



LEGAL & COMPLIANCE IN BRIEF*
UPDATED AS OF JUNE 13, 2014

INDUSTRY HEADLINES

- **UK To Jack Up Market Abuse Sanctions Amid Libor Scandal: June 13, 2014**
The head of the U.K. Treasury on Thursday announced plans to bolster penalties against financial markets abuse and start regulating a wider array of instruments, in light of the interest-rate rigging scandals that have dogged the British financial sector in recent years. [Read more.](#)
- **Top BNP Exec Retires As Sanctions Violation Penalty Looms: June 12, 2014**
BNP Paribas SA announced Thursday that its chief operating officer will retire later this year, a departure that comes as the bank faces calls from U.S. regulators that top officials be removed as part of a rumored settlement of alleged sanctions violations that could reach \$10 billion. [Read more.](#)
- **Euribor Trio, Credit Suisse, U.K. Whistle-Blower: May 20, 2014**
JPMorgan Chase & Co., HSBC Holdings Plc and Credit Agricole SA were accused by the European Union's antitrust arm of colluding to manipulate interbank lending rates. The trio received complaints alleging they participated in a cartel to rig Euribor. The statement of objections is the next step in the EU enforcement process after the lenders dropped out of settlement talks last year. Six financial firms, including Societe Generale SA, agreed in December to a combined record of 1.7 billion euros (\$2.3 billion) in fines in the Euribor case and a similar yen Libor probe. The regulator's attempt to get a clean sweep of settlements was ruined by the dropouts. The EU's case was further undermined when Societe Generale appealed its penalty in the courts. [Read more.](#)
- **SAC's Steinberg Gets 3 1/2 Years as Insider Probe Winds Down: May 16, 2014**
Former SAC Capital Advisors LP hedge fund manager Michael Steinberg was sentenced to 3 1/2 years in prison for insider trading, capping one of the biggest victories for prosecutors who spent seven years investigating the firm and its boss, Steven A. Cohen. Steinberg, 42, who handled technology, media and telecommunications stocks at SAC Capital's Sigma Capital Management unit, was the longest-serving employee at the hedge fund convicted in the U.S. probe. He was found guilty in December of an insider scheme involving tech stocks that garnered more than \$1.8 million in illegal profits. [Read more.](#)

CONGRESSIONAL ACTION

- **Senate Advances Three Fed Nominees: June 11, 2014**
Procedural votes in the Senate on three nominees to the central bank have cleared the path for a final vote, including whether to elevate Stanley Fischer to the No. 2 spot on the Federal Reserve Board of Governors. Senators could hold confirmation votes this week on Fischer, Jerome Powell and Lael Brainard. [Read more.](#)
- **High-Speed Trading to Be Examined by Levin at Hearing Next Week: June 10, 2014**
High-frequency trading will face high-profile scrutiny next week when exchanges, brokerages and institutional investors come before a Senate panel looking for evidence of conflicts of interest in U.S. stock markets. The Permanent Subcommittee on Investigation, led by Senator Carl Levin, is holding a June 17 hearing to examine the impact of conflicts on consumer confidence, he said in a statement yesterday. The panel will focus on how brokers

*This is not an all-inclusive list of congressional, agency and market participant actions related to these issues. It is a snap-shot of what we believe is of most interest to institutional investors.

balance the obligation to give customers best execution against services they provide for other brokers and trading venues, according to the statement. [Read more.](#)

