

BDQUARTERLY

“The federal securities laws are intended to achieve at least two objectives. First, they are designed to protect customers from abusive or fraudulent practices. Second, and equally important, they are intended to provide the investing public with confidence that market participants will treat customers fairly.”

– Stephen Luparello, Vice Chairman, FINRA
Testimony before the Subcommittee on Securities, Insurance, and Investment
United States Senate Committee on Banking, Housing and Urban Affairs
December 14, 2011

Private Placements and Due Diligence

In November 2011, the Financial Industry Regulatory Authority (“FINRA”) sanctioned eight broker-dealers and 10 individuals for selling interests in private placement offerings without having a reasonable basis for recommending the securities. (FINRA also ordered restitution of more than \$3.2 million.) The sanctioned firms and individuals

sold interests in high-risk private placements that ultimately failed, causing significant investor losses. FINRA also sanctioned two firms and seven individuals in April 2011 for selling interests in private placements without conducting reasonable investigations. In each case, FINRA found the broker-dealers had inadequate supervisory (CONTINUED)

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systems for identifying and understanding the risks inherent in these offerings and, as a result, the firms failed to conduct sufficient due diligence. In addition, some of these broker-dealers had no reasonable grounds for believing the private placements were suitable for any customers. FINRA also noted that the sanctioned principals, who were aware of numerous “red flags” regarding the private placements, allowed their registered representatives to continue selling the offerings without having reasonable grounds to do so.

Given the regulatory focus implications of these recent actions, it is more important than ever for firms offering private placements to monitor their policies and procedures for compliance with due diligence and suitability requirements. [Regulatory Notice 10-22](#) provides guidance and describes broker-dealer obligations with regard to conducting reasonable investigations for Regulation D offerings. As a reminder, Regulation D, which governs most private placement offerings, provides exemptions from the registration requirements of Section 5 of the Securities Act of 1933. Broker-dealers have a duty to conduct reasonable investigations of the securities they recommend, including those sold under Regulation D offerings. Any broker-dealer that recommends securities offered under Regulation D must also meet the suitability requirements under NASD Rule 2310. The firm must also comply with the advertising, supervisory, and recordkeeping rules of FINRA and the Securities and Exchange Commission (“SEC”).

NASD Rule 2310 states that a broker-dealer must have reasonable grounds to believe a recommendation to purchase, sell, or exchange a security is suitable for a customer. The rule requires broker-dealers to conduct a suitability analysis when recommending securities to investors, one that takes into account the investors’ knowledge

and experience. When recommending a security to an accredited investor, for example, a broker-dealer must make reasonable efforts to gather and analyze information about the customer’s holdings, financial situation and needs, tax status, investment objectives, and any other information that would enable it to perform a complete analysis rather than relying solely on the accredited investor’s net worth as a recommendation criterion.

In a Regulation D offering, a broker-dealer should, at minimum, conduct a reasonable investigation of each offering. The analysis should be specifically tailored to the offering. The following list, as described in [Regulatory Notice 10-22](#), describes best practices provided by the SEC to enable broker-dealers to meet suitability requirements. Note that these items do not represent a complete list and that any items pointing to “red flags” should be followed up with further inquiry.

- **Issuer and Management** – Broker-dealers should investigate the issuer’s history and its management’s background. This may entail analyzing the issuer’s governing documents, historical financial statements, and contractual arrangements. Broker-dealers should also inquire about the issuer’s internal audit controls, business affiliates, past securities offerings, and any pending or potential litigation or regulatory problems.
- **Business Prospects** – Broker-dealers should investigate the issuer’s business prospects and the relationship of those prospects to the price of the securities being offered. This determination may involve inquiring about patents or intellectual property rights, about the industry where the issuer conducts its business, and about the issuer’s competitive position. In addition, broker-dealers may request the business plans or financial models used to generate projections or targeted returns and then test such models.

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- **Issuer Assets** – Broker-dealers should investigate the quality of the issuer’s assets and facilities by conducting on-site inspections of each one. They may also wish to obtain expert opinions in this regard from outside parties.

To demonstrate that a reasonable investigation has been performed, broker-dealers should retain records documenting the investigation process and results. Such records may include descriptions of meetings conducted, tasks performed, documents and other information reviewed, the results of such reviews, the dates such events occurred, and the names of individuals who attended meetings or conducted reviews.

