

Financial Services Alert Quarterly

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If you would like anyone else to receive issues of the Financial Services Alert, would like to receive any past issues, or would like the background materials for any of the stories listed in this issue, please contact **Greg Lyons, Eric Fischer, Elizabeth Shea Fries** or **Jackson Galloway** at 617.570.1000 or at the e-mail addresses referenced at the end of this newsletter.

Issues During the Most Recent Quarter

August 21, 2007

- FinCEN Issues Patriot Act Rule Mandating Enhanced Due Diligence for Certain Correspondent Bank Accounts
- GAO Issues Report on Issues Relating to Firms that Advise Institutional Investors on Proxy Voting
- FRB Determines Non-Control in Private Equity Arrangements
- Federal Banking Agencies Propose Illustrations for Subprime ARMs
- ICI Publishes White Paper on Role of Chief Risk Officers
- SEC Finalizes Amended Rules on Short Sale Delivery Requirements under Regulation SHO
- NASD Amends Rule 3013 and Interpretive Material 3013 to Permit Members to Designate Co-Chief Executive Officers and Multiple Chief Compliance Officers

August 28, 2007

- Federal District Court Dismisses Shareholder Suit Alleging Fund Board Breached Fiduciary Duty in Approving New Advisory Contract and Issued Misleading Proxy Materials to Shareholders Regarding Contract Approval
- FRB Grants Regulation W Exemption for Bank Transactions with Affiliated Broker-Dealers
- SEC Solicits Comment on Discussion Paper by Chairman of Advisory Committee on Improvements to Financial Reporting
- FFIEC Releases Updated BSA / AML Examination Manual
- SEC Staff Grants No-Action Relief Broadening Spousal Joint Investment Possibilities in 3(c)(7) Funds
- CFA Institute Issues Guidance Statement on GIPS Recordkeeping Requirements and Publishes Q&A on GIPS Standards

September 4, 2007

- FRB Authorizes BHC Ownership of SHLC Preferred Stock Convertible into Greater than 5% Voting Stock
- SEC Settles with Hedge Fund Adviser over Failure to Make Form 13F Filings Regarding Client Securities Holdings
- FRB Relaxes Risk Capital Requirements for Securities Collateralized Loans
- FINRA Clarifies Privacy Issues with Respect to its Guidance Regarding Supervision of Newly Associated Registered Representatives
- SEC Staff Issues Reminder Regarding Regulation S-P Privacy Obligations with Respect to Rule 22c-2 Information

September 11, 2007

- SEC Settles Administrative Proceeding with Pension Consultant over Failure to Properly Disclose Potential Conflicts of Interest
- Federal District Court Dismisses Suit Brought by Investor against Hedge Fund Consultant over Bayou Fund Investment Recommendation

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- IRS Finalizes Regulations to Simplify Reporting when Foreign Tax Benefits Pass to RIC Shareholders
- FRB Rules Disease Management and Mail Order Pharmacy Services are “Complementary” to Insurance Underwriting
- OCC Confirms National Banks May Provide Normal Banking Services to the Private Manager of a State Lottery

September 18, 2007

- District Court Upholds Continuing Preemption upon Transfer of National Bank Assets; Rejects Contingent Attorneys Fees under FDCPA
- California Appellate Court Rules that Attorney General’s Suit Against Broker-Dealer over Revenue Sharing on Mutual Fund Sales not Pre-Empted by NSMIA
- SEC Approves FINRA Rule Change Governing Sale of Deferred Variable Annuities

September 25, 2007

- FRB and SEC Issue Final Version of Regulation R
- SEC Settles Enforcement Proceeding with Pension Consultant over Failure to Disclose Conflict of Interest in Advisers Act Registration Statement Filings
- Foreign Bank US Branch Obtains Regulation W Exemption
- SEC Votes to Propose Amendments Regarding Interpretive Rules under the Advisers Act Affecting Broker-Dealers and to Adopt Temporary Advisers Act Rule regarding Principal Trades by Dually Registered Advisers with Advisory Clients

Comment period on the temporary rule expires November 30, 2007.

- Federal Banking Agencies Issue Final Rules Expanding Examination Cycle for Certain Small Banks and Thrifts
- Banking Agencies Propose Guidance on Garnishment of Exempt Federal Benefit Funds
Comment period expires November 27, 2007.
- IRS Seeks to Expand Look-Through Rules for Segregated Asset Accounts

October 2, 2007

- FRB and SEC Finalize Regulation R
- SEC Staff Grants No-Action Relief from Advisers Act Custody Requirements for Inadvertent Receipt of Client Assets from Third Party

October 9, 2007

- GAO Issues Report on Enhancements to SEC Examination Program
- SEC Settles Administrative Proceedings with Pension Consultant and its Chief Compliance Officer over Code of Ethics and Compliance Program Shortcomings
- SEC Permits Banks to Engage in Certain Regulation S and Conduit Lending Transactions Without Being Deemed a “Dealer”
- District Court Rejects Application of Preemption of State Mortgage Laws to Independent Agents of Federal Thrifts

October 16, 2007

- OCC Rules Fixed Rate Cumulative Convertible Preferred Securities Are Investment Securities Permissible for Bank Ownership
- Federal District Court Dismisses Mutual Fund Shareholder Suit Regarding Affiliated Transfer Agent Arrangements with Leave to Amend Section 36(b) Claim
- SEC and Banking Agencies Speak at Senate Committee Hearing Regarding ILCs

- OCC Issues Interpretive Letter Concluding that Directors Qualifying Shares Requirement may be Satisfied Through Holdings of BHC Deferred Share Units
- Department of Treasury Seeks Public Comment on Various Aspects of Financial Regulatory Structure
- FinCEN Issues Guidance on Addressing Common Errors in Filing SARs

October 23, 2007

- Indian Authorities Propose to Modify Market Access Rules
- Basel Committee Publishes Consultative Document on Incremental Default Risk in the Trading Book
- FDIC Proposes Amendments to its Annual Audit and Reporting Rules under Part 363
Comment period expires January 31, 2008.
- Director of SEC Division of Investment Management Discusses Operation Risk and Division Initiatives

October 30, 2007

- FRB Approves Indian Bank's Establishment of U.S. Branch Without a Comprehensive and Consolidated Supervision Finding
- DOL Finalizes Regulation Relating to Default Investment Alternatives
- Federal Appeals Court Holds That Connecticut Gift Card Expiration Prohibition Preempted, but Restrictions on Fees Are Not Preempted
- Amendment to New York State Banking Law Provides for New Wild Card Authority
- Director of SEC's Division of Investment Management Discusses Regulatory Issues for Separately Managed Accounts

November 6, 2007

- Banking Agencies Publish Final Rulemaking for US Basel II
- SEC Staff Provides No Action Relief in Connection with Standby Letter of Credit Purchased by Money Market Fund Adviser with Respect to Fund's Structured Investment Vehicle Holding
- FDIC's Proposed Amendments to Rules Concerning a Financial Institution's Audit Committee
Comment period expires January 31, 2008.
- SEC Proposes Mandatory Electronic Submission for Applications for Exemptive Relief under Investment Company Act and Filings under Regulation E
Comment period expires December 14, 2007.
- SEC/FINRA Announce Broker-Dealer CCO Outreach Program

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