- **Carper Eyes Bill to Update FISMA as Part of Cybersecurity Package: June 10, 2014**
Senate Homeland Security and Governmental Affairs Committee Chairman Tom Carper (D-Del) says measure to update Federal Information Security Management Act (FISMA) will be part of cybersecurity package that his panel is working on in piecemeal fashion. Carper said that he and Committee ranking member Tom Coburn have been working out the details on FISMA and are close to an agreement. [Read more.](#)
- **CFPB Director Presents Semi-Annual Report to Senate Banking Committee: June 10, 2014**
Appearing before the Senate Committee on Banking, Housing and Urban Affairs on June 10, 2014, Consumer Financial Protection Bureau Director Richard Cordray focused on enforcement efforts of the bureau and complaint numbers, including those related to debt collection. The hearing was held in conjunction with the release of the bureau's semi-annual report. "As of June 1, 2014, we have received nearly 375,000 consumer complaints on credit reporting, debt collection, money transfers, bank accounts and services, credit cards, mortgages, vehicle loans, payday loans and student loans," Cordray said in his **testimony** to the Senate Committee on Banking, Housing and Urban Affairs. [Read more.](#)
- **Lawmaker Says Pension Advisers Need a Closer Look; Letter Urges Labor Department to Examine Dual Roles: June 8, 2014**
A senior Democratic congressman is urging Labor Department Secretary Thomas Perez to examine possible conflicts in the growing number of U.S. pension-plan consultants that also manage investments. In a letter to the Labor Department, U.S. Rep. George Miller (D-CA) said the trend "appears to create significant and inappropriate conflicts" within the \$6.5 trillion pension-fund industry. He asked the Labor Department to "take a careful look at these practices" as it considers a new rule governing the conduct of advisers to retirement plans. A Labor Department spokesman acknowledged receipt of the May 21 letter but declined further comment. [Read more.](#)
- **Top Senate Republican on Intelligence Panel Predicts Action on Cybersecurity Legislation: June 3, 2014**
Senate Intelligence Committee Vice Chairman Saxby Chambliss (R-GA) said he is optimistic about the chances for Senate action on cybersecurity this year. Speaking at a conference sponsored by Bloomberg Government, Chambliss said he and Intelligence Committee Chairman Dianne Feinstein (D-CA) will likely reach agreement on a bill to provide liability protection to U.S. companies that share cyberthreat data with other private entities or the federal government. The senators are working out differences over the scope of the liability protection language, he said. [Read more.](#)
- **House Financial Services Committee Proposes Bills to Reform FSOC: May 27, 2014**
The House Financial Services Committee, chaired by Rep. Jeb Hensarling, R-Texas, held a hearing on May 20 titled "Examining the Dangers of the FSOC Designation Process and Its Impact on the U.S. Economy" in order to consider industry objections to the way the Financial Stability Oversight Council (FSOC) conducts its business and to propose a remedial bill, H.R. 4387, the FSOC Transparency and Accountability Act. [Read more.](#)
- **Senate Appropriations SEC and CFTC Budget Requests: May 14, 2014**
At a Subcommittee on Financial Service and General Government hearing entitled "Strengthening Oversight and Integrity of the Financial Markets" the chairs of the CFTC and the SEC testified on their agencies' FY 2015 budget requests. Acting CFTC Chairman Mark Wetjen said that the agency has been able to examine in a timely manner only two out of 15 clearinghouses under its jurisdiction, despite the "tremendous amount" of risk they represent. SEC Chair Mary Jo White told the subcommittee it is important for the FSOC to distinguish between asset managers and banks when making designations of systemically important financial institutions (SIFIs). [Read more.](#)
- **House Financial Services Committee Expresses Concern On SIFI Designation Process: May 9, 2014**
The House Committee on Financial Services sent a letter on May 9, 2014 to secretary Jacob Lew of the Treasury; Janet Yellen, chair of the Federal Reserve; and Mary Jo White, chair of the SEC, requesting they disclose by May 16, 2014 every communication in their possession relating to the designation and methodologies used to designate and regulate G-SIFIs. US lawmakers and insurance regulators are increasingly critical of the extent to which the Financial Stability Board might be influencing the designation of US systemically important financial institutions (SIFIs). [Read more.](#)
- **Secretary Lew Testifies in House on Systemic Risk in the International Financial System: May 8, 2014**
Secretary Jacob Lew testified before the House Financial Services Committee in a hearing entitled "The Annual Testimony of the Secretary of the Treasury on the State of the International Financial System." At the hearing, Rep. Bill Huizenga (R-MI) asked whether the International Association of Insurance Supervisors (IAIS) should be

developing global capital standards and whether such standards will be compatible with U.S. insurance regulation. Secretary Lew responded that it is important for there to be a global discussion to develop high standards, and that IAIS capital standards are "a model code" and not law. He went on to explain that implementation of the standards or other regulatory changes will be based upon considerations of the U.S. state based insurance regulatory system. [Watch video.](#)

- **House Passes Bill to Adjust Volcker Rule to Prevent Disruptions in CLO Market: April 29, 2014**
The House passed H.R. 4167, the "Restoring Proven Financing for American Employers Act." The bill (1) Amends the Bank Holding Company Act of 1956 with respect to certain prohibitions on proprietary trading by banking entities and certain relationships with hedge funds and private equity funds (Volcker Rule), (2) Prohibits the Volcker Rule from being construed to require divestiture of any debt securities of collateralized loan obligations issued before January 31, 2014, (3) Declares that a banking entity shall not be considered to have an ownership interest in a collateralized loan obligation because it acquires or retains a debt security in it if the debt security has no indicia of ownership other than the right of the banking entity to participate in the removal for cause, or in the selection of a replacement after removal for cause or resignation, of an investment manager or investment adviser of the collateralized loan obligation, AND (4) Defines "collateralized loan obligation" as any issuing entity of an asset-backed security comprised primarily of commercial loans. [Read more.](#)

