SECURITIES OPERATIONS

REGULATORY UPDATE

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SEC ANNOUNCES 2021 EXAMINATION PRIORITIES

On March 3, 2021, the U.S. Securities and Exchange Commission ("SEC" or "Commission") announced its 2021 examination priorities, including a greater focus on climate-related risks. The Division will also focus on conflicts of interest for brokers (Regulation Best Interest) and investment advisers (Fiduciary Duty), and attendant risks relating to FinTech in its initiatives and examinations. The Division publishes its examination priorities annually to provide insights into its risk-based approach, including the areas it believes present potential risks to investors and the integrity of the U.S. capital markets.

Press Release: https://www.sec.gov/news/press-release/2021-39

SEC ACTING CHAIR ADDRESSES IMPORTANCE OF FUND VOTING & DISCLOSURE

On March 17, 2021, the SEC's Acting Chair, Allison Herren Lee, addressed two key trends that necessitate updates to proxy rules and guidance in her speech to the 2021 ICI Mutual Funds and Investment Management Conference. Lee remarked the first is the growth in households invested in funds, *i.e.,* 47% of all U.S. households, making funds' proxy voting practices more important than ever. A second key trend identified by Lee is the soaring demand, including by retail investors, for opportunities to invest in vehicles with ESG strategies as investors become more interested in the implications of their investments. However, Lee cautioned that the rise of passive index funds, which has benefited retail investors in so many ways, may operate to the detriment of corporate accountability as index funds face economic pressure to lend out their shares, or not recall shares, instead of voting. Lee also referenced Commission guidance issued in 2019 on the proxy voting responsibilities of investment advisers that attempted to, and may have, tilted the calculus against shareholder voting without sufficient data or analysis to support the wisdom of doing so. Lee stated that guidance should be revisited to ensure that fiduciaries understand how to weigh competing concerns of all types in deciding whether and how to cast votes on behalf of their beneficiaries. Finally, Lee also commented on structural voting issues that pose tremendous challenges to funds, problems obtaining a quorum and problems confirming fund votes, which deserve attention as the SEC examines and attempts to modernize the proxy voting system.

Lee Speech: SEC.gov | Every Vote Counts: The Importance of Fund Voting and Disclosure

SEC ADOPTS UNIFORM AND SECURE AMENDMENTS TO EDGAR ACCESS

On March 18, 2021, the SEC adopted amendments to Volumes I and II of the Electronic Data Gathering, Analysis, and Retrieval system ("EDGAR") Filer Manual ("Filer Manual"), a related form, and related rules. The amendments result in a more uniform and secure process for EDGAR access by requiring certain applicants that already have an EDGAR Central Index Key account number, but do not have EDGAR access codes, to submit the related form ("Form ID") and an authenticating document to obtain access to EDGAR. Form ID has also been amended to update its instructions and cross-references to Volume I of the Filer Manual. The revisions to Volume II reflect additional updates to the EDGAR system.

Final Rule: https://www.sec.gov/rules/final/2021/33-10935.pdf

FINRA EXTENDS PILOT PROGRAM RELATED TO FINRA RULE 11892

On March 19, 2021, the SEC published for comment a Financial Industry Regulatory Authority, Inc. ("FINRA") proposal, effective on filing, to extend the current pilot program related to FINRA Rule 11892 (Clearly Erroneous Transactions in Exchange-Listed Securities) until the close of business on October 20, 2021. On September 10, 2010, the Commission approved, on a pilot basis, changes to FINRA Rule 11892 that, among other things: (i) provided for uniform treatment of clearly erroneous transaction reviews in multi-stock events involving twenty or more securities; and (ii) reduced the ability of FINRA to deviate from the objective standards set forth in the rule. In 2013, FINRA adopted a provision to address the operation of the Regulation NMS Plan ("Plan") relating to extraordinary market volatility pursuant to Rule 608 of the Plan. In 2014, FINRA adopted two additional provisions addressing (i) erroneous transactions that occur over one or more trading days that were based on the same fundamentally incorrect or grossly misinterpreted information resulting in a severe valuation error; and (ii) a disruption or malfunction in the operation of the facilities of a self-regulatory organization or responsible single plan processor in connection with the transmittal or receipt of a trading halt. On April 9, 2019, FINRA filed a proposed rule change to untie the effectiveness of the Clearly Erroneous Transaction Pilot from the effectiveness of the Plan, and to extend the Pilot's effectiveness to the close of business on October 18, 2019. On October 16, 2020, FINRA filed a proposed rule change to extend the Pilot's effectiveness until April 20, 2021. FINRA now is proposing to further extend the Pilot until October 20, 2021, so market participants can continue to benefit from the more objective clearly erroneous transaction standards under the Pilot. The operative date for the amendments will be 30 days from the date of filing.

