Katten

Corporate & Financial Weekly Digest

August 31, 2020 | Volume XV, Issue 33

SEC/CORPORATE

SEC Amends the Definitions of "Accredited Investor" and "Qualified Institutional Buyer"

On August 26, the Securities and Exchange Commission adopted amendments to the definitions of "accredited investor" in Rule 501(a) and "qualified institutional buyer" in Rule 144A under the Securities Act of 1933 (Securities Act). The amendments expand the definition of accredited investor, a principal test to determine eligibility for participation in private capital markets, even if they do not meet specified income and net worth tests. Amendments to the qualified institutional buyer definition similarly expand the list of eligible entities under that definition. The amendments were adopted generally as proposed with no significant changes. The proposed amendments were previously covered in the December 20, 2019 edition of the *Corporate & Financial Weekly Digest*.

The amended accredited investor definition in Rule 501(a):

- adds a new category to permit qualification of natural persons based on certain professional certifications, designations or credentials issued by an accredited educational institution, as designated by the SEC from time to time;
- adds, with respect to investments in a private fund, natural persons who are "knowledgeable employees" of that fund;
- adds SEC- and state-registered investment advisers, exempt reporting advisers, and rural business investment companies (RBICs) to the enumerated list of entities that may qualify as accredited investors;
- consistent with existing SEC guidance, explicitly states that limited liability companies with $5 million in assets are included in the enumerated list of entities that may qualify as accredited investors;
- adds a new category to include any entity, including Indian tribes, governmental bodies, funds and entities organized under the laws of foreign countries, that (1) owns "investments," as defined in Rule 2a51-1(b) under the Investment Company Act of 1940 (ICA), in excess of $5 million; and (2) was not formed for the specific purpose of investing in the securities being offered;
- adds "family offices" with at least $5 million in assets under management and their "family clients," each defined under the Investment Advisers Act of 1940 (Advisers Act); and
- adds the term "spousal equivalent," so that spousal equivalents may pool finances for purpose of passing the qualifying income or net worth tests.

The amended qualified institutional buyer definition in Rule 144A:

- adds limited liability companies and RBICs if they meet the $100 million in securities owned and invested threshold in the definition; and
- adds institutional investors included in the accredited investor definition that are not otherwise enumerated in the definition of "qualified institutional buyer," provided they satisfy the $100 million threshold.

Amendments to the Accredited Investor Definition

The SEC notes these amendments were prompted by the increased significance of exempt securities markets, both in terms of absolute amounts raised and relative to amounts raised in public securities markets. Prior to the adoption of these amendments, the accredited investor definition focused only on an individual's level of wealth (income or net worth) as a proxy for financial sophistication. However, the SEC stated that relying solely on financial thresholds is suboptimal, since it may restrict access to investment opportunities for individuals whose knowledge and experience makes them capable of evaluating merits and risks of prospective investments. Therefore, the amendments create new categories of individuals and entities that qualify as accredited investors irrespective of wealth, on the basis that such investors have demonstrated the ability (through professional credentials, experience and business purpose) to appropriately assess investment opportunities, allocate capital based on their individual circumstances and otherwise make informed decisions regarding their financial interests, including their ability to bear the financial risk.

Moreover, the SEC stated it did not believe it necessary or appropriate to modify the financial thresholds set forth in the definition at this time because (1) at an individual level, removing investors from the current pool, particularly those who participated or are currently participating, in the private placement market would be inappropriate based on the imposition of costs and principles of fairness generally; and (2) at a general level, a significant reduction in the accredited investor pool through an increase in financial thresholds could have disruptive effects on the Regulation D market as a result of higher cost of capital for certain companies, particularly those in regions with lower wages, net worth or venture capital activity (thereby relying on “angel” or other individual investors). The SEC established the $200,000 individual income and $1 million net worth threshold in 1982 and the $300,000 joint income threshold in 1988 and has not updated them since. As a result, the number of US households that qualify as accredited investors has grown from approximately 2 percent of the population of US households in 1983 to 13 percent in 2019 as a result of inflation.