AGENCY ACTION

1. AGENCY ANNOUNCEMENTS

COMINGS & GOINGS

- **Senate Confirms Brainard for Fed Seat; OKs Fischer for No. 2, Powell for New Term: June 12, 2014**
The Senate confirmed former U.S. Treasury official Lael Brainard as a member of the Federal Reserve Board, while approving Jerome Powell for another term and elevating Stanley Fischer to the vice-chair position. The Senate action, coming five days before a monetary policy meeting begins, means the Fed board will now have five members, including Chair Janet Yellen and Governor Daniel Tarullo. [Read more.](#)
- **Massad names White-Collar Specialist, Ex-Prosecutor Goelman to Head Enforcement: June 11, 2014**
In his first major move since being sworn in as CFTC Chairman, Timothy Massad named former federal prosecutor Aitan Goelman director of Enforcement. Goelman served as an Assistant U.S. Attorney in the Southern District of New York for nine years, focusing on white-collar crimes. He most recently was a litigation partner at Zuckerman Spaeder LLP, where he also specialized in white-collar crime. [Read more.](#)
- **SEC Hires Justice Official for Communications Job: May 14, 2014**
A Justice Department official will be the SEC's next director of communications. Gina Talamona served as Justice's deputy director of public affairs since 1999 and had worked at the department since 1986. The SEC's previous communications director, Justice Department alumnus Myron Marlin, left the agency earlier this year. [Read more.](#)

CYBERSECURITY

- **White House: U.S. Has Sufficient Laws for Regulating Cybersecurity Practices: May 22, 2014**
The Obama administration has concluded that existing regulatory laws are sufficient—when combined with voluntary efforts—to address cyberthreats facing critical parts of the private sector, a senior White House official said. An executive order signed by President Barack Obama last year called for a new "framework" consisting of voluntary cybersecurity best practices and a review by regulatory agencies of any existing mandates in this area. [Read more.](#)
- **In Paradigm Shift on Cybersecurity, SEC Targeting Firms as Potential Market Risks: May 6, 2014**
The recent alert by the SEC's Office of Compliance Inspections and Examinations on financial firms' preparedness signals a "paradigm shift" in the way the commission views cybersecurity, panelists said May 1 at a webcast. Historically, the SEC focused on broker-dealers and investment advisers' protection of customer data and information, said John Reed Stark, managing director of digital risk management firm Stroz Friedberg, and the former chief of the SEC Enforcement Division's Office of Internet Enforcement. Now, the SEC looks "at cybersecurity as: if you're a regulated entity and you don't have cybersecurity, that represents a threat to the global marketplace," Stark said. "So it's not just the threat to your customers; they're worried that some type of security breach at your firm could cause, have repercussions, throughout the marketplace." [Read more.](#)

DEPARTURES

- **Chief Accountant Paul Beswick to Leave SEC: May 15, 2014**

Paul Beswick, the chief accountant for the SEC, plans to leave the agency and return to the private sector, the SEC announced. The SEC said that Beswick, who has worked at the agency since 2007 in various roles and served as chief accountant since 2012, will stay to help with the transition. The announcement did not disclose where he plans to go next. Beswick's planned departure comes at a crucial time for the SEC, which under SEC chair Mary Jo White has renewed its focus on accounting policy and enforcements matters. [Read more.](#)

GLOBAL OVERSIGHT

- **IOSCO Suggests Ways to Reduce Reliance on Credit Ratings: June 4, 2014**

The International Organization of Securities Commissions ("IOSCO") advised regulators to encourage fund managers to make their own decisions about credit quality and to understand ratings companies' methodologies as a means to reduce reliance on external grades. The recommendations will be addressed to regulators, investment managers and investors, the Madrid-based association of more than 120 global regulators, said. The report responds to a similar paper in 2010 from the Financial Stability Board ("FSB") that asked for specific policies to reduce the reliance on the rankings by banks, institutional investors and other market participants. [Read more.](#)

- **EU Bond Rules, HFT Perks Review: June 2, 2014**

The biggest transformation in the history of Europe's \$11.4 trillion corporate bond market has kicked off with dealers and investors asked to adopt changes even stricter than those that prompted upheaval on Wall Street more than a decade ago. In its efforts to prevent a repeat of the financial crisis, the European Union is seeking to make the credit market more transparent by publicly disclosing bond-trading prices. Dealers are concerned they will suffer the fate of their U.S. counterparts after the introduction of the Trade Reporting and Compliance Engine, or Trace, bond-price reporting system in 2002, when a study found \$1 billion in commissions were wiped out in the first year alone. [Read more.](#)