Finally, a firm that markets Regulation D offerings must maintain supervisory procedures as required under NASD Rule 3010. These procedures should be designed to ensure that the firm’s personnel perform the suitability analysis previously described and qualify their customers as eligible to purchase such securities. They also must ensure that personnel do not violate the antifraud provisions of the federal securities laws or FINRA rules in connection with the preparation or distribution of offering documents or sales literature. In addition, these supervisory procedures must be designed to ensure that the broker-dealer properly supervises each Regulation D offering that is marketed to other firms or sold directly to customers.

MSRB Notice 2011-62 – Changes to Registration of Municipal Securities Professionals and Reminder of Supervisory Obligations of Principals

Recently, the Municipal Securities Rulemaking Board (“MSRB” or the “Board”) came out with a new registration category for a limited municipal securities sales representative. MSRB Rule G-3 requires associated persons of brokers, dealers, and municipal securities dealers (“dealers”) involved in certain functions to qualify to perform such activity by, among other requirements, taking a qualification examination.

In [MSRB Notice 2011-54](#), the Board announced the creation of a new designation for a registered person involved in municipal securities: a Municipal Securities Sales Limited Representative. The new registration is a subcategory of Municipal Securities Representative.¹ It applies to individuals engaged in municipal securities activities that are limited exclusively to sales to or purchases from customers. The Municipal Securities Sales Limited Representative designation was created in part as a

result of the restructured General Securities Representative Examination (Series 7). The new Series 7 exam focuses on a broader range of securities products now available to registered representatives and has fewer questions specific to municipal securities and MSRB rules.

As noted, MSRB’s new registration subcategory limits the representatives’ activities exclusively to sales to and purchases from municipal securities

1– The term “municipal securities representative” means a natural person associated with a broker, dealer, or municipal securities dealer, other than a person whose functions are solely clerical or ministerial, whose activities include one or more of the following:

- (1) Underwriting, trading, or sales of municipal securities
- (2) Financial advisory or consultant services for issuers in connection with the issuance of municipal securities
- (3) Research or investment advice with respect to municipal securities
- (4) Any other activities that involve direct or indirect communication with public investors in municipal securities provided that the activities enumerated in subparagraphs (3) and (4) shall be limited to such activities as they relate to the activities enumerated in subparagraphs (1) and (2)

customers. These representatives may not perform other functions related to activities such as underwriting, trading, research, or investment advice. Their transaction activities may be supervised by a Municipal Securities Principal, Municipal Securities Sales Principal, or, as long as the supervision pertains only to municipal fund securities transactions, a Municipal Fund Securities Limited Principal. A General Securities Principal may not take responsibility for supervisory activities such as the daily review and approval of Municipal Securities Sales Limited Representatives' customer transactions.

With the addition described above, Rule G-3 now designates three types of municipal securities registered representatives:

- Municipal Securities Representatives
- Municipal Securities Sales Limited Representatives

- For representatives whose activities are limited to municipal fund securities, Municipal Securities Representatives qualified by virtue of being a Limited Representative - Investment Company and Variable Contracts Products

The MSRB rules continue to list five principal categories:

- Municipal Securities Principal
- Municipal Securities Sales Principal
- Municipal Fund Securities Limited Principal
- General Securities Principal
- Financial and Operations Principal

It is critical that dealers understand the differences between these designations and categories and supervise all associated persons appropriately. Please see the chart below for a breakdown of responsibilities among the principal categories.

Scope of Principals' Responsibilities Regarding Municipal Securities Activities¹

	MSRB Rule	Municipal Securities Principal	Municipal Fund Securities Limited Principal	Financial and Operations Principal	Municipal Securities Sales Principal	General Securities Principal
Principal Exams		Series 53	Series 51	Series 27	Series 9/10	Series 24
Description of Supervisory Responsibilities		May supervise all municipal securities activities.	May supervise activities only in municipal fund securities.	May supervise financial reporting, clearance, safekeeping, and recordkeeping	May supervise handling of customer complaints, periodic review of customer accounts, approval of customer account openings, and review of transactions and correspondence.	May supervise maintenance of books and records, approval of customer account openings, Forms U4, information on associated persons, and approval of advertising.
Supervision of Non-Sales Activities						
Underwriting, trading research, or investment advice or action as a financial adviser or consultant to issuers	Rule G-3(b)(i)(A); Rule G-3(b)(i)(B); Rule G-3(b)(i)(D); Rule G-3(b)(iv)(A)	Yes	Yes	No	No	No