Notice Release: https://www.sec.gov/rules/sro/finra/2021/34-91373.pdf
Comments Due: April 15, 2021

FINRA AMENDS RULE TO PERMIT FIRMS TO FILE ELECTRONICALLY SIGNED FORM U4

On March 5, 2021, the SEC published for comment a FINRA proposal, effective on filing, to amend FINRA Rule 1010 (Electronic Filing Requirements for Uniform Forms) to permit firms to file a Form U4 (Uniform Application for Securities Industry Registration or Transfer) based on an electronically signed copy of the Form. In addition, FINRA proposes to make a conforming amendment to FINRA Rule 2263 (Arbitration Disclosure to Associated Persons Signing or Acknowledging Form U4).

Notice Release: https://www.sec.gov/rules/sro/finra/2021/34-91262.pdf

FINRA PROPOSES TO ADOPT RULES 4111 (RESTRICTED FIRM OBLIGATIONS) AND 9561 (PROCEDURES FOR REGULATING ACTIVITIES UNDER RULE 4111)

On November 16, 2020, FINRA filed with the SEC a proposed rule change to address the risks that can be posed to investors and the broader market by broker-dealers that have a history of misconduct. The proposed rule change would: (1) adopt FINRA Rule 4111 (Restricted Firm Obligations) to require member firms that are identified as "Restricted Firms" to maintain a deposit in a segregated account with withdrawals requiring FINRA's approval, adhere to specified conditions or restrictions, or comply with a combination of such obligations; and (2) adopt FINRA Rule 9561 (Procedures for Regulating Activities Under Rule 4111), and amend FINRA Rule 9559 (Hearing Procedures for Expedited Proceedings Under

the Rule 9550 Series), to create a new expedited proceeding to implement proposed Rule 4111. On January 12, 2021, FINRA consented to extend, until March 4, 2021, the timeframe in which the Commission must approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to approve or disapprove the proposed rule change. On March 4, 2021, the SEC issued an order instituting proceedings on whether to approve or disapprove the FINRA proposal and soliciting further comments.

SEC Order: https://www.sec.gov/rules/sro/finra/2021/34-91258.pdf

SEC DELAYS ACTION ON NASDAQ PROPOSAL TO AMEND LISTING RULES APPLICABLE TO SPECIAL PURPOSE ACQUISITION COMPANIES

On March 18, 2021, the SEC announced it had designated a longer period within which to act on a Nasdaq Stock Market LLC ("Nasdaq") proposal, as modified by Amendment No. 1, to amend listing rules applicable to Special Purpose Acquisition Companies ("SPACs"), whose business plan is to complete one or more business combinations, to grant 15 days following the closing of a business combination to demonstrate that the SPAC has satisfied the applicable round lot shareholder requirement. The proposed rule change was published for comment in the Federal Register on September 22, 2020. On November 4, 2020, the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change. On December 16, 2020, the Commission instituted proceedings to determine whether to approve or disapprove the proposed rule change. On February 25, 2021, Nasdaq filed Amendment No. 1 to the proposed rule change, which superseded the proposed rule change as originally filed.

Notice Release: https://www.sec.gov/rules/sro/nasdaq/2021/34-91348.pdf
Related Release: https://www.sec.gov/rules/sro/nasdaq/2021/34-91294.pdf
Comments Due: April 14, 2021

