlining proposals to amend its Client Assets Sourcebook (CASS). CASS applies to certain regulated firms that hold client money in relation to investment business.

The FCA stated in the CP that some investment firms are experiencing difficulty depositing client money at banks in accordance with CASS requirements. The proposals in the CP are intended to address the potential harm to consumers resulting from this, including client money being returned to clients against their wishes or being deposited with banks that do not meet due diligence requirements.

The FCA is seeking feedback on the following proposed changes to CASS:

- permitting a firm to deposit an appropriate proportion of client money in an unbreakable deposit of a maximum of 90 days, as opposed to the current maximum of 30 days;
- requiring a firm to comply with certain conditions, including producing related written policies, when it deposits client money in an unbreakable deposit of 31–90 days; and
- requiring CASS medium and large firms to report client money in an unbreakable deposit of 31–90 days in their client money and asset return (CMAR) (monthly reporting of held client assets).

The CP consultation closes November 1.

The CP is available [here](#).

FCA Opens MiFID II Passporting Gateway

On July 31, the UK Financial Conduct Authority (FCA) began accepting applications for passport notifications under the revised Markets in Financial Instruments Directive (MiFID II).

Firms are required to make a passporting application under MiFID II if they intend to be conducting European Economic Area (EEA) activities that have been implemented as new MiFID II activities (such as operating an organized trading facility (OTF)), or if they will become newly authorized under MiFID II and need to passport after January 3, 2018. Further to publishing the relevant forms in July 2017 (for further information see the July 21 [Corporate Financial Weekly Digest](#)), the FCA is now accepting such forms for MiFID II passport applications.

The FCA has stated that MiFID II passporting forms should only be submitted once firms have received confirmation that their MiFID II authorization or variation of permission application has been processed.

Further information is available [here](#).

For additional coverage on financial and regulatory news, visit [Bridging the Week](#), authored by Katten's [Gary DeWaal](#).

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UK DEVELOPMENTS

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