(CONTINUED)

	MSRB Rule	Municipal Securities Principal	Municipal Fund Securities Limited Principal	Financial and Operations Principal	Municipal Securities Sales Principal	General Securities Principal
Processing, clearance, and, in the case of a nonbank dealer, safekeeping	Rule G-3(b)(i)(C); Rule G-3(b)(iv)(A); Rule G-3(d)(i)(F)-(G); Rule G-27(b)(ii)(C)(5); Rule G-27(c)(i)(F)	Yes	Yes	Yes	No	No
Books and records	Rule G-3(b)(i)(F); Rule G-3(b)(iv)(A); Rule G-3(d)(i)(D); Rule G-27(b)(ii)(C)(4); Rule G-27(c)(i)(E)	Yes	Yes	Yes	No	Yes
Financial reports	Rule G-3(d)(i)(A)-(E); Rule G-27(b)(ii)(C)(1); Rule G-27(b)(ii)(C)(2)	No	No	Yes	No	No
Supervision of Sales-Related Activities						
Communication with investors, directly or indirectly, about municipal securities; reviewing correspondence pertaining to sales to or purchases from customers	Rule G-3(b)(i)(E); Rule G-3(b)(iv)(A); Rule G-3(b)(iv)(C); Rule G-27(b)(ii)(C)(1); Rule G-27(b)(ii)(C)(3); Rule G-27(b)(ii)(C)(6); Rule G-27(e)(i)	Yes	Yes	No	Yes	No
Approval of customer account openings	Rule G-27(b)(ii)(C)(1); Rule G-27(b)(ii)(C)(3); Rule G-27(b)(ii)(C)(4); Rule G-27(b)(ii)(C)(6); Rule G-27(c)(i)(G)(1)	Yes	Yes	No	Yes	Yes
Supervision of municipal securities principal or municipal securities representative training	Rule G-3(b)(i)(G)	Yes	No	No	No	No
Supervision of municipal fund securities limited principal or representative training	Rule G-3(b)(i)(G); Rule G-3(b)(iv)(A); Rule G-3(b)(iv)(C)	Yes	Yes	No	No	No
Regular review and approval of customer accounts	Rule G-27(b)(ii)(C)(1); Rule G-27(b)(ii)(C)(3); Rule G-27(b)(ii)(C)(6); Rule G-27(c)(i)(C)	Yes	Yes	No	Yes	No
Approval of discretionary accounts and related transactions	Rule G-27(b)(ii)(C)(1); Rule G-27(b)(ii)(C)(3); Rule G-27(b)(ii)(C)(6); Rule G-27(c)(i)(B)	Yes	Yes	No	Yes	No

(CONTINUED)

	MSRB Rule	Municipal Securities Principal	Municipal Fund Securities Limited Principal	Financial and Operations Principal	Municipal Securities Sales Principal	General Securities Principal
Handling of customer complaints	Rule G-27(b)(ii)(C)(1); Rule G-27(b)(ii)(C)(3); Rule G-27(b)(ii)(C)(6); Rule G-27(c)(i)(B)	Yes	Yes	No	Yes	No
Review of transactions	Rule G-27(b)(ii)(C)(1); Rule G-27(b)(ii)(C)(3); Rule G-27(b)(ii)(C)(6); Rule G-27(c)(i)(G)(2)	Yes	Yes	No	Yes	No
Approval of advertising	Rule G-3(b)(iv)(C); Rule G-21(f); Rule G-27(b)(ii)(C)(4)	Yes	Yes	No	No	Yes
Completion of Form U4/information on associated persons	Rule G-3(b)(iv)(C); Rule G-7(b); Rule G-27(b)(ii)(C)(4)	Yes	Yes	No	No	Yes

1 – This chart should only be used as a guide. Please consult the individual MSRB rules for supervisory requirements.

2 – Except for bank dealer and nonbank dealers as described in [MSRB Rule G-27\(b\)\(ii\)\(C\)\(2\)](#).

Guidance on Branch Office Inspections – Regulatory Notice 11-54

Branch office inspections are becoming an increasingly critical component of broker-dealer supervisory control systems and risk management programs. The SEC’s Office of Compliance Inspections and Examinations (“OCIE”) issued in November a [National Exam Risk Alert](#) (“Alert”) to provide further guidance on developing effective policies and procedures for branch office inspections. The Alert points out various positive and negative trends within the industry, as well as common deficiencies in branch inspection programs at FINRA member firms.