SEC DESIGNATES LONGER PERIOD FOR ACTION ON NASDAQ BOARD DIVERSITY AND RECRUITING SOLUTION PROPOSALS

On March 10, 2021, the SEC instituted proceedings on whether to approve or disapprove two Nasdaq proposals to adopt listing rules related to board diversity ("Board Diversity Proposal") and offer complimentary services to eligible companies to advance board diversity ("Board Recruiting Solution Proposal"). Both proposals were replaced and superseded by Amendments No. 1 filed on February 26, 2021. In Amendment No. 1, Nasdaq amended the Board Diversity Proposal generally to: (1) add a defined term for "Two or More Races or Ethnicities"; (2) modify the application to Foreign Issuers and clarify the scope of Exempt Companies; (3) provide a lower diversity objective for a company with five or fewer members on its board; (4) modify the required disclosures; (5) modify the process by which a company may provide public disclosure if it does not meet the applicable board diversity objectives and similarly conform the process for providing the public disclosures; (6) modify the phase-in periods for companies subject to the proposed rules; (7) provide a grace period for a company that no longer meets the board diversity objectives due to a vacancy on its board and clarify the cure period for a company that does not satisfy proposed rule; (8) modify the effective dates and transition periods applicable to proposed rules; (9) make conforming and clarifying changes throughout the description of the proposed rule change and the proposed rule text; and (10) provide additional justification and support for the proposed rule

change. Amendment No. 1 to the Board Recruiting Solution Proposal proposes to: (1) make conforming changes to the proposal based on Amendment No. 1 to the Board Diversity Proposal; (2) specify the application of the proposal to a company with five or fewer members on its board; (3) provide additional justification for the proposal to allow eligible companies until December 1, 2022 to begin using the complimentary board recruiting solution; and (4) make additional clarifying changes throughout the description of the proposed rule change.

Notice Release: https://www.sec.gov/rules/sro/nasdaq/2021/34-91286.pdf
Comments Due: April 06, 2021
Rebuttal Comments Due: April 20, 2021

NASDAQ REVALUES AND EXPANDS ITS COMPLIMENTARY SERVICES FOR LISTED COMPANIES

On March 12, 2021, the SEC published for comment a Nasdaq proposal, granted accelerated approval, to modify and expand the package of complimentary services provided to eligible companies and to update the values of certain complimentary services. The proposed rule change modifies IM-5900-7 to: (i) eliminate the tier that provides a higher level of services to Eligible New Listings that have a market capitalization of $5 billion or more; (ii) extend the complimentary services period for all Eligible New Listings and Eligible Switches that have a market capitalization of less than $750 million from two to three years; (iii) include a Media Monitoring/Social Listening service, Virtual Event service, and certain Environmental, Social and Governance ("ESG") in the complimentary service package for Eligible New Listings and Eligible Switches; and (iv) update the values of certain complimentary services and the approximate retail values of the complimentary service package offered to each tier of Eligible New Listings and Eligible Switches.

Approval Order: https://www.sec.gov/rules/sro/nasdaq/2021/34-91318.pdf
Comments Due: April 18, 2021

NASDAQ AMENDS ITS TRANSACTION CREDITS AT EQUITY 7, SECTION 118(A)

On March 12, 2021, the SEC published for comment a Nasdaq proposal, effective on filing, to amend Equity 7, Section 118(a). Presently, in Equity 7, Section 118(a), Nasdaq offers several credits that are based, in part, upon members' activities in securities priced at or more than $1 relative to total "Consolidated Volume." The Nasdaq proposal amends two of the credits it offers to members in displayed quotes or orders in securities in all three Tapes (other than Supplemental Orders or Designated Retail Orders) that add liquidity to the Nasdaq.

Notice Release: https://www.sec.gov/rules/sro/nasdaq/2021/34-91307.pdf
Comments Due: April 08, 2021

NASDAQ ENHANCES END OF DAY SUMMARY MESSAGE ON NLS PLUS

On March 2, 2021, the SEC published for comment a Nasdaq proposal, effective on filing, to enhance the end of day summary message on Nasdaq Last Sale ("NLS") Plus by replacing the current high, low and closing price of a security based on its trading on the Nasdaq, Nasdaq BX and Nasdaq PSX exchanges with the consolidated high, low and closing price as published by the securities information processors

("SIPs"), and adding the opening price of a security published by the SIPs to that message. The proposal is in response to requests by firms using NLS Plus for a broader benchmark against which to compare trades on the Nasdaq exchanges.