A. Professional Certifications, Designations and Other Credentials

The SEC stated it believes that certain professional certifications and designations or other credentials provide a reliable indication that an investor has a sufficient level of financial sophistication to participate in investment opportunities that do not have the additional protections provided by registration under the Securities Act. As a result, the amendments allow the SEC to designate qualifying professional certifications, designations and other credentials by order and include a nonexclusive list of attributes that the SEC will consider in determining which professional certifications and designations or other credentials qualify a natural person for accredited investor status. In connection with the adoption of this amendment, the SEC designated the General Securities Representative license (Series 7), the Private Securities Offerings Representative license (Series 82) and the Licensed Investment Adviser Representative (Series 65) as the initial certifications, designations or credentials under Rule 501(a)(10). Pursuant to the amendments, the SEC has the ability to reevaluate previously designated certifications, designations or credentials and designate others that are developed or are identified if consistent with specified criteria it determines are appropriate.

B. Knowledgeable Employees

The SEC added a category to enable “knowledgeable employees” (as defined in Rule 3c-5(a)(4) under the ICA) of a private fund to qualify as accredited investors for investments in the fund due to their position with the fund (and thereby their presumed meaningful investing experience and access to information necessary to make an informed investment decision about the fund’s offerings). “Knowledgeable employees” include, among other persons, trustees and advisory board members, or persons serving in a similar capacity, of a Section 3(c)(1) or 3(c)(7) fund or an affiliated person of the fund that oversees the fund’s investments, as well as employees of the private fund or the affiliated person of the fund (other than employees performing solely clerical, secretarial, or administrative functions) who, in connection with the employees’ regular functions or duties, have participated in the investment activities of such private fund for at least 12 months.

C. Additional Entities

The amendment adds the following categories of entities to the enumerated list of entities that qualify as accredited investors pursuant to its definition: SEC- and state-registered investment advisers, rural business investment companies, limited liability companies, and a catch all category consisting of other entities owning a minimum threshold of investments.

In the adopting release, the SEC noted that registered investment advisers are generally considered to be institutional investors under state law, and there is no compelling reason to distinguish between SEC- and state-registered investment advisers acting for their own account from other institutional investors already treated as accredited investors. Similarly, the SEC stated that exempt reporting advisers, as advisers to private funds, also have the requisite financial sophistication needed to conduct meaningful investment analysis. Exempt reporting advisers are required under Section 203(m) or (l) of the Advisers Act to register as an investment adviser with the SEc and thereby meet the minimum asset thresholds triggering such requirement. Additionally, private funds themselves are institutional investors and all investors therein are presumed to be financially sophisticated. RBICs have a purpose similar to that of small business investment companies (SBICs), and as such, their advisers are treated similarly under the Advisers Act. SBICs are already accredited investors under Rule 501(a)(1) and, as a result of the aforementioned similarities, the amended definition now includes RBICs as accredited investors under Rule 501(a)(1). The amendment also clarifies the SEC's longstanding staff position that limited liability companies satisfying the other requirements of the definition are eligible to qualify as accredited investors under Rule 501(a)(3). Lastly, a new category was added for any entity owning "investments" (as defined in Rule 2a51-1(b) under the ICA) in excess of $5 million that is not formed for the specific purpose of acquiring the securities being offered. The SEC's intent was to capture all existing entity forms not already included within Rule 501(a), such as Indian tribes, labor unions, governmental bodies and funds, and entities organized under the laws of a foreign country, as well as those entity types that may be created in the future.

D. Family Offices and Family Clients

The SEC added a new category for certain "family offices" and "family clients of family offices" (each as defined under the Advisers Act). The amendments encompass a family office, and family clients of such family office, that meets the following additional requirements: (1) it has at least $5 million in assets under management; (2) it is not formed for the specific purpose of acquiring the securities offered; and (3) its prospective investment is directed by a person who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the prospective investment.

E. Spousal Equivalents

The amendments further allow natural persons to include spousal equivalents when calculating joint income under Rule 501(a)(6) and net worth under Rule 501(a)(5). As previously used by the SEC under the Advisers Act and in Regulation Crowdfunding, spousal equivalent is defined as a cohabitant in a relationship generally equivalent to that of a spouse.

Amendments to the Qualified Institutional Buyer Definition

Amendments to the definition of qualified institutional buyer expand the list of entities eligible for such status (such as limited liability companies, RBICs and other institutional investors included in the accredited investor definition) in order to avoid inconsistencies between the entity types eligible for accredited investor and qualified institutional buyer status, so long as any such entity meets the qualified institutional buyer requirement of owning or investing on a discretionary basis at least $100 million in securities of issuers not affiliated with such a qualified institutional buyer.

The amendments and order will become effective 60 days after publication in the *Federal Register*.

