

FINRA Podcast
June 2017 Monthly Recap

NW: Hello and welcome to FINRA's Monthly Recap podcast. From Washington, D.C., I'm Nico Waters.

KEP: And I'm Kenneth Edward Piner. Today is July 1, 2017.

NW: First up, we look at Notices. FINRA changed two rules on disruptive quoting and trading activity in expedited proceedings. The first change is to Rule 52.10. It defines and prohibits two types of disruptive quoting and trading activity. The second change is to the FINRA Rule 9800 Series. It creates a process for FINRA to expedite the issuance of temporary cease and desist orders for disruptive quoting and trading activities. You can learn more about both rule changes in Regulatory Notice 17-22.

KEP: FINRA added a new problem code under Rule 45.30 to address changes in the Department of Labor's Fiduciary Rule that took effect June 9th. Regulatory Notice 17-21 also notes that FINRA made similar changes to address the Municipal Securities Rulemaking Board's extension of customer complaint and related record-keeping rules to municipal advisers. The changes to the MSRB rules take effect on October 13th.

NW: In a June 9th information notice, FINRA said the new rate for fees paid under Section 31 of the Exchange Act is going up to \$23.10 per million dollars in transactions effective on July 4th. And, in a June 12th trade reporting notice, FINRA provided more details on how firms must report certain transactions in treasuries starting July 10th.

KEP: We now turn to resources for firms. FINRA recently released two new tools to help firms meet their compliance obligations. First, is the FINRA Compliance and Vendor Directory, which helps member firms find vendors offering compliance-related products and services. Then, there is the FINRA Compliance Calendar, which provides a calendar-view of upcoming required filings, a schedule of live educational events, and other significant deadlines.

NW: FINRA President and CEO Robert Cook spoke recently at Georgetown University's McDonough School of Business on FINRA's Rule in protecting investors from so-called "bad actors." In his remarks, he said: "A few bad actors can not only devastate the investors they target, but also threaten confidence in the wider financial system." He went on to detail FINRA's programs that specifically target these risky reps.

KEP: Let's now look at educational opportunities. FINRA will host a half-day symposium in New York City on July 13th about distributed ledger technology called blockchain. It will convene regulators and industry leaders to discuss blockchain opportunities and challenges.

NW: Registration is open for the 2017 National Compliance Outreach Program for Broker-Dealers in Washington, D.C., on July 27th. This free event, organized by FINRA and the SEC, is for regulators and industry professionals to build strong compliance practices and structures. Topics include: cyber security, senior investors and regulatory hot topics. In-person attendance is limited, but the event will be webcast live by the SEC. CPE credits will only be available to in-person attendees.

KEP: FINRA's next session for its Institute at Wharton Certified Regulatory and Compliance Professional Program (CRCP) is right around the corner: July 16th-21st in Philadelphia. It's the Foundation Course week for this executive-level deep dive into the theory and application of securities law and regulation. The second, advanced-level week takes place November 12th-17th.

NW: Registration is also open for our Fall conferences including the Fixed Income Conference in Dallas, Texas, in September. The Advertising Regulation Conference in Washington, D.C., in October, and then in November; the Small Firm Conference in Santa Monica, California; and, wrapping up the year, on December 6th and 7th is the FINRA South Regions Compliance Seminar in Fort Lauderdale, Florida.

KEP: In FINRA news, FINRA announced its new Board Chairman as William Heyman. He's the Vice Chairman and Chief Investment Officer of the Travelers Companies and a

former member of FINRA's Board of Governors. He succeeds Board Chairman Jack Brennan.

NW: The Office of the Chief Economist issued a research note in June on liquidity in structured products. The new analysis identified positive and negative market developments in two categories of products: real estate securities and asset-backed securities in credit cards, cars, student loans and other products.

KEP: FINRA introduced its new innovation outreach initiative called FinTech. It's a dialogue with the industry to better understand a rapidly changing financial technology. FINRA has formed a cross-departmental team to lead the effort, and launched a FinTech web page that looks at key topics like blockchain technology and digital investment advice.

NW: FINRA barred registered representative Jim Seol for participating in private securities transactions, undisclosed outside business activities, and for misrepresentations to his employer in compliance questionnaires. FINRA found he sold \$100 million in EB5 investments through his private business, and did not disclose it to his employer. FINRA rules and firm policy require him to disclose and obtain prior approval for all outside business activities.

KEP: FINRA also barred former Morgan Stanley Smith Barney registered representative John Batista Bocchino for concealing some \$190 million in Venezuelan bond trades from his firm by creating and directing trades through several nominee accounts in the names of well-known U.S. financial firms. He also created falsified documents to conceal the identities of his underlying customers.

NW: Turning to investor news, FINRA released an alert on online trading. It noted that misconceptions about the practice continue, like the notion that trading online bypasses the brokerage, or that it means you cannot talk to a broker. The alert then dispelled the myths with brief factual background.

KEP: In an Investor Education podcast, FINRA looked at Treasury Securities and as FINRA's Michelle Volpe-Kohler explained, the U.S. government is one of the world's biggest

borrowers, and uses three vehicles, simply called “treasuries,” that allow anyone to lend money to Uncle Sam:

MVK: “When you invest in one, you’re lending money to the U.S. Treasury. The amount of the loan, called the principal, is also called the face value or par value. In return for your investment, the Treasury pays you interest for the use of your money during the term of the debt security. Treasuries typically pay interest twice a year.”

NW: You can find all the items highlighted in this podcast on FINRA.org.

KEP: And that brings us to the end of this recap. We hope you found it helpful. If so, please share it with your colleagues.

NW: Until next month, I’m Nico Waters.

KEP: And I’m Kenneth Edward Piner.

NW: For all of us at FINRA, thanks for listening.