Notice Release: https://www.sec.gov/rules/sro/nasdaq/2021/34-91241.pdf

NYSE AND NYSE AMERICAN AMEND RULES RELATED TO CO-LOCATION SERVICES

On March 23, 2021, the SEC published for comment New York Stock Exchange LLC ("NYSE") and NYSE American LLC ("NYSE American," collectively the "NYSE Exchanges") proposals, effective on filing, to amend their price lists (and fee schedules for NYSE American Equities and Options) related to co-location services to (i) provide users with access to the systems, and connectivity to the data feeds, of various additional third parties; and (ii) remove obsolete text. The NYSE Exchanges will provide access to the following additional third-party systems: Long Term Stock Exchange, Members Exchange, MIAX Emerald, MIAX PEARL Equities, Morgan Stanley, and TD Ameritrade. In addition, the NYSE Exchanges will provide connectivity to data feeds from Members Exchange, MIAX Emerald, MIAX PEARL Equities, and ICE Data Services - ICE TMC. Further, the NYSE Exchanges will delete the "NASDAQ OMDF" data feed from the list, as it is no longer offered by the content service provider. The NYSE Exchanges will revise their price lists to provide that users may obtain connectivity to the proposed third-party systems and data feeds for a fee. The NYSE Exchanges will also remove obsolete references to the ICE Data Global Index (the "GIF") from the list of third-party data feeds available for connectivity and related text, and the waiver of Hot Hands fees considering the reopening of the Mahwah, New Jersey data center.

NYSE Notice Release: https://www.sec.gov/rules/sro/nyse/2021/34-91386.pdf
NYSE American Notice Release: https://www.sec.gov/rules/sro/nyseamer/2021/34-91387.pdf
Comments Due: April 19, 2021

NYSE AND NYSE AMERICAN ADOPT BILLING DISPUTE PRACTICE FOR TRANSACTIONS AND MARKET DATA FEES

On March 19, 2021, the SEC published for comment NYSE proposals, effective on filing, to amend the NYSE Proprietary Market Data Fee Schedules to adopt a billing dispute practice similar to the practice adopted by another group of exchanges for their transaction and market data fees. As proposed, all disputes concerning market data fees and credits billed by the NYSE and NYSE American will have to be submitted to the NYSE Exchanges in writing and accompanied by supporting documentation. Further, all disputes will have to be submitted no later than 90 days after receipt of a billing invoice. After 90 days, all market data fees assessed by the NYSE Exchanges will be considered final. The NYSE Exchanges will resolve an error by crediting or debiting market data subscribers based on the fees or credits that should have applied and will make billing adjustments regardless of whether the error was discovered by the NYSE Exchanges or by a subscriber that submitted a dispute to the Exchanges. For subscribers to be fully aware of this rule regarding fee disputes, the NYSE Exchanges will include the language proposed for the Market Data Fee Schedule on each customer invoice.

NYSE Notice Release: https://www.sec.gov/rules/sro/nyse/2021/34-91365.pdf
NYSE American Notice Release: https://www.sec.gov/rules/sro/nyseamer/2021/34-91367.pdf
Comments Due: April 15, 2021

NYSE AMENDS RULES GOVERNING THE ALLOCATION OF SECURITIES TO DESIGNATED MARKET MAKERS

On March 26, 2021, the SEC published for comment a NYSE proposal, effective on filing, to amend Rule 103B, which governs the allocation of securities to Designated Market Makers ("DMMs"), to streamline the allocation process and facilitate the selection of DMM units by issuers of acquisition companies listed under NYSE Listed Company Manual Section 102.06 ("Acquisition Companies"). The NYSE proposal amends Rule 103B(VI)(A), governing spin-offs and listing of related companies and related securities, to permit a similar abbreviated DMM allocation process for Acquisition Companies. Specifically, the NYSE proposed a new subdivision (3) to Rule 103B(VI)(A) that provides that a listing Acquisition Company that is either under common control with another currently listed Acquisition Company or is controlled by person(s) who controlled a previously listed Acquisition Company at the time of such other Acquisition Company's listing, can choose, as applicable, to be allocated to the DMM unit currently registered in such other Acquisition Company or registered in such other Acquisition Company while it was listed on the NYSE. Alternatively, the proposal provides that the listing Acquisition Company can be allocated through the allocation process pursuant to NYSE Rule 103B, Section III. Finally, the NYSE also made technical, non-substantive changes including re-numbering current subsections (3) through (8) of Rule 103B(VI)(A).