The SEC's final rule is available here.

The SEC's press release is available here.

SEC Adopts Rule Amendments to Modernize Business, Legal Proceedings and Risk Factor Disclosures Required by Regulation S-K

On August 26, the Securities and Exchange Commission adopted amendments to modernize the required disclosures under Regulation S-K regarding a company's business description (Item 101), legal proceedings (Item 103) and risk factors (Item 105) (the Amendments). In a press release, the SEC staff noted that the Amendments are in line with the SEC's long-standing commitment to a principles-based, registrant-specific approach to disclosure that, although prescriptive in some respects, focuses on materiality and is designed to provide an understanding of each registrant's business, financial condition and prospects. The staff also noted that the Amendments are intended to result in disclosure that will be presented in a manner that is more readable because of the reduction of immaterial and/or repetitive disclosure and will also be more in line with the way that a registrant's management and board of directors manage and assess the registrant's performance. The Amendments reflect the adoption of rule amendments the SEC originally proposed in August 2019 (the

Proposals), which were previously discussed in the [August 16, 2019 edition of *Corporate & Financial Weekly Digest*], with certain modifications. The key changes made by the Amendments:

Item 101(a) of Regulation S-K (General Development of the Business):

- implement a principles-based approach, replacing the previously prescribed five-year look-back period (or three years for smaller reporting companies) for describing the development of the registrant's business with a disclosure requirement focused on materiality to an understanding of the general development of the registrant's business (which may cover a longer or shorter period);
- replace the existing prescriptive list of disclosure topics with a non-exclusive list of the types of information that a registrant may need to disclose, requiring disclosure of a topic only to the extent such information is material to an understanding of the general development of a registrant's business. The non-exclusive list of disclosure topics, which was modified from the list in the Proposals, includes the following (the final three of which were covered in Item 101(a)(1) prior to the adoption of the Amendments):
    - material changes to a previously disclosed business strategy (which business strategy-related disclosure is not required by the current disclosure rules and will not be required upon the Amendments becoming effective, and, if a registrant has not previously disclosed a business strategy, such change in business strategy disclosure would not be mandatory);
    - the nature and effects of any material bankruptcy, receivership or similar proceeding;
    - the nature and effects of any material reclassification, merger or consolidation of the registrant or any of its significant subsidiaries; and
    - the acquisition or disposition of any material amount of assets otherwise than in the ordinary course of business; and
- permit (but not require) a registrant, in filings made after an initial registration statement, to provide only an update of the general development of the business that focuses on any material developments in the reporting period, along with a single active hyperlink to the registrant's most recent filing that, together with the update, would contain the full discussion of the general development of the business. Note that the Amendments limit registrants to one hyperlink for this purpose, meaning that that registrants cannot hyperlink to parts of multiple filings in order to provide the required disclosure.

Item 101(c) of Regulation S-K (Narrative Description of Business), which requires a narrative description of the business done and intended to be done by the registrant and its subsidiaries:

- modify the prescriptive list of disclosure topics that were already included in Item 101(c) to clarify the principles-based nature of the disclosure requirements and thereby eliminate the ambiguity prior to the Amendments that led some registrants to include disclosure concerning all of the topics listed in Item 101(c) regardless of their materiality to the registrant. Following effectiveness of the Amendments, the non-exclusive list of disclosure topics, many of which are modifications of topics from the prior prescriptive list, includes, to the extent such information is material to an understanding of the business taken as a whole:
    - revenue-generating activities, products and/or services, and any dependence on revenue-generating activities, key products, services, product families or customers, including governmental customers;
    - the status of development efforts for new or enhanced products, trends in market demand and competitive conditions;
    - the resources material to a registrant's business, such as (1) sources and availability of raw materials; and (2) the duration and effect of all patents, trademarks, licenses, franchises and concessions held; any material portion of the business that may be subject to renegotiation of profits or termination of contracts or subcontracts at the election of the government; and
    - the extent to which the business is or may be seasonal;
- require a description of the registrant's human capital resources (which term is not defined and the description of which may (but is not required to) include the number of persons employed (the disclosure of which was required prior to the Amendments) and a description of any human capital measures or objectives the registrant focuses on in managing the business (e.g., measures or objectives that address the development, attraction and retention of personnel)), if such disclosure would be material to an understanding of the registrant's business;
- expand the requirement that registrants disclose the material effects of compliance with environmental laws to cover the material effects of complying with material government regulations, not just environmental laws; and
- eliminate the requirement that registrants include disclosure concerning working capital (which the staff of

the SEC expects would be discussed in a registrant's MD&A, to the extent material), new segments and the dollar amount of backlog orders believed to be firm, unless such disclosure would be material to an understanding of the business and is not otherwise disclosed.