NASD Rule 3010(b) provides broker-dealers with baseline guidance to establish, maintain, and enforce procedures surrounding branch offices. [NASD Notice to Members 99-45](#) provides additional guidance that instructs broker-dealers to adopt supervisory systems tailored specifically to their business. The Alert and [Regulatory Notice 11-54](#) take further steps in describing practices that broker-dealers should adopt to vigilantly conduct branch office inspections. An overall theme throughout the Alert is that branch audit inspections should be risk based. OCIE states that an effective risk assessment process should help drive

the frequency, intensity, and focus of inspections. OCIE also notes the following aspects of an effective branch office inspection process:

- Inspections should be announced (part of the branch inspection cycle) and unannounced.
- An inspection should be conducted by a person with sufficient knowledge and experience and overseen by senior personnel such as the CCO or another principal.
- The firm’s written supervisory procedures should be designed to avoid conflicts of interest between the examiner, the associated persons, and the branch being inspected.

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- An ongoing risk analysis should be a key aspect of the firm's exam planning process, leading to more frequent examinations of offices with higher risk levels.

The Alert details several common review items identified by FINRA and SEC examiners regarding testing broker-dealer branch office examination programs:

- Supervision of customer accounts
- Handling of money and securities received at the branch
- Transmittal of funds
- Advertising and communications with the public
- Outside business activities of registered representatives in branch offices
- Handling of customer complaints

These issues, among others, should be incorporated into each broker-dealer branch office inspection.

In addition, documentation of each inspection should be maintained for three years, pursuant to NASD Rule 3010(c)(2).

The Alert ends by listing effective practices noted by FINRA and OCIE staff. These include

- relying on a risk analysis,
- using surveillance reports,
- employing comprehensive checklists to conduct inspections,
- including inspections results in the management reporting process, and
- requiring branch office managers to implement and document corrective actions.

FINRA and OCIE urge broker-dealers to review their current policies and procedures for branch office inspections and make changes where necessary.

Year-End Compliance Reminders

As 2012 begins, many firms are just beginning to test their policies and procedures in an effort to satisfy FINRA Rule 3130, the annual CEO certification. During this period, the following key elements of the certification process should be kept in mind.

Timing

Firms should focus on executing the CEO certification shortly after testing their policies and procedures. Allowing too much time to lapse between these events may bring a firm under greater regulatory scrutiny. Examiners will want to ascertain that the certification is based on current information.

Firms should be aware that FINRA will also be looking for how they will address regulatory events and changes that have taken place between the time of testing and the time of CEO certification. In addition, the certification must be executed within 12 months of the previous certification.

Examiners will look for execution outside of that time frame, which may result in findings for a firm.

AML Testing

FINRA Rule 3310 requires the independent testing of AML programs on an annual calendar-year basis for firms that hold customer accounts, execute customer transactions, or act as introducing brokers. For firms that do not perform these activities, testing is required every two calendar years. It is important for firms to be certain to schedule their testing and to ensure testing is completed by an **independent** source to be in compliance with Rule 3310. (CONTINUED)

Attestations

Many firms have begun requiring annual employee attestations regarding their social media policies and procedures. There has also been a trend toward including more product-specific attestations within the policies, such as mutual fund breakpoints.

Direct Market Access

The SEC now requires brokers or dealers that provide direct market access to customers or other persons to develop, implement, and annually review a reasonable risk management control system. The new Rule 15c3-5 under the Securities Exchange Act of 1934 requires CEO annual certifications to verify that firm policies and procedures are structured in a manner that adheres to the [guidelines](#) introduced in July 2011.

Updating Policies and Procedures

As regulatory changes occur, it is important for firms to examine how these changes affect their policies and procedures. Firms may want to

consider the potential benefits of developing an internal alert system to notify staff of any firm-specific regulatory changes, especially if new products are involved.

Sub Certifications

The use of “sub certifications” is on the rise. Rather than having the CCO report to the CEO that the firm’s policies and procedures are adequately structured to comply with applicable rules and regulations, an increasing number of CEOs want to see more accountability from lower-level employees. This trend appears to be taking place primarily in firms with more than 20 employees. The objective is to expand employee knowledge and increase accountability throughout the firm.