Notice Release: https://www.sec.gov/rules/sro/nyse/2021/34-91416.pdf
Comments Due: 21 days after publication in the federal register

NYSE PROPOSES NEW RULES FOR THE REGISTRATION AND OBLIGATIONS OF NON-DMM MARKET MAKERS

On March 19, 2021, the SEC published for comment a NYSE proposal for adopting rules governing electronic, off-floor market makers that would not be either DMMs or Supplemental Liquidity Providers ("SLPs"), but rather Non-DMM Market Makers. Non-DMM Market Makers would be a new category of market participants on the NYSE and would have responsibilities different from those of DMMs and SLPs. NYSE proposes Rules 1.1(p), 1.1(t), 7.20, 7.21, 7.22, and 7.23 as generally described hereafter. Rule 1.1 sets forth definitions of terms that are used throughout the NYSE Rules. Proposed Rule 7.20 would set forth the requirements for member organizations to apply for registration as Non-DMM Market Makers. Proposed Rule 7.21 would provide that Market Maker Authorized Traders are permitted to enter orders only for the account of the Non-DMM Market Maker for which they are registered. Proposed Rule 7.22 would set forth the process for Non-DMM Market Makers to become registered in a security and the factors the NYSE may consider in approving such registration. Proposed Rule 7.23 would set forth the obligation of Non-DMM Market Makers to engage in a course of dealings for their own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets on the NYSE.

Notice Release: https://www.sec.gov/rules/sro/nyse/2021/34-91377.pdf
Comments Due: April 15,2021

NYSE PROPOSES ELIMINATION OF MAXIMUM REIMBURSEMENT RATE AND PROHIBITING CHARGING ISSUERS FOR FORWARDING PROXY MATERIALS

On March 17, 2021, the SEC issued an order instituting proceedings on whether to approve or disapprove a NYSE proposal to amend its rules to prohibit member organizations from seeking reimbursement from

issuers for forwarding proxy and other materials to beneficial owners who received shares from their broker at no cost or at a price substantially less than the market price in connection with a promotion by the broker. NYSE Rules 451 and 465 require NYSE member organizations that hold securities for beneficial owners in street name to solicit proxies from, and deliver proxy and issuer communication materials to, beneficial owners on behalf of issuers. For this service, issuers reimburse NYSE member organizations for out-of-pocket, reasonable clerical, postage and other expenses incurred for a particular distribution. The NYSE has proposed to adopt Rule 451A, pursuant to which, notwithstanding the applicable provisions of Rules 451 or 465 or what may be permitted by the rules of any other national securities exchange or national securities association of which a member organization is also a member, no fee shall be imposed for a nominee account that contains only shares or units of the securities involved that were transferred to the account holder by the member organization at no cost or at a price substantially less than the market price. Additionally, on March 18, 2021, the SEC issued an order instituting proceedings on whether to approve or disapprove a NYSE proposal to delete the maximum fee rates for forwarding proxy and other materials to beneficial owners set forth in NYSE Rules 451 and 465 as well as Section 402.10 of the NYSE Listed Company Manual. Currently, the Supplementary Material to NYSE Rule 451, which is cross-referenced by the Supplementary Material to Rule 465 and Section 402.10 of the Manual, establish the maximum rates at which a NYSE member organization may be reimbursed for expenses incurred in connection with distributing proxy and other issuer communication materials to beneficial holders. FINRA Rule 2251 also sets forth a schedule of maximum rates that is substantively identical to the rate schedule specified in NYSE Rule 451. The NYSE proposes to amend Supplementary Materials .90–.96 to NYSE Rule 451 by deleting the provisions setting maximum reimbursement rates and replacing them with rule text stating that member organizations must comply with any schedule of approved charges set forth in the rules of any other national securities exchange or association of which such member organization is a member. The NYSE also proposes to delete the cross-references to NYSE Rule 451.90–96 in Supplementary Material .20 to NYSE Rule 465 and replace it with rule text that is identical to the proposed new language in Supplementary Material .90 to NYSE Rule 451. According to the NYSE, because all NYSE member organizations that are subject to the fee schedule set forth in NYSE Rule 451 (and cross referenced by NYSE Rule 465) are also FINRA member firms, the proposal would effectively require member organizations to comply with the fee schedule set forth in FINRA Rule 2251. The Commission is instituting proceedings to allow for additional analysis and input concerning the proposed rule change's consistency with the Securities Exchange Act of 1934 ("Exchange Act") and, in particular, with Section 6(b)(5) of the Exchange Act.