Item 103 of Regulation S-K (Legal Proceedings), which required a registrant to disclose (a) any material legal proceedings, other than routine litigation incidental to the business it or its subsidiaries operate; and (b) any proceeding under environmental laws to which a governmental entity is a party unless a registrant believes it will not result in sanctions of $100,000 or more:

- expressly provide that the required disclosure may be provided by hyperlink or cross-reference to legal proceedings disclosure located elsewhere in the document (such as in the footnotes to the financial statements), in an effort to avoid duplicative disclosure; and
- revise the current $100,000 threshold for disclosure of environmental proceedings to which the government is a party to $300,000 to adjust for inflation, and provide a registrant the flexibility to select a different threshold that it determines is reasonably designed to result in disclosure of material environmental proceedings so long as the threshold does not exceed the lesser of $1 million or one percent of the current assets of the registrant and its subsidiaries on a consolidated basis. If a registrant elects to use a threshold other than $300,000, it must disclose the threshold it uses (including any change thereto) in each annual and quarterly report.

Item 105 of Regulation S-K (Risk Factors), which requires a registrant to disclose factors that make an investment in the registrant or an offering speculative or risky for a potential investor:

- require summary risk factor disclosure, in the form of bulleted or numbered statements, in the forepart of the document if the risk factor section exceeds 15 pages, which the SEC estimates will affect approximately 40 percent of filers based upon existing current disclosure;
- revise the disclosure standard from requiring the "most significant" factors to the "material" factors to focus registrants on disclosing the risks to which reasonable investors would attach importance in making an investment or voting decision with respect to the registrant's securities; and
- consistent with a practice that many registrants already follow, require risk factors to be organized under relevant headings, with any risk factors that may generally apply to other companies or an investment in securities, without explanation of why the identified risk is specifically relevant to the particular registrant, to be disclosed at the end of the risk factor section under the caption "General Risk Factors."

The Amendments will become effective 30 days after publication in the *Federal Register*.

The SEC's press release announcing the adoption of the Amendments is available here, and the SEC's final rule adopting release is available here.

SEC Approves New NYSE Direct Listing Rules

On August 26, the Securities and Exchange Commission approved rules proposed by the New York Stock Exchange (NYSE) to allow companies engaging in a direct listing to raise capital directly through the sale of primary shares upon the direct listing, in addition to, or instead of, facilitating sales of shares solely by existing shareholders.

Direct Listings Generally

A direct listing provides a path for a company to go public without engaging in a traditional initial public offering (IPO) process. Rather than hiring underwriters to sell shares to a group of investors, a direct listing allows a company to go public by facilitating the sale of shares directly into the market upon the effectiveness of a registration statement filed with the SEC. Because there is no underwritten offering, sales in a direct listing are not subject to underwriting fees and are not subject to certain other commercial arrangements, including a typical 180-day lock-up agreement. Because there is no lock-up in connection with a direct listing, existing shareholders are free to re-sell their shares upon a direct listing, providing immediate liquidity to shareholders. However, under the existing rules, direct listing could only be used for sales of shares by a company's existing shareholders, while companies could not raise money for their own account by selling newly issued shares to the public in a direct offering, foregoing the capital raising benefit of traditional underwritten IPOs. While investment banks will assume a limited role advising companies in preparing for a direct listing, they do not take an active role in book-building, pricing or market stabilization.

Under the newly adopted rules, the NYSE now recognizes two types of direct listings: (1) “Selling Shareholder Direct Floor Listings” where a company lists shares on the NYSE in connection with the direct sale of shares by existing shareholders; and (2) “Primary Direct Floor Listings” where a company lists shares on the NYSE and sells shares itself in the opening auction on the first day of trading, either in addition to, or instead of, facilitating shares by selling shareholders. The NYSE has established certain heightened listing standards for direct listings, including a requirement for companies to have an aggregate market value of publicly held shares of at least $100 million, as opposed to $40 million in the case of a traditional underwritten initial public offering. The heighted standard is designed to ensure that companies engaging in a direct listing are of suitable size and there is sufficient liquidity in the stock for market trading.

