

BROKER-DEALER

FINRA Issues Regulatory Notice on GASB Accounting Support Fee

The Financial Industry Regulatory Authority announced that it will collect a total of \$8,309,000 in 2017 from its member firms as part of the Government Accounting Standards Board (GASB) Accounting Support Fee. FINRA will collect \$2,077,250 each calendar quarter beginning in April 2017 from its member firms that report trades to the Municipal Securities Rulemaking Board (MSRB). Each member firm's fee assessment is based on that firm's portion of the total par value of municipal securities transactions reported by all FINRA member firms to the MSRB in the previous quarter.

Members with a quarterly assessment of less than \$25 are not charged a fee for that quarter, and amounts originally assessed to those firms are instead reallocated among the firms with an assessment of at least \$25. Additionally, FINRA provides firms with an estimated fee rate per \$1,000 par value as some firms choose to pass the GASB Accounting Support Fee onto customers engaged in municipal securities transactions. For 2017, FINRA has estimated that the GASB Annual Support Fee will be between \$ 0.0024 and \$ 0.0030 per \$1,000 par value. The notice reminds firms electing to pass along the fee that they must ensure such fees are properly disclosed.

The full regulatory notice is available [here](#).

FINRA Updates Web API Specifications for the TRACE Securitized Products

The Financial Industry Regulatory Authority recently released a document outlining updates to the TRACE Web Application Programming Interface (API). This new update, Version 5.0, affects only securitized products. As mentioned in the FINRA Regulatory Notice, effective May 16, 2011, securitized products include asset-backed securities, mortgage-backed securities and other similar securities. The document provides the new securitized products Sub Product Asset Codes and their descriptions.

Additionally, FINRA has released details regarding the parameters and values for each available securitized products file, together with example requests and sample results.

The document is available [here](#).

FINANCIAL MARKETS

Complete FX Global Code of Conduct To Be Released

On March 22, the Bank for International Settlements (BIS) published a speech by Guy Debelle, Deputy Governor of the Reserve Bank of Australia, on finalizing and publishing the complete global code of conduct for the foreign exchange market (Global Code).

In his speech, Mr Debelle stated the following:

- The first phase of the code was released in May 2016. It covers areas such as ethics, information sharing, aspects of execution and confirmation and settlement. The second phase covers further aspects of execution, including e-trading and platforms, prime brokerage, as well as governance, and risk management and compliance.
- The complete Global Code will be publicly released on May 25. The Global Code covers the entire wholesale foreign exchange (FX) industry: sell side, buy side, non-bank participants and platforms.
- When the Global Code is released, it is expected that market participants will adapt their businesses, where appropriate, and ask their FX counterparties whether they are committed to the Global Code's principles.
- The period of time market participants require to adjust their practices, where necessary, to be compliant with the Global Code's principles might be as short as six months, but will likely be no more than 12 months for the vast majority. How much effort this will require depends in part on the nature and extent of market participants' engagement with the FX market. The principle of proportionality has been at the forefront of drafting the Global Code.
- The issue of "last look" has generated considerable discussion. The expectation is that this discussion will continue after the release of the Global Code, and that the Global Code might evolve as a result.
- One of the areas addressed in the first phase of the Global Code is information sharing. Many market participants are unsure what information can be conveyed to counterparties and other market participants. As a result, some are being very conservative in sharing information, which can have implications for the effective functioning of the market. The Global Code provides examples of appropriate information sharing.
- Order handling is another area with instances of inappropriate behavior coming to light in recent years. The market is seeking greater guidance as to what principles should be followed, including the different standards that may apply depending on whether an intermediary is functioning as principal or agent. The Global Code aims to provide this guidance, but it should not be seen as a procedures manual for order handling. Rather, it articulates principles to take into account, providing market participants with the framework in which to think about how they handle stop-loss orders.

A copy of the speech can be found [here](#).

DERIVATIVES

See *"CFTC Staff Provides Relief Associated With Swap Trade Confirmations"* in the CFTC section.