Educational Requirements

Firms should make sure that their Firm Element Continuing Education (“CE”) requirements have been satisfied. Many firms can use their CE needs analysis plan as a reference to ensure that completed CE elements match their policies.

When Fundamentals Fail but Safeguards Succeed

On October 31, 2011, CME Group (“CME”) announced that all trading by customers of MF Global, Inc. (“MF”) would be limited to liquidation only. Speculation on the events triggering this announcement ran rampant through the industry. Customers panicked. Competitors positioned themselves. Regulators prepared for the worst. Not only had MF’s impending sale gone bad, but rumors quickly grew that customer funds were missing.

Section 4d of the Commodity Exchange Act (“CEA”) and Commodity Futures Trading Commission (“CFTC”) Regulation 1.20 require that customer funds be separately accounted for and segregated as belonging to commodity or option customers. The provisions of these regulations are among the most fundamental in the commodity futures trading industry. Futures Commission Merchants (“FCMs”) have a strict

duty to segregate customer money, securities, and property and not commingle such assets with their own.

As fear over the MF debacle grew, the CFTC was informed that MF did have a shortfall in segregated funds. The CFTC reached a swift disposition, concluding that MF had to be placed into an insolvency proceeding. Given that MF is a (CONTINUED)

dual-registered FCM and broker-dealer with the CFTC and FINRA, respectively, the bankruptcy and liquidation proceeding would be that of the Securities Investor Protection Corporation (“SIPC”). The US District Court for the Southern District of New York stepped in and granted the SIPC application, finding that MF customers needed the protection afforded by the Securities Investor Protection Act (“SIPA”).

SIPC was created by Congress in 1970. When a brokerage firm is closed due to bankruptcy or other financial difficulties, SIPC steps in to work with a court-appointed trustee to, within certain limits, return customer cash, stocks, and other securities as quickly as possible. SIPC may also provide cash advances within proscribed limits if needed to help satisfy customer claims. What is of particular interest regarding the MF case is the major difference between the protection available to securities customers and that available to futures customers. SIPC can advance up to \$500,000 for the valid claims of each securities customer, including up to \$250,000 for claims for cash deposited for the purpose of purchasing securities. However, assets held in margin that are associated with futures accounts are not eligible for SIPC protection. This does not bode well for MF’s nearly 38,000 futures customers. By comparison, the brokerage firm had approximately 400 securities customers.

Due to the apparent shortfall in customer funds, the trustee has to hold back assets in order to meet his SIPA obligations, along with governing CFTC rules requiring him to identify and marshal assets

to best satisfy customer claims and to maximize the estate for all stakeholders. Nevertheless, the trustee, in coordination with the CFTC, SIPC, and the CME, has been able to transfer approximately 14,500 customer accounts with open futures positions to other FCMs. Also, approximately \$1.55 billion in collateral was transferred, which is approximately 60 percent of the collateral associated with these positions at the time of the bankruptcy. This court-authorized bulk transfer was the maximum relief available under the law and the circumstances, and it averts mandatory liquidation of the transferred positions. In addition, the trustee was allowed the bulk transfer of 60 percent of the cash attributable to approximately 23,300 MF commodities clients holding only unencumbered cash or cash equivalents in their accounts on October 31, 2011. The cash transfer was estimated at approximately \$520 million.

Until the investigation into certain cash movements at MF is completed, the financial world will not know the extent of any deficiency in funds that should have been segregated. Still, this has not slowed critics from taking shots at the self-regulatory and government agencies responsible for investor protection and market integrity. One could argue that the brokerage firm’s designated self-regulatory organization (“DSRO”), the CME, acted most appropriately by quickly noticing MF’s questionable transfers of customer funds and notifying the CFTC. Such awareness and action appears to be precisely in line with the DSRO’s responsibilities and duty to the investing public.

PCAOB Adopts Interim Inspection Program for Broker-Dealer Audits and Broker and Dealer Funding Rules

Earlier this year, the Public Company Accounting Oversight Board (“PCAOB” or “the Board”) adopted certain rules to implement provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) related to broker and dealer audits. More precisely, the Board adopted a temporary rule to establish *an interim inspection program for registered public accounting firms’ audits of brokers and dealers*. In addition, the PCAOB adopted rules for assessing and collecting a portion of its accounting support fee from brokers and dealers to fund the Board’s oversight of

audits of brokers and dealers, consistent with the Dodd-Frank Act. In addition, the Board adopted certain amendments to existing funding rules for issuers. Based on the [PCAOB release](#), the fee would be imposed on brokers and dealers with more than \$5 million in tentative net capital being allocated an appropriate portion of the accounting support fee. The PCAOB began assessing this fee in the last quarter of 2011. Payment of the fee is due 30 days after the invoice has been sent to the broker-dealer. Please contact ACA for more information on the PCAOB audit and funding.