- **EU Watchdog Proposes Breathing Space on Derivatives Clearing: May 8, 2014**

Banks would not have to clear some of their derivatives transactions during the roll out of new rules aimed at making markets safer under a proposal put forth by a top European Union regulator on Thursday. The introduction of new EU rules this year which require clearing of some types of derivatives transactions has created legal uncertainty for many banks over so-called frontloading. This refers to contracts in issue that may have to be cleared later on, creating a legal uncertainty which also left banks unsure how to price the derivatives. Uncleared trades will face higher capital charges as they are deemed riskier than cleared trades, which pass through a third party backed by a default fund in case one side of the trade goes bust. [Read more.](#)

HIGH FREQUENCY TRADING

- **No High-Frequency Crackdown in SEC Blueprint for Tighter Control: June 7, 2014**

Mary Jo White's blueprint for imposing tighter controls on high-frequency traders and some of the murky venues they inhabit stops short of a crackdown. The SECs plan, unveiled by White in a speech this week, advanced some new ideas while borrowing heavily from existing proposals and measures that already have support on Wall Street. While stock exchanges, rapid-fire traders and private trading venues known as dark pools all would come under new scrutiny, White didn't embrace the kind of tighter restraints that have been enacted in countries such as Australia and Canada. [Read more.](#)

- **High-Frequency Perks Said Focus Of CFTC Review Revealed by Virtu: May 30, 2014**

The CFTC is seeking detailed information on the incentives that U.S. derivatives exchanges such as CME Group Inc. and IntercontinentalExchange Group Inc. offer to spur trading, according to a person familiar with the matter. The CFTC wants to know who gets trading fee discounts, how much money they save, and whether programs to reward early adopters of new futures contracts ever end, according to the person, who asked to not be named because the review is private. Attracting firms to a new product such as a financial or agricultural future is profitable for exchanges since once established, they often don't gain momentum on other venues. High-frequency trader Virtu Financial Inc. publicly revealed the examination in March, saying the CFTC asked for information on its "participation in certain incentive programs offered by exchanges or venues." Virtu didn't give specifics. [Read more.](#)

- **Ketchum Hopes to Roll Out CARDS in 2015; Urges SEC to Regulate High-Frequency Firms: May 20, 2014**

FINRA hopes to implement its proposed data collection system known as Comprehensive Automated Risk Data System (CARDS) in 2015, Chairman and Chief Executive Officer Richard Ketchum said May 20. "We are positioning ourselves to be able to build and implement the first stages of CARDS in 2015," Ketchum said in a press conference on the sidelines of FINRA's annual conference in Washington. However, he added that there are

many steps between now and when the program—still at proposal stage—can be rolled out. For example, the approvals of the FINRA Board of Governors and of the SEC must be obtained, he said. [Read more.](#)

LEVERAGE

▪ **Banking Regulators Strengthen Leverage Rules: May 1, 2014**

The OCC, the Board of Governors of the Federal Reserve System, and the FDIC adopted a final rule to strengthen the supplementary leverage ratio standards for the largest, most systemically significant U.S. banking organizations. The final rule applies to any bank holding company (BHC) with more than \$700 billion in consolidated total assets or \$10 trillion in assets under custody (covered BHC) and any insured depository institution (IDI) subsidiary of these covered BHCs (covered IDI). [Read more.](#)

MONEY MARKET FUNDS

▪ **Support Eroding for U.S. Money Funds Rule as White Pushes Vote: June 12, 2014**

One year after the SEC proposed new protections for money-market mutual funds, support is eroding for the agency's plan to rein in the riskiest funds. The SEC is under growing pressure from the Fed and other U.S. and global regulators to make money funds – which manage more than \$2 trillion in savings by individuals and institutions – less vulnerable to investor runs. In recent days, two of the agency's five commissioners have voiced objections to parts of the proposal that could be voted on as soon as late July. The dissent has raised the possibility that the rule – required by the 2010 Dodd-Frank Act and already years overdue – could be delayed still further. [Read more.](#)

▪ **SEC's New Rules Will Tighten Rules for Money Market Funds: May 22, 2014**

New rules imposing safeguards on money market funds will be out “in the very near term,” SEC Chair Mary Jo White said at an industry conference in Washington. Officials at the SEC proposed possible changes last June, including requiring that prime institutional money market funds have a net asset value that would float on a daily basis or keeping the current stable share price, but imposing a liquidity fee or redemption gate; a third option discussed would be some combination of the two approaches. [Read more.](#)

