

BROKER-DEALER

SEC Commissioner Jackson Gives Speech Regarding the State of America's Stock Exchanges

On September 19, Commissioner Robert J. Jackson, Jr. of the Securities and Exchange Commission gave a speech related to the state of the SEC's regulation of the nation's 13 stock exchanges in light of the transition of the exchanges from not-for-profit entities to for-profit corporations, with both regulatory and profit-seeking mandates, about a decade ago. Commissioner Jackson opined that "in for-profit hands, SEC oversight for not-for-profit exchanges can be dangerous" and asserted that the stock markets are taxing American investors with hidden fees and conflicts of interest. He called on the SEC to start asking hard questions about the country's stock market structure and noted several steps that the SEC is taking to begin to re-evaluate market structure. Commissioner Jackson noted several areas of focus for the SEC in this area including, but not limited to, a uniform approach to the disclosure of exchange revenues and the effect of rebates on market conditions.

The text of the speech is available [here](#).

CBOE Proposes Rule Change Relating to Qualification Examinations

On September 20, the Securities and Exchange Commission approved a rule proposal filed by Cboe Exchange, Inc. (CBOE) related to the registration categories and qualification examinations required for Trading Permit Holders and associated persons that engage in trading activities on CBOE (Proposal). In light of FINRA's adoption of the Securities Industry Essentials Examination (SIE), which is a general knowledge examination that all new representative-level applicants will need to take as of October 1 (Implementation Date), CBOE proposed a rule change that would require new applicants seeking to register with CBOE in a representative capacity as of the Implementation Date to pass the SIE. To be eligible for such registration, an individual also must be associated with a firm, pass an appropriate qualification examination for a representative or principal, and satisfy certain other requirements. (For additional information regarding the SIE, please refer to the [January 26, 2018 edition of Corporate & Financial Weekly Digest](#).)

In addition, CBOE proposed to adopt Interpretation and Policy .09 of Rule 3.6A and Interpretation and Policy .02 of Rule 9.3 to provide individuals acting as associated persons of firms who hold foreign registrations an alternative process to obtain a representative-level registration with CBOE. CBOE believes there is sufficient overlap between such foreign qualification requirements and the SIE to permit an exemption from the SIE requirement.

The new rule will go into effect on October 1, to coincide with the Implementation Date.

The Release is available [here](#).

The Proposal is available [here](#).

CFTC

CFTC Announces Technology Advisory Committee Meeting

The Commodity Futures Trading Commission (CFTC) has announced that its Technology Advisory Committee (TAC) will hold a meeting on Friday, October 5. The meeting will be held in the Conference Center at the CFTC's Washington, DC headquarters from 10:00 am – 3:30 pm ET. Representatives of several TAC subcommittees, including the Automated and Modern Trading Markets; Distributed Ledger Technology and Market Infrastructure; Virtual Currencies; and Cyber Security subcommittees, are expected to make presentations. The committee will also discuss how RegTech is opening up the possibility of machine readable and executable regulatory rulebooks.

The meeting is open to the public on a first-come, first-served basis and is accessible by telephone.

Additional information regarding the TAC meeting is available [here](#).

DIGITAL ASSETS AND VIRTUAL CURRENCIES

See “CFTC Announces Technology Advisory Committee Meeting” in the CFTC section and “UK Treasury Committee Calls for Regulation of Crypto-Assets” in the UK Developments section.

UK DEVELOPMENTS

UK Treasury Committee Calls for Regulation of Crypto-Assets

On September 19, the UK's House of Commons Treasury Committee (Treasury Committee) published a report on its inquiry into crypto-assets, launched in February 2018. The report is an update of what was provided on its website in May 2018 (for further details, see the May 25, 2018 edition of [Corporate & Financial Weekly Digest](#)).