In Case You Missed It...

FINRA Fidelity Bonds Rule Effective January 1, 2012

Please be aware that FINRA Rule 4360 governing fidelity bonds became effective **January 1, 2012**. Under FINRA Rule 4360, each firm required to join SIPC must maintain blanket fidelity bond coverage, with the specified amounts of coverage based on the firm’s net capital requirement with certain exceptions. *Firms are encouraged to review their blanket fidelity bond to ensure it satisfies the requirements as outlined in the new rule.* More detailed information can be found in [FINRA Regulatory Notice 11-21](#).

Reporting Corporate and Agency Debt to New TRACE Platform

Effective **February 6, 2012**, FINRA will migrate Corporate and Agency Debt trade reporting to a new technology platform. The new platform will conform *only* to the new trade data formats

included in the CTCI and FIX protocols and via the TRAQs secure website for Corporate and Agency Debt. This means that any transaction entered in the legacy TRACE (pre-February 6, 2012) Corporate and Agency system will *not* be available for cancellation or modification via the new formats. Firms instead must use the **Reversal** function to revise trades entered before February 6, 2012.

MSRB Publishes FAQs Regarding Dealer Disclosure Obligations under MSRB Rule G-17

The MSRB published a set of frequently asked questions (“FAQs”) about dealer disclosure obligations to customers in secondary market municipal securities transactions. The FAQs address questions regarding [MSRB Notice 2010-37](#), which FINRA published simultaneously as [Regulatory Notice 10-41](#). For additional information, see [MSRB Notice 2011-67](#).

2012 Conferences/Roundtables/Webcasts

ACA Conference

[ACA's Spring 2012 Compliance Conference](#)

April 25-27, 2012, Fort Lauderdale, FL

FINRA Conferences

[FINRA Annual Conference](#)

May 21-23, 2012, Washington, DC

[FINRA Fixed Income Conference](#)

March 8, 2012, New York, NY

[ACA Roundtables](#)

February 22, 2012, Richmond, VA

March 6, 2012, New York, NY

Regulatory Notices, Updates, and Rule Changes

Financial Industry Regulatory Authority

December

[Reg. Notice 11-56](#) FINRA and ISG Enhance Electronic Blue Sheet Submissions Effective Date: August 31, 2012

[Reg. Notice 11-55](#) FINRA Collection of Short Interest Data for BATS Exchange-Listed Securities Effective Date: December 15, 2011

November

[Reg. Notice 11-54](#) FINRA and the SEC Issue Joint Guidance on Effective Policies and Procedures for Broker-Dealer Branch Inspections

[Reg. Notice 11-53](#) SEC Approves Amendments to TRACE Reporting Requirements to Conform With Requirements in the Multi Product Platform

[Reg. Notice 11-52](#) FINRA Reminds Firms of Their Obligations Regarding the Supervision of Registered Persons Using Senior Designations

[Reg. Notice 11-51](#) Broker-Dealer, Investment Adviser Firm, Agent and Investment Adviser Representative, and Branch Renewals for 2012

[Reg. Notice 11-50](#) SEC Approves Amendments to FINRA Rule 9251 to Explicitly Protect From

Discovery Those Documents That Federal Law Prohibits FINRA From Disclosing Effective Date: December 2, 2011

October

[Reg. Notice 11-49](#) FINRA Provides Guidance on Advertising Regulation Issues

[Reg. Notice 11-48](#) FINRA Requests Comment on a Proposed New Rule Requiring Carrying/Clearing Member Firms to Maintain and Keep Current Certain Records in a Central Location

[Reg. Notice 11-47](#) Securities Industry/Regulatory Council on Continuing Education Issues Firm Element Advisory Update

[Reg. Notice 11-46](#) FINRA to Require Electronic Submission of Annual Audit Reports Effective Date: November 8, 2011, for all annual audit reports with a fiscal year end on or after September 30, 2011.