MUNIS

▪ **SEC's Gaunt Sees Fines for Muni Bond Breaches: June 4, 2014**

LeAnn Gaunt, the head of the SEC's unit overseeing municipal bonds and pensions, is urging local governments to come clean if they failed to keep investors informed about the state of their finances. If they do: Localities can escape fines, while Wall Street firms that sold their bonds would see them capped at \$500,000. If not: “They absolutely should be expecting harsher sanctions.” Gaunt took over in November, policing a \$3.7 trillion market coping with record bankruptcies, depleted pension funds and new rules aimed at protecting localities from banks and once-unregulated financial advisory firms. The unit has charged New Jersey, Illinois, and Harrisburg, Pennsylvania, with fraud for misleading investors about deteriorating finances. In November, it took a new tack, fining a Washington authority that defaulted on hockey-rink bonds after hiding misgivings, marking the first financial penalty against a municipal issuer. [Read more.](#)

▪ **High-Quality Liquid Assets Should Include Muni Bonds, Lawmakers Say: May 30, 2014**

A pair of Democratic lawmakers May 28 asked federal regulators to reconsider their proposed rule keeping municipal bonds from being considered “high-quality liquid assets” as part of a larger capital standards rule regime. “The municipal securities market includes numerous securities that share the key characteristics of other HQLA qualified securities,” Reps. Gwen Moore (D-WI) and Terri Sewell (D-AL) said in a comment letter. “Furthermore, such municipal securities would provide additional diversity to the investment categories, which should decrease systemic risk. [Read the letter.](#)

▪ **MSRB Provides Guidance to Municipal Advisors on Changes to the Registration Process: May 12, 2014**

The Municipal Securities Rulemaking Board (MSRB) published guidance to assist municipal advisors with understanding changes to the MSRB's registration process that took effect on May 12, 2014. The guidance seeks to clarify that these changes are separate and apart from the SEC's transition to a permanent registration regime for municipal advisors. [Read more.](#)

OVERSIGHT

▪ **FASB Task Force Eases Accounting for Asset Managers: June 12, 2014**

Certain financing arms of assets managers will be afforded more flexibility in fair value-related accounting under guidance chiseled out by a standing task force of the Financial Accounting Standards Board. FASB's Emerging Issues Task Force just completed a long-running effort to help write rules aimed at cutting diversity in practice in accounting for the financial assets and financial liability of a collateralized financing entity that is consolidated, or which has its activities reported on the books of its parent. [Read more.](#)

- **SEC in New Probe Into Dark Pools; Report of Investigation Follows Pledge to Maintain the Quality of US Stock Market: June 10, 2014**

The SEC is probing some of Wall Street's largest 'dark pools'—electronic marketplaces which don't publish buy and sell orders—amid concerns that they may be treating some investors unfairly. According to data recently published by the FINRA, LX was the second-largest dark pool in the US after Credit Suisse AG's Crossfinder platform. The report is the latest evidence of the authorities' unease over developments in financial market infrastructures, and concern that technology and innovation may be undermining the US's commitment to giving all market participants equal access to market-relevant information. FINRA data say over 30% of turnover in US stocks now takes place 'over-the-counter'. [Read more.](#)

- **SEC Favors Plan to Shift More Stock Trading from Private to Public Venues: May 26, 2014**

Top U.S. securities regulators are embracing a plan designed to shift more stock trading onto exchanges and away from private trading venues operated by banks and other firms, according to people familiar with the discussions. The move, which could deliver a blow to bank trading operations, is expected to be part of a coming SEC pilot program aimed at boosting trading in the stocks of smaller companies. [Read more.](#)

- **Private-Equity Scrutiny Deepens After SEC Finds Illegal Fees: May 7, 2014**

Private-equity firms, after decades of operating with limited regulatory scrutiny, are facing possible sanctions and tighter oversight after the SEC uncovered improprieties at most firms. The SEC found illegal fees or severe compliance shortfalls in more than half of the firms it examined since starting a review of the \$3.5 trillion industry two years ago, Drew Bowden, head of the SEC's exam program, said in a speech on May 6, 2014. Bowden's remarks foreshadow significant changes in how the industry operates, said Jay Gould, head of the investment-funds team at law firm Pillsbury Winthrop Shaw Pittman LLP in San Francisco. [Read more.](#)

- **SEC Finds Illegal or Bogus Fees in Majority of Buyout Firms: May 6, 2014**

U.S. regulators found illegal collections of fees or severe compliance shortfalls in more than half of the private-equity firms it has examined since 2012, a signal the industry could face tougher oversight or sanctions. "By far, the most common observation our examiners have made when examining private-equity firms has to do with the adviser's collection of fees and allocation of expenses," Drew Bowden, director of the SEC's office of compliance inspections and examinations, said today in a speech at the Private Fund Compliance Forum in New York. "We have identified what we believe are violations of law or material weaknesses in controls over 50 percent of the time." [Read more.](#)