CFTC

CFTC Staff Provides Relief Associated With Swap Trade Confirmations

On March 24, the Commodity Futures Trading Commission's Division of Market Oversight extended no-action relief relating to the recordkeeping and confirmation requirements in CFTC Regulations 37.6(b), 37.1000, 37.1001, 45.2, and 45.3(a). This relief applies only to uncleared swap transactions executed on or pursuant to the rules of a Swap Execution Facility (SEF) and is subject to several conditions.

Under the no-action letter, a SEF is permitted to incorporate by reference terms from previously negotiated agreements between counterparties, even if the SEF has not received copies of such agreements. Further, SEFs are relieved from the requirement to maintain a copy of the agreements incorporated by reference in a SEF's confirmation, as required under CFTC regulations. However, a SEF must continue to report all swap data that the SEF is currently reporting, even if the data appears in the documents the SEF confirmations incorporate by reference.

The relief extends until the effective date of any amendments to CFTC regulations establishing a permanent SEF confirmation solution for uncleared swap transactions.

CFTC Letter 17-17 is available [here](#).

BREXIT/UK DEVELOPMENTS

UK Triggers Article 50; Great Repeal Bill White Paper Published

On March 29, the United Kingdom submitted its “Article 50 Notice” to begin its departure from the European Union in the form of a letter (Notice) from Prime Minister Theresa May to EU Council President Donald Tusk. The Notice marks the formal start of a two-year process of negotiations to exit the European Union. If negotiations are not completed within that timeframe, it can only be extended by unanimous consent of all remaining member states.

The negotiations themselves will be affected by several future events. On April 29, the remaining member states will adopt negotiation guidelines published by Donald Tusk. Later in 2017, both France and Germany will have elections, with the inherent potential for incumbent leadership to be replaced by different political parties with differing views on the deal to be struck between the European Union and the United Kingdom.

Subsequent to delivery of the Notice, on March 30, the UK government published the white paper (White Paper) for the Great Repeal Bill (Bill). The Bill will repeal the European Communities Act 1972 (the act that empowers EU law domestically) on the day the United Kingdom leaves the European Union. Furthermore, the Bill proposes to convert the ‘acquis’—the body of European legislation—into UK law, with the aim that the same laws and rules will apply both immediately before and after the departure process is completed. Lastly, the Bill will put in place powers to create secondary legislation, so that corrections can be made to laws that no longer operate appropriately after the United Kingdom has left the European Union.

The Notice and White Paper are available [here](#) and [here](#).

Investment Association Consults on New Code for Charges and Transaction Costs Disclosure

On March 27, the Investment Association (IA), the UK investment management trade association, opened a consultation on a new code (Code) for enhanced disclosure of charges and transaction costs.

The goal of the Code’ is to develop a consistent and comprehensive framework to allow fund and asset managers to deliver underlying charges and transaction cost information using standard definitions, regardless of the distribution channel and the way in which this information is eventually presented to clients.

The Code focuses on providing clear information on charges and costs in the context of an ongoing industry-wide initiative on enhanced transparency, which includes the following regulatory measures: (1) the revised Markets in Financial Instruments Directive (MiFID II) reform package; (2) the Packaged Retail and Insurance-based Investment Products Regulation; and (3) the Financial Conduct Authority’s (FCA) consultation on draft rules for transaction cost disclosure to workplace defined contribution pension schemes.

The IA notes that the consultation is taking place at a time when the FCA’s asset management market study is still in progress (further information on the market study can be found in the *Corporate & Financial Weekly Digest* edition of [December 2, 2016](#)). The IA considers that the market study may result in outcomes relating to charging structures and disclosure that may affect the future shape of the proposed Code, and states that any final document will need to take into account decisions taken by the FCA.

The deadline for responses to the consultation is May 19. The IA plans to publish a feedback statement and a final set of proposals in the third quarter of 2017.

Subject to any further changes to FCA disclosure requirements, the IA plans to ask the FCA to incorporate the Code into the rules in its *Conduct of Business* sourcebook.

The Code 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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BREXIT/UK DEVELOPMENTS

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

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