Market interest in direct listings has grown in recent years. In 2018 Spotify Technology completed a direct listing on the NYSE. Slack completed its direct listing on the NYSE in 2019. The trend for technology companies has continued with Palantir Technologies disclosing plans for a direct listing on the NYSE in August 2020.

Selling Shareholder Direct Floor Listings

The listing standards for Selling Shareholder Direct Floor Listings are unchanged by the new rules. To qualify, a company must satisfy the above mentioned test demonstrating $100 million in aggregate market value of publicly held shares. Aggregate market value is determined based on a combination of both (1) an independent third-party valuation; and (2) the most recent trading price for the company’s shares on a trading system for unregistered securities. Where no such recent trading price exists, the NYSE will determine that the company has met the aggregate market value test if the company provides a third-party valuation evidencing a market value of publicly held shares of at least $250 million. Shares held by directors, officers or holders of 10 percent or more of the shares are excluded when calculating publicly held shares. Following implementation of a direct listing, existing shareholders may also sell shares in reliance on the safe harbor provided by Rule 144 under the Securities Act of 1933.

Primary Direct Floor Listings

Primary Direct Floor Listings are generally subject to the same listing standards as Selling Shareholder Direct Floor Listings. Under the new rules, a company will be deemed to have met the $100 million aggregate market value of publicly held shares test if it sells at least $100 million in market value of its shares in the opening auction on the first day of its trading on the NYSE. Alternatively, if it will sell less than $100 million in shares in the opening auction, the company will be deemed to have satisfied the test if the aggregate market value of the shares that it sells in the opening auction, together with the shares that are publicly held immediately prior to the listing, is at least $250 million. In this case, market value is to be calculated using a price per share equal to the lowest end of the price range established by the company in its SEC registration statement.

Companies engaging in either a Selling Shareholder Direct Floor Listing or a Primary Direct Floor Listing must satisfy all other applicable requirements of the NYSE, including the requirements to have at least 400 round lot shareholders, 1.1 million shares outstanding at the time of initial listing and a price per share of at least $4.00 at the time of initial listing and must satisfy the applicable financial standards for listing. While the NYSE had previously proposed to provide a 90-day grace period for compliance with the 400 round lot shareholder and 1.1 million shares outstanding requirements in connection with direct listings, that proposal was dropped in the final proposal approved by the SEC, meaning that existing distribution standards will continue to serve as a bar to a direct listing for some companies.

Issuer Direct Offering Order/Auction

In a Primary Direct Floor Listing, the listing company sells shares itself in an opening auction on the first day of trading. In order to implement this, the NYSE has established a new Issuer Direct Offering Order (IDO Order), which is used to effectuate the sale of company shares in the direct listing auction and establishes the rules and procedures for the opening auction.

In connection with a Primary Direct Floor Listing a company must enter into only one IDO Order, setting the IDO Order as the sole mechanism for the opening auction. The IDO Order must state a limit price for the shares to be sold, which must be equal the lowest price of the price range established by the company in its SEC registration statement, the order must be for the full number of shares offered by the company as set forth in the registration statement, the IDO Order may not be cancelled or modified and the IDO Order may only be executed in full in connection with the direct listing auction.

A direct listing auction may not proceed if the auction price is below the lowest price or above the highest price established by the company in its SEC registration statement. Further, a direct listing auction may not proceed if it is determined by the company's designated market maker that there is insufficient buy interest to satisfy both the IDO Order and all better-priced sell orders. Where there is insufficient interest to buy and the shares cannot be priced, the auction will not proceed and the shares will not begin trading.

Pending Nasdaq Proposal

On August 24, the Nasdaq Stock Market (Nasdaq) filed a proposal with the SEC to allow for companies to sell primary shares in connection with a direct listing on Nasdaq. Like the NYSE, Nasdaq has historically only permitted direct listings that allow existing shareholders to sell shares pursuant to an effective registration statement, and following the direct listing, the Rule 144 safe harbor. The proposed new rule, similar to the NYSE rule, would allow companies to raise capital in connection with a direct listing. Interestingly, the proposed Nasdaq rule provides that for purposes of determining whether the applicable market value of publicly held shares has been satisfied, Nasdaq will value the company's shares using a price per share equal to the price that is 20 percent below the lowest price in the price range established by the company in its SEC registration statement. Similarly, for purposes of the opening trade, the proposed rule requires that the price per share be at or above the price that is 20 percent below the lowest price of the price range established by the company in its registration statement.