RETIREMENT FUNDS

- **SEC's Gallagher Urges Common 'Baseline' For Disclosures by Public Pension Plans: May 29, 2014**

SEC Commissioner Daniel Gallagher suggested a "common disclosure baseline" against which investors can compare all municipalities. While the Governmental Accounting Standards Board continues to increase transparency in accounting for public pension plans, there should be "supplemental disclosures" to bridge information gaps, Gallagher said. There should be a "common disclosure baseline" against which investors can compare all municipalities, said Gallagher, addressing the Municipal Securities Rulemaking Board's ("MSRB") first regulator summit in Washington. [Read more.](#)

- **U.S. Labor Department Delays Unveiling of New Fiduciary Plan to 2015: May 28, 2014**

The U.S. Department of Labor will, once again, delay plans to unveil a revised proposal for a rule aimed at beefing up standards of conduct for brokers who advise on retirement plans and individual retirement accounts, according to its agenda. The Labor Department, which has jurisdiction over retirement plans, including IRAs, will re-propose its controversial rule in January, 2015, instead of in August 2014. It is the most recent delay in a long-running struggle that pits the department against various industry groups. The plan would require advisers to retirement plans and IRAs to act as fiduciaries, or in their clients' best interests. [Read more](#)

- **Treasury Asks OMB to Review Regulations on Pension Asset, Liability Measurements: May 27, 2014**

The Treasury Department asked the Office of Management and Budget to review final rules on the measurement of assets and liabilities for pension funding purposes. The final regulations provide guidance regarding the determination of the value of plan assets and benefit liabilities for purposes of the funding requirements that apply

to single employer defined benefit plans, Treasury said in a May 28 Federal Register notice. The rules were issued in October 2009. [Read more.](#)

SYSTEMIC RISK

- **Big Brokers Need More Capital to Avert Failure, SEC's Stein Says: June 12, 2014**
The biggest Wall Street brokerages should face stricter capital requirements as regulators search for tools to limit the impact of a firm's failure on the broader financial system, SEC Commissioner Kara M. Stein said. The SEC should consider basing its capital rules, at least for the largest brokers, on the objective of "preventing the collapse of a systemically significant firm," said Stein, whose comments come as the SEC has said it's considering new funding rules for brokers as well as limits on leverage like those used by the Fed and other regulators for banks. SEC Commissioner Daniel M. Gallagher also has called for updating the capital rules without restricting the use of secured funding such as repurchase agreements, or repos. [Read more.](#)
- **Short Sale Reporting, Transaction Marking Not Cost Effective, SEC Report Concludes: June 6, 2014**
It likely will not be cost-effective to require the real-time reporting of short sale data or to undertake a pilot in which issuers voluntarily report short sale-activity through the consolidated tape, SEC staff said. In a congressionally mandated report, staff from the Division of Economic and Risk Analysis said that while both measures would result in certain benefits, they also would involve significant costs to implement. Such costs cannot be justified given that the SEC's pending consolidated audit trail (CAT) would produce almost the same information, the report said. [Read more.](#)
- **Blackrock Touts New Redemption Rules: May 23, 2014**
Blackrock is calling for international rules that could impose redemption fees for some kinds of funds, to cut the chances of damaging runs during times of market panic. The company says regulators should eliminate any "first-mover advantage" to investors who sell out of a fund as market liquidity is starting to dry up. [Read more.](#)
- **SEC's White Backs BlackRock's Opposition to Systemic Label: May 23, 2014**
Asset managers trying to forestall stricter U.S. oversight appear to have found an ally in the chairman of the SEC. SEC Chair Mary Jo White took up their arguments yesterday, lending support to firms including BlackRock Inc. and Fidelity Investments which are fighting efforts to officially label them sources of "systemic risk" to the financial system. [Read more.](#)
- **FSOC hears from money managers, House critics on systemically important designations: May 19, 2014**
FSOC should "cease and desist" its review of money managers and other financial institutions that might be designated systemically important, House Financial Services Committee Chairman Jeb Hensarling, R-Texas, said Tuesday at a hearing on the designation process. "Since they manage someone else's funds, it is almost inconceivable that an asset manager's failure could cause systemic risk," Rep. Hensarling said. He and other House Republicans want Congress to first review FSOC methods. Association of Institutional INVESTORS President, and Loomis Sayles Chief Information Officer, John Gidman told attendees that "there has been tremendous growth" in risk management. "It's not a case of faith; it's a case of due diligence," he said. [Read more.](#)