Prohibited Reimbursement Order: https://www.sec.gov/rules/sro/nyse/2021/34-91343.pdf
Comments Due: April 13, 2021
Maximum Reimbursement Order: https://www.sec.gov/rules/sro/nyse/2021/34-91359.pdf
Comments Due: April 14, 2021

NYSE AMENDS ITS PRICE LIST RELATED TO CALCULATING CADV

On March 11, 2021, the SEC published for comment a NYSE proposal, effective on filing, to amend its price list to cap the maximum average number of shares per day for the billing month in calculating Consolidated Average Daily Volume ("CADV") and NYSE CADV for purposes of Step-Up Adding Tier 3. The proposed changes respond to the current volatile market environment that has resulted in unprecedented average daily volumes and the temporary closure of the Trading Floor, which are both related to the ongoing spread of the novel coronavirus, by providing a degree of certainty to member

organizations adding liquidity to the NYSE. For purposes of calculating Tapes A, B and C CADV as currently used in Step Up Adding Tier 3, the NYSE proposes to establish a monthly maximum average cap of 11.5 billion shares per day for Tapes A, B and C CADV in the billing month for MPIDs or mnemonics of qualifying member organizations that are SLPs. To effectuate this change, the NYSE will add text to the tier specifying that, in a month where Tapes A, B and C CADV equals or exceeds 11.5 billion shares per day for the billing month, Tapes A, B and C CADV for that month will be subject to a cap of 11.5 billion shares per day for the billing month. Similarly, for purposes of calculating NYSE CADV as currently used in Step Up Adding Tier 3, the NYSE proposes to establish a monthly maximum average cap of 5.5 billion shares per day for NYSE CADV in the billing month for MPIDs or mnemonics of qualifying member organizations that are SLPs. To effectuate this change, the NYSE will add text to the tier specifying that for MPIDs or mnemonics of qualifying member organizations that are SLPs, in a month where NYSE CADV equals or exceeds 5.5 billion shares per day for the billing month, NYSE CADV for that month will be subject to a cap of 5.5 billion shares per day for the billing month.

Notice Release: https://www.sec.gov/rules/sro/nyse/2021/34-91297.pdf
Comments Due: April 07, 2021

NYSE EXTENDS ITS WAIVER FOR CERTAIN FLOOR-BASED FIXED FEES

On March 19, 2021, the SEC published for comment a NYSE American proposal, effective on filing, to amend the NYSE American Options Fee Schedule to extend the waiver of certain Floor-based fixed fees. The NYSE American proposal will implement the fee change effective April 1, 2021. Specifically, as with the prior fee waivers, the proposed fee waiver covers the following fixed fees for Qualifying Firms, which relate directly to Floor operations, are charged only to Floor participants and do not apply to participants that conduct business off-Floor: Floor Access Fee, Floor Broker Handheld, Transport Charges, Floor Market Maker Podia, Booth Premises, and Wire Services. As the Trading Floor will continue to operate with reduced capacity, the NYSE American proposal extends the fee waiver for Qualifying Firms through the earlier of the first full month of a full reopening of the Trading Floor facilities to Floor personnel or June 2021.

Notice Release: https://www.sec.gov/rules/sro/nyseamer/2021/34-91366.pdf
Comments Due: April 15, 2021

MSRB TEMPORARILY REDUCES MARKET ACTIVITY FEES FOR ASSESSABLE ACTIVITY

On March 3, 2021, the SEC published for comment a Municipal Securities Rulemaking Board ("MSRB") proposal, effective on filing, to amend MSRB Rule A-13, on underwriting and transaction assessments for brokers, dealers, and municipal securities dealers (collectively, "dealers"), to temporarily reduce the rate of assessment for certain underwriting, transaction, and technology fees (collectively, "market activity fees") on dealers with respect to assessable activity that occurs from April 1, 2021 through September 30, 2022. The implementation date for the proposed rule change's temporary fee reduction is April 1, 2021.

Notice Release: https://www.sec.gov/rules/sro/msrb/2021/34-91247.pdf

DTC ELIMINATES ACTIVITY STATEMENT REQUIREMENT FROM PTS/PBS GUIDES

On March 16, 2021, the SEC published for comment a Depository Trust Company ("DTC") proposal, effective on filing, to eliminate the requirement that a Participant must confirm its activity statements monthly through DTC's Participant Inquiry Notification System ("PINS"). Pursuant to the proposed rule change, this requirement will be removed from the DTC PTS/PBS Functions Guides ("PTS/PBS Guides"). In addition, the rule change will revise and add text to clarify Participants' ongoing obligations to reconcile their respective transaction activity as set forth in the ClaimConnect™ Service Guide, Custody Service Guide, Deposits Service Guide, Distributions Service Guide, Redemptions Service Guide, Reorganizations Service Guide, Settlement Service Guide and Underwriting Service Guide.