Municipal Securities Rulemaking Board

December

[MSRB Notice 2011-69](#) SEC Approves Amendments to MSRB Rule G-16 to Facilitate Risk-Based Compliance Examinations and Amendments to MSRB Rule G-9, on Preservation of Records

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November

[MSRB Notice 2011-67](#) MSRB Answers Frequently Asked Questions Regarding Dealer Disclosure Obligations under MSRB Rule G-17

[MSRB Notice 2011-66](#) Reminder that Revised MSRB Rule G-23 Concerning the Activities of Financial Advisors Becomes Effective Today

[MSRB Notice 2011-65](#) Reminder of Upcoming Effective Date of Revised MSRB Rule G-23 Concerning the Activities of Financial Advisors

[MSRB Notice 2011-64](#) Amendments to EMMA to Provide Credit Ratings and Related Information for Municipal Securities on EMMA *Effective November 21, 2011*

[MSRB Notice 2011-62](#) Changes to Registration of Municipal Securities Professionals and Reminder of Supervisory Obligations of Principals

[MSRB Notice 2011-61](#) MSRB Amends Proposal on Interpretive Notice Concerning the Application of MSRB Rule G-17 to Underwriters of Municipal Securities

October

[MSRB Notice 2011-60](#) – MSRB Files with the SEC Amendments to Rule G-16 to Facilitate Risk-based Compliance Exams and to Rule G-9, on Preservation of Records

Financial Crimes Enforcement Network

Important Notice: [FinCEN Extends Deadline for Adopting New CTR and SAR \(12/20/2011\)](#)

[MSB Registration Web site Announcement \(12/15/2011\)](#)

[FinCEN Assesses Civil Money Penalty for Suspicious Activity Report Disclosure \(12/15/2011\)](#)

[FinCEN Assesses Civil Money Penalty against Maine-Based Money Transmitter \(12/08/2011\)](#)

[FinCEN Proposes Anti-Money Laundering/Suspicious Activity Reporting Rules for Housing GSEs \(11/03/2011\)](#)

[FinCEN Announces Informational Webinar on Prepaid Access Final Rule \(11/02/2011\)](#)

[FinCEN: Our Story \(An Interactive PDF\) \(10/20/2011\)](#)

[FinCEN Proposes Reporting Requirement of International Transport of Prepaid Access Products at U.S. Borders \(10/12/2011\)](#)

[FinCEN Implements Provision of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 \(10/05/2011\)](#)

Important Dates

2011/2012 Annual Audit Filings

Fiscal Year End	Due Date
December 31	February 29
January 31	April 2
February 29	April 30
March 31	May 30
April 30	June 29

2011/2012 Quarterly FOCUS Part II/IIA Filings

Quarter Ending	Due Date
December 31	January 26
March 31	April 25

2012 Monthly/Fifth FOCUS Part II/IIA Filings

Period Ending	Due Date
December 31	January 26
January 31	February 24
February 29	March 23
April 30	May 23

Annual Schedule I Filings

Period	Due Date
2011	January 26, 2012
2012	January 25, 2013

2011/2012 4530/Customer Complaint Filings

Quarter	Due Date
4th Quarter 2011	January 17, 2012
1st Quarter 2012	April 16, 2012
2nd Quarter 2012	July 16, 2012

2011 Short Interest Reporting Deadlines

Settlement Date	Due Date	Exchange Receipt Date
December 30	January 4 – 6 p.m.	November 25
January 13	January 18 – 6 p.m.	January 25
January 31	February 2 – 6 p.m.	February 9
February 15	February 17 – 6 p.m.	February 27
February 29	March 2 – 6 p.m.	March 9

ACA Compliance Group's Broker-Dealer Services Division provides broker-dealers with regulatory compliance expertise designed to satisfy the needs of any type of broker-dealer. ACA's services include development of compliance programs, trading reviews, supervisory control and anti-money laundering testing, assistance with written supervisory procedures, initial and continuing help with membership applications, and customized regulatory and compliance consulting.

Please contact Dee Stafford at 561-988-3310 or dstafford@acacompliancegroup.com for information on the initial and ongoing assistance ACA can provide with regard to meeting compliance requirements consistently.

Nothing herein should be construed as legal advice or as a legal opinion for any particular situation. ACA makes no representations about the accuracy of the information contained herein or its appropriateness for any given situation.