2. AGENCY RULEMAKING

- **Proposed Rule: Position Limits for Derivatives and Aggregation of Positions (79 FR 30762)**

Release Date: May 29, 2014

Comments Due: July 3, 2014

- On December 12, 2013, the CFTC published in the Federal Register a notice of proposed rulemaking to establish speculative position limits for 28 exempt and agricultural commodity futures and options contracts and the physical commodity swaps that are economically equivalent to such contracts.
- On November 15, 2013, the Commission published in the Federal Register a notice of proposed rulemaking to amend existing regulations setting out the Commission's policy for aggregation under its position limits regime.
- The Commission has directed staff to hold a public roundtable on June 19, 2014, to consider certain issues regarding position limits for physical commodity derivatives. In order to provide interested parties with an opportunity to comment on the issues to be discussed at the roundtable, the Commission will reopen the comment periods for the Position Limits Proposal and the Aggregation Proposal for a three-week period starting June 12, 2014 (one week before the roundtable) and ending July 3, 2014 (two weeks following the roundtable). [Read more.](#)

- **Comment Request: Treasury Asks OMB to Review Regulations on Pension Asset, Liability Measurements (79 FR 30690)**

Release Date: May 28, 2014

Effective Date: June 27, 2014

- The Treasury Department asked the OMB to review final rules on the measurement of assets and liabilities for pension funding purposes.
- The final regulations provide guidance regarding the determination of the value of plan assets and benefit liabilities for purposes of the funding requirements that apply to single employer defined benefit plans. [Read more.](#)

- **Final Rule: Regulatory Capital Rules – Regulatory Capital, Enhanced Supplementary Leverage Ratio Standards for Certain Bank Holding Companies and Their Subsidiary Insured Depository Institutions (79FR 24528)**

Release Date: May 27, 2014

Comments Due: July 28, 2014

- FSOC Notice and Request for Comments: Proposed Information Collection on Designation of Financial Market Utilities as Systemically Important, pursuant to Section 804 of the Dodd-Frank Act (12 CFR part 1320)
- The FSOC is soliciting comments concerning its collection of information related to its authority to designate financial market utilities as systemically important. Section 804 of the Dodd-Frank Wall Street Reform and Consumer Protection (the “Dodd-Frank Act”) provides the Council the authority to designate a financial market utility (“FMU”) that the Council determines is or is likely to become systemically important because the failure of or a disruption to the functioning of the FMU could create, or increase, the risk of significant liquidity or credit problems spreading among financial institutions or markets and thereby threaten the stability of the United States financial system. [Read more.](#)

- **Proposed Rule: Concentration Limits on Large Financial Companies (79 FR 27801)**

Release Date: May 15, 2014

Comments Due: July 8, 2014

- The Fed board invites comment on a proposed rule that would implement section 622 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Section 622, which adds a new section 14 to the Bank Holding Company Act of 1956, establishes a financial sector concentration limit that generally prohibits a financial company from merging or consolidating with, or acquiring, another company if the resulting company’s liabilities upon consummation would exceed 10 percent of the aggregate liabilities of all financial companies as calculated under that section.
- In addition, the proposal would establish reporting requirements for certain financial companies that are necessary to implement section 622. [Read more.](#)

- **Proposed Rule: Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers; Capital Rule for Certain Security –Based Swap Dealers (79 FR 25193)**

Release Date: May 2, 2014

Comments Due: July 1, 2014

- In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the SEC, pursuant to the Securities Exchange Act of 1934 (Exchange Act), is proposing recordkeeping, reporting, and notification requirements applicable to security-based swap dealers (SBSDs) and major security-based swap participants (MSBSPs), securities count requirements applicable to certain SBSBs, and additional recordkeeping requirements applicable to broker-dealers to account for their security-based swap and swap activities.
- The Commission also is proposing an additional capital charge provision that would be added to the proposed capital rule for certain SBSBs.
- Finally, the Commission is proposing technical amendments to the broker-dealer recordkeeping, reporting, and notification requirements. [Read more.](#)

- **Proposed Rule: Advanced Approaches Risk-Based Capital Rules, Proposed Revisions to the Definition of Eligible Guarantee (79 FR 24618)**