Notice Release: https://www.sec.gov/rules/sro/dtc/2021/34-91336.pdf
Comments Due: April 12, 2021

Notable Enforcement Actions

This month's enforcement actions concentrated largely on the adequate recording and registering of broker-dealer personnel and maintaining compliance with reasonably designed systems and procedures.

A firm was fined $1,250,000 and required to review its systems and procedures regarding the identification, fingerprinting and screening of non-registered associated persons to ensure that current systems and procedures are reasonably designed to achieve compliance with governing securities laws and regulations. The findings stated that the firm either failed to timely fingerprint or lacked records to demonstrate it had fingerprinted a significant number of its non-registered associated persons. A portion of those individuals were not fingerprinted prior to employment. This group primarily consisted of individuals who transferred to the firm's United States offices from a foreign affiliated entity or who transferred from another firm. The firm was unable to determine whether the remaining individuals were fingerprinted prior to employment because it did not retain records reflecting that they were fingerprinted. As part of the firm's remedial efforts, it was able to fingerprint certain non-registered associated persons. However, the firm was unable to fingerprint most of the individuals because they were no longer associated with the firm and it could not determine whether those individuals were subject to statutory disqualification. The findings also stated that the firm subsequently permitted two nonregistered associated persons who were subject to statutory disqualification to become and remain associated with the firm. Prior to one of the person's association, the firm received information that FINRA barred her for conversion. Despite possessing information about this disqualifying factor, the firm permitted this person to associate with it. The firm belatedly submitted the person's fingerprints to FINRA for processing, learned that she was subject to statutory disqualification and terminated her employment. For the other person, the firm belatedly submitted his fingerprints to FINRA and was notified that he was the subject of a felony conviction. After investigating the person's background further, the firm terminated his employment. The findings also included that the firm did not create or maintain required fingerprint records for several of its non-registered associated persons. FINRA found that the firm failed to establish and maintain a reasonable supervisory system and written procedures. The firm's procedures were not reasonably designed because it did not have a process to identify non-registered persons who transferred from foreign affiliated entities or other acquired firms so that these individuals could be fingerprinted and screened for statutory disqualification. The firm also failed to assign to anyone the responsibility for ensuring that those individuals' fingerprints were timely obtained. **(FINRA Case #2018059113701)**
2018059113701 Goldman Sachs & Co. LLC CRD 361 AWC sl (2021-1614212395579).pdf (finra.org)

A firm was fined $175,000 and required to certify that its processes, controls, policies, systems and procedures are reasonably designed to achieve compliance with Rule 611 of Regulation National Market System ("Regulation NMS") of the Exchange Act. The findings stated that the firm failed to establish, maintain, and enforce written policies and procedures reasonably designed to prevent trade-throughs of protected quotations in NMS stocks that resulted from outdated quotation data. The findings also stated that while the firm's written supervisory procedures ("WSPs") identified the need to avoid using outdated quotation data, it failed to provide for periodic reviews that may have detected the data problems and did not contain any process for retaining firm-specific quotation data sufficient to demonstrate the reasonableness of its Rule 611 compliance program. In addition, the firm failed to detect

that one of its trading desks had improperly configured a third-party market data feed, which caused it to rely on an inaccurate National Best Bid or Offer when trading certain securities. The firm also failed to establish, maintain, and enforce written policies and procedures reasonably designed to assure compliance with the terms of the outbound intermarket sweep order exception ("ISO") and failed to take reasonable steps to ensure that its ISOs satisfied Regulation NMS. In addition, the firm failed to update its WSPs and supervisory processes when it began using a third-party system to facilitate compliance with the outbound ISO exception. Notably, the firm had no process to monitor whether its internal trading system was properly interpreting instructions from the third-party system that would have prevented trade-throughs. The firm also failed to establish, maintain, and enforce policies and procedures reasonably designed to assure compliance with the benchmark exception for American Depository Receipts ("ADR"). Specifically, the firm did not have any process to reasonably document the estimated conversion fee included in the ADR equivalent price. **(FINRA Case #2014043783101)**
2014043783101 Citigroup Global Markets Inc. CRD 7059 AWC jlg (2021-1614817203599).pdf (finra.org)