The SEC's release approving the NYSE rule is available here.

The proposed Nasdaq rule is available here.

BROKER-DEALER

See "SEC Amends the Definitions of "Accredited Investor" and "Qualified Institutional Buyer"" in the SEC/Corporate section.

CFTC

CFTC Adds 22 Unregistered Foreign Entities to RED List

On August 24, the Commodity Futures Trading Commission added 22 unregistered foreign entities to its Registration Deficient List (RED List). A firm is added to the RED List when the CFTC determines that such firm (1) is not registered with the CFTC; and (2) appears to be acting in a capacity that requires registration, such as trading binary options, foreign currency or other products. The RED List is available here, and provides information about the listed entities and why the CFTC recommends individuals not engage in financial transactions with them.

The press release is available here.

LabCFTC Opens Registration for September 24 Empower Innovation 2020 Event

On August 20, the Commodity Futures Trading Commission opened registration and released the agenda for LabCFTC's first Empower Innovation 2020 session, "The Power of Innovation: Where Tech & Crisis Collide." Empower Innovation 2020 is a three-part virtual series hosted by LabCFTC to facilitate a dialogue on fintech innovation among innovators, regulators, market participants and the public. The agenda includes discussions on technology and innovation during the pandemic as well as its role in rebuilding after a crisis.

The press release is available here.

FinCEN Issues Additional FAQs to Address Questions Regarding Customer Due Diligence Requirements for Covered Financial Institution

On August 20, the National Futures Association (NFA) issued Notice I-20-31 highlighting recently published FAQs addressing customer due diligence requirements for covered financial institutions. The FAQs clarify the regulatory obligations of covered financial institutions with respect to obtaining customer information, establishing a customer risk profile and performing ongoing monitoring of the customer relationship.

The FAQs are available here.

Notice I-20-31 is available here.

BREXIT/UK DEVELOPMENTS

FCA Publishes Consultation Paper on Extending Annual Financial Crime Reporting Obligation

On August 24, the UK's Financial Conduct Authority (FCA) published a consultation paper on extending its annual financial crime reporting obligation (REP-CRIM) to a wider range of FCA-regulated firms in the UK (the Consultation Paper).

REP-CRIM aims to identify indicators where there is a potential money laundering risk posed by a regulated firm, based on its regulated activities and customers.

The key changes proposed by the FCA in the Consultation Paper include:

1. extending the scope of firms obliged to report REP-CRIM information to include any firms involved in regulated activities that potentially pose higher money laundering risk, including certain payment institutions; and
2. removing "home finance mediation" and "making arrangements with a view to transactions in investments" from the REP-CRIM reportable activities, which are considered by the FCA to be outside of the scope of the money laundering regulations.

The FCA states in the Consultation paper that it did not extend the REP-CRIM obligations to activities considered lower money laundering risks. However, it notes in the Consultation Paper that it may consider doing so in the future.

The FCA plans to issue the final rules and publish a policy statement in the first quarter of 2021.

The Consultation Paper is available here.

FCA Publishes Newsletter on Market Conduct and Transaction Reporting Issues

On August 27, the UK's Financial Conduct Authority (FCA) published the 64th edition of its *Market Watch* newsletter on market conduct and transaction reporting issues (the Newsletter) providing market participants with advice on the transition from the revised Markets in Financial Instruments Directive (MiFID II) transaction reporting requirements to UK-specific requirements applicable from the end of the Brexit transition period (i.e., once the UK has ceased being subject to EU rules).

In the Newsletter, the FCA stressed the necessity for firms to provide their MiFID II transaction reports by December 31. The FCA has noted that it is crucial that it receives such reports to ensure market oversight and the integrity of financial markets, and to this end, any firms that fail to submit their MiFID II transaction reports on time will be required to provide backdated, missing, incomplete or inaccurate transaction reports as soon as possible after the end of the transition period (i.e., early in January 2021).

In connection with the transition from MiFID II transaction reporting to UK-specific reporting, the FCA has announced in the Newsletter that the FCA's Financial Instruments Transparency System (UK FITRS) will open for testing from October 5 alongside the FCA's Financial Instruments Reference Data System (UK FIRDS), which is already available for testing — both of which will replace their EU equivalent from January 1, 2021.

The Newsletter 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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