Release Date: May 1, 2014

Effective: January 1, 2018

- The OCC, Federal Reserve System (Board), and the FDIC (collectively, the agencies) are adopting a final rule that strengthens the agencies supplementary leverage ratio standards for large, interconnected U.S. banking organizations (the final rule).
- The final rule applies to any U.S. top-tier bank holding company (BHC) with more than \$700 billion in total consolidated assets or more than \$10 trillion in assets under custody (covered BHC) and any insured depository institution (IDI) subsidiary of these BHCs (together, covered organizations).
- In the revised regulatory capital rule adopted by the agencies in July 2013 (2013 revised capital rule), the agencies established a minimum supplementary leverage ratio of 3 percent, consistent with the minimum leverage ratio adopted by the Basel Committee on Banking Supervision (BCBS), for banking organizations subject to the agencies advanced approaches risk-based capital rules. [Read more.](#)

▪ **Final Rule: Regulatory Capital, Enhanced Supplementary Leverage Ratio Standards for Certain Bank Holding Companies and Their Subsidiary Insured Depository Institutions (79 FR 24528)**

Release Date: May 1, 2014

Effective: January 1, 2018

- The OCC, the Fed Board of Governors, and the FDIC are adopting a final rule that strengthens the agencies supplementary leverage ratio standards for large, interconnected U.S. banking organizations. The final rule applies to any U.S. top-tier bank holding company (BHC) with more than \$700 billion in total consolidated assets or more than \$10 trillion in assets under custody and any insured depository institution subsidiary of these BHCs. In the revised regulatory capital rule adopted by the agencies in July 2013, the agencies established a minimum supplementary leverage ratio of 3 percent, consistent with the minimum leverage ratio adopted by the Basel Committee on Banking Supervision, for banking organizations subject to the agencies advanced approaches risk-based capital rules. [Read more.](#)

▪ **Final Rule: Agencies Adopt Enhanced Supplementary Leverage Ratio Final Rule and Issue Supplementary Leverage Ratio Notice of Proposed Rulemaking – OCC (12 CFR Part 6), The Fed (12 CFR Parts 208 & 217), FDIC (12 CFR Part 324)**

Release Date: April 8, 2014

Effective Date: January 1, 2018

- The Federal Reserve Board, the FDIC, and the OCC adopted a final rule to strengthen the leverage ratio standards for the largest, most interconnected U.S. banking organizations.
- The final rule applies to U.S. top-tier bank holding companies with more than \$700 billion in consolidated total assets or more than \$10 trillion in assets under custody (covered BHCs) and their insured depository institution (IDI) subsidiaries. [Read more.](#)

3. COMMENTS

▪ **Industry Commenters Caution SEC on Money-Market Fund Guarantee Feature: May 5, 2014**

Comments Closed: April 23, 2014

- Last year, in a long-awaited move, the SEC proposed rule changes that would reform regulation of the \$2.6 trillion money market mutual fund industry.
- The proposal includes two alternatives, and would build on reforms adopted in 2010 that were intended to provide the industry with more liquidity, stability and transparency. “
- A safe asset is defined as any debt asset that promises a fixed amount of money in the future with virtually no default risk,” the staff analysis said.
- Commenting on staff analyses of the SEC’s money-market mutual fund proposal, two industry trade groups and several financial services firms cautioned the agency not to eliminate a “25 percent basket” that would allow MMFs to have more concentrated exposure to demand features and guarantees from a single guarantor.

BlackRock Inc.

In an April 23 letter signed by Vice Chairman Richard K. Hoerner, BlackRock Inc. questioned whether the supply provided by the next level of guarantors would be able to fill the demand that would be created if municipal MMFs no longer can rely on the 25 percent.

SIFMA

In an April 23 letter signed by managing directors Timothy Cameron and John Maurello, the Securities Industry and Financial Markets Association noted that if the basket were eliminated, 100 percent of a fund's assets would be limited to no more than 10 percent per credit-support provider. ‘Critical’ Ability: It said its members “believe that

the ability to hold positions in excess of 10% is critical to money market funds generally, and for municipal money market funds in particular.” Liquidity Costs: In other comments, SIFMA told the commission that if it adopts a liquidity fee, the default level of the fee be reduced from 2 percent to 1 percent. Data provided by the staff “support that a lower default level will effectively compensate money market funds for the cost of liquidity during market turmoil,” SIFMA stated.

ICI

Similarly, in an April 22 letter signed by Chief Economist Brian Reid, the Investment Company Institute said that if the SEC remains concerned about the extent to which a money market fund can be exposed to a single credit support provider, it should consider placing additional limitations on individual providers within the 25 percent basket. For its part, ICI also questioned the staff’s conclusion that given the global safe assets market, it does not anticipate a supply problem if the SEC’s rules were to create an increased demand for government securities. According to the institute, the global market for safe assets “does not represent the universe of eligible safe assets for U.S. money market funds. Rather, U.S. money market funds are generally limited to high-quality U.S. dollar-denominated securities of short duration.”