A firm was fined $40,000 and required to revise its risk management controls and supervisory procedures with respect to its areas of deficiencies. The firm failed to register certain principals and did not amend its Uniform Application for Broker-Dealer Registration ("Form BD") to accurately identify certain principals. The findings stated that the firm failed to register its chief compliance officer ("CCO") as a general securities principal and its month-end financial statements were supervised, approved, and filed by an individual who was required to be registered as a limited principal. However, the individual was not registered with the firm in any capacity. In addition, two other individuals, who were employed by one of the firm's affiliates, had final responsibility for the preparation, approval and accuracy of the firm's financial reports that were submitted to FINRA, but neither were registered as limited principals. Further, the firm failed to amend its Form BD to accurately identify its CCO, chief financial officer, and Financial and Operations Principal. The findings also stated that the firm failed to establish, document, and maintain risk management controls and supervisory procedures that were reasonably designed to manage the financial, regulatory, and other risks of its business activity. The firm failed to establish financial risk management controls and supervisory procedures to systematically limit its financial exposure that could arise because of market access. The firm also failed to establish risk management controls and supervisory procedures to ensure compliance with the regulatory requirements outlined in Exchange Act Rule 15c3-5(c)(2) and did not establish, document, and maintain a system to regularly review the effectiveness of risk management controls and supervisory procedures. Furthermore, the firm failed to conduct an annual review of its business activity in connection with market access to assure its overall effectiveness and failed to complete the chief executive officer annual certification. **(FINRA Case #2017052473701)**
2017052473701 Louis Capital Markets, LP (nka Louis Capital Markets, LLC) CRD 48013 AWC jlg.pdf (finra.org)

A firm and its president appealed a National Adjudicatory Counsel decision to the SEC. The firm was fined $38,000 and its president was barred from association with any FINRA member in all capacities for her books and records and inaccurate Financial and Operational Combined Uniform Single ("FOCUS") reports violations and separately barred from association with any FINRA member in all capacities for providing inaccurate and misleading information, documents, and testimony to FINRA. The NAC affirmed the findings and modified the sanctions imposed by the Office of Hearing Officers. The sanctions were based on findings that the firm willfully violated Section 17(a) of the Exchange Act and Rules 17a-3 and 17a-5 thereunder by creating and maintaining inaccurate books and records and filing inaccurate FOCUS

reports. The findings stated that the firm failed to record the cancellation of a pledged certificate of deposit (CD) in its books and records. The firm continued to carry the CD as an asset on its general ledger, balance sheets and trial balances and continued to show the CD as an allowable asset in monthly and amended FOCUS reports. The firm's FOCUS reports should have reflected that it was net capital deficient, but by including the liquidated CD as an allowable asset in its net capital computations, the reports showed excess net capital. The findings also stated that the president caused the firm to create and maintain inaccurate books and records and to file inaccurate FOCUS reports. The president bought the CD from a bank to list as an asset in the firm's net capital computation. To pay for the CD, the president took a personal loan from the bank. The bank's president told the broker-dealer president that she would have to have an ownership interest in the CD before she could pledge it as collateral for the loan. Therefore, the CD was titled in both the broker-dealer president's name and the firm's name and the president signed a promissory note for the loan. The CD was to renew automatically on its maturity date. To affect the renewal, the president also had to renew the loan to pay for the CD and sign another promissory note. The president did not pay off or renew the loan by the expiration date and the bank used the CD to pay off the outstanding loan balance. The findings also included that the president provided false and misleading information, documents, and testimony to FINRA and refused to respond to its questions during her on-the-record testimony. The president made misleading statements during a FINRA examination of the firm regarding efforts to obtain information and documents from the bank concerning the CD and misrepresented to FINRA that her mother had died. The president also omitted airline tickets from signed statements in which she described an investigation by the city of Houston and falsely testified that the CD was never pledged as a security for a loan. The president also refused to respond to questions concerning whether her mother had died and whether she had previously represented to FINRA that she had died. The sanction, except for the bars, is not in effect pending review.
(FINRA Case #2015044782401)
2015044782401 Robbi J. Jones CRD 1797418 Kipling Jones & Company., Ltd. CRD 144730 NAC Decision unredacted va.pdf (finra.org)