Key findings and conclusions in the Treasury Committee's report include the following:

1. Although crypto-assets are embedded in certain parts of society and industry, they are extremely risky for investors, as are initial coin offerings (ICOs). Owing to their anonymity and absence of regulation, crypto-assets also can facilitate the sale and purchase of illicit goods and services, as well as launder the proceeds of serious crime and terrorism. The Treasury Committee believes the UK Financial Conduct Authority (FCA) should be the relevant regulator for supervising anti-money laundering.
2. The FCA's consumer warnings are a “feeble corrective” to advertisements, such as on social media and billboards, that only emphasize the upside opportunities of crypto-asset investing and are misleading to consumers. The Treasury Committee believes that the FCA needs more power to control how crypto-asset exchanges and ICO issuers market their services by bringing the activities they perform into the regulatory perimeter. This also would provide investors with wider protections against mistreatment, such as the loss of deposits through fraud and hacking.
3. Regulating crypto-assets should be treated as a matter of urgency, given the growing risks surrounding crypto-assets. The Treasury Committee believes that introducing the regulation of crypto-assets and associated activities by extending the UK Regulated Activities Order would be the quickest method of providing the FCA with the necessary legal powers to execute its duties of protecting consumers and maintaining market integrity.
4. Crypto-asset markets are particularly vulnerable to manipulation, yet they fall outside the scope of market abuse rules. The Treasury Committee suggests that, in response to the report, the FCA should outline the approach it would take to market manipulation should these markets fall within its remit.
5. UK regulators should engage with international bodies to ensure best practices are identified and applied.

The Treasury Committee's report is available [here](#).

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

For more information, contact:

FINANCIAL SERVICES

| | | |
|-------------------------------|------------------|-----------------------------------|
| Janet M. Angstadt | +1.312.902.5494 | janet.angstadt@kattenlaw.com |
| Henry Bregstein | +1.212.940.6615 | henry.bregstein@kattenlaw.com |
| Kimberly L. Broder | +1.212.940.6342 | kimberly.broder@kattenlaw.com |
| Wendy E. Cohen | +1.212.940.3846 | wendy.cohen@kattenlaw.com |
| Guy C. Dempsey Jr. | +1.212.940.8593 | guy.dempsey@kattenlaw.com |
| Gary DeWaal | +1.212.940.6558 | gary.dewaal@kattenlaw.com |
| Kevin M. Foley | +1.312.902.5372 | kevin.foley@kattenlaw.com |
| Jack P. Governale | +1.212.940.8525 | jack.governale@kattenlaw.com |
| Arthur W. Hahn | +1.312.902.5241 | arthur.hahn@kattenlaw.com |
| Christian B. Hennion | +1.312.902.5521 | christian.hennion@kattenlaw.com |
| Carolyn H. Jackson | +44.20.7776.7625 | carolyn.jackson@kattenlaw.co.uk |
| Fred M. Santo | +1.212.940.8720 | fred.santo@kattenlaw.com |
| Christopher T. Shannon | +1.312.902.5322 | chris.shannon@kattenlaw.com |
| Robert Weiss | +1.212.940.8584 | robert.weiss@kattenlaw.com |
| Lance A. Zinman | +1.312.902.5212 | lance.zinman@kattenlaw.com |
| Krassimira Zourkova | +1.312.902.5334 | krassimira.zourkova@kattenlaw.com |

UK DEVELOPMENTS

| | | |
|---------------------------|------------------|----------------------------------|
| John Ahern | +44.20.7770.5253 | john.ahern@kattenlaw.co.uk |
| Carolyn H. Jackson | +44.20.7776.7625 | carolyn.jackson@kattenlaw.co.uk |
| Neil Robson | +44.20.7776.7666 | neil.robson@kattenlaw.co.uk |
| Nathaniel Lalone | +44.20.7776.7629 | nathaniel.lalone@kattenlaw.co.uk |

.....
* Click [here](#) to access the *Corporate & Financial Weekly Digest* archive.

Attorney advertising. Published as a source of information only. The material contained herein is not to be construed as legal advice or opinion.
©2018 Katten Muchin Rosenman LLP. All rights reserved.

Katten

KattenMuchinRosenman LLP www.kattenlaw.com

AUSTIN | CENTURY CITY | CHARLOTTE | CHICAGO | DALLAS | HOUSTON | LONDON | LOS ANGELES | NEW YORK | ORANGE COUNTY | SAN FRANCISCO BAY AREA | SHANGHAI | WASHINGTON, DC

Katten refers to Katten Muchin Rosenman LLP and the affiliated partnership as explained at kattenlaw.com/disclaimer.