Week II: Advanced Topics

Certified Regulatory and Compliance Professional™ (CRCP™) Program

FINRA®

Wharton
UNIVERSITY of PENNSYLVANIA
Aresty Institute of Executive Education

2013 Program Session Descriptions

For this intensive five-day program, CRCP Program participants reconvene at the Wharton School executive education facility in Philadelphia to delve further into the nuances of securities law and regulatory compliance practices.

Following are detailed descriptions, learning objectives and instructor information for each Week II session.

Advanced Suitability

This session covers suitability for modern times. Professor Mendelson refreshes information for participants with regard to the suitability rule, and uses a case study exercise to illustrate the nuances of the rule and compliance issues.

Learning Objectives

After completing this session, you will be able to:

- discuss expectations regarding a customer's capability to evaluate investment decisions;
- compare and contrast the relationship between suitability and fiduciary duty;
- analyze examples of misapplied suitability; and
- outline rule applications and strategies concerning customer-specific suitability, product sales, customer protection, margin accounts, mutual fund switching, etc.

Instructor

Robert Mendelson, Partner, Morgan, Lewis & Bockius LLP

Anti-Money Laundering Regulation

This session provides an overview of the anti-money laundering (AML) compliance requirements of the Bank Secrecy Act, USA PATRIOT Act and related international laws governing money laundering. The session covers noteworthy AML cases related to correspondent and private banking due diligence failures and failure to report suspicious activities.

Learning Objectives

After completing this session, you will be able to:

- understand the intersection of U.S. and international laws governing money laundering;
- apply strategies to identify and assess money laundering risk areas;
- evaluate customer due diligence standards; and
- understand the suspicious activity reporting framework, including identifying suspicious activities and reporting requirements.

Instructors

Sarah Green, Senior Director, AML Compliance, FINRA Enforcement

Tim O'Neal Lorah, Managing Director, Head of Financial Crime Compliance, Barclays

Note: Program sessions and instructors are subject to change.

Books and Records Rules and Reporting Requirements

This session covers the requirements of broker-dealers to make and keep current books and records relating to the firm's business, and contrasts broker-dealer requirements from that of registered investment advisers. Professor Fanto also addresses reporting requirements related to disciplinary actions and customer complaints under FINRA Rule 4530 (Reporting Requirements) and Form U4 disclosures.

Learning Objectives

After completing this session, you will be able to:

- describe the types of records that must be made and maintained under SEC and FINRA rules;
- compare the different books and records obligations of a broker-dealer to those of an investment adviser; and
- understand requirements for reporting information associated with disciplinary actions and customer complaints.

Instructor

James Fanto, Professor of Law, Brooklyn Law School

Broker-Dealer Litigation, Arbitration & Enforcement Proceedings

This session provides an overview of the key types of proceedings in which brokers may face allegations of misconduct, including enforcement actions by the SEC and FINRA, private litigations and FINRA arbitration proceedings.

Learning Objectives

After completing this session, you will be able to:

- identify the type of proceedings applicable to a specific situation and ways to limit potential liability exposure;
- highlight critical differences among litigation, arbitration and enforcement proceedings;
- understand recent investigations and actions; and
- describe arbitration procedures.

Instructors

Richard Berry, Senior Vice President, FINRA Dispute Resolution

Jill E. Fisch, Perry Golkin Professor of Law and Co-Director, Institute for Law and Economics, University of Pennsylvania Law School

Business Ethics

These sessions highlight the theoretical foundation of business ethics and social responsibilities. The sessions also cover some noteworthy cases of high-profile misdeeds and ethical lapses.

Learning Objectives

After completing these sessions, you will be able to:

- apply the ethical decision-making model to compliance;
- examine the integrative social contract theory and its application to businesses;
- evaluate high-profile instances of ethical lapses in business; and
- understand the correlation between moral behavior and profits.

Instructor

William Laufer, Professor of Legal Studies and Business Ethics, Sociology, and Criminology, Wharton School of the University of Pennsylvania

Communications With the Public: FINRA Rules 2210 and 2211

This session covers FINRA and SEC standards that govern correspondence, and retail and institutional communications, and provides guidance with regulatory interpretations. Communications content standards, approval, review and recordkeeping requirements are also discussed.

Learning Objectives

After completing this session, you will be able to:

- contrast requirements governing correspondence, retail and institutional communications;
- discuss recordkeeping, suitability and content requirements for communications;
- describe supervisory obligations; and
- identify key considerations for marketing new products.

Instructor:

James Fanto, Professor of Law, Brooklyn Law School

Dodd-Frank Act

This session provides an overview of one of the most comprehensive pieces of legislation reforming the financial industry, focusing on the Dodd-Frank Act's impact to broker-dealers and investment banks. The session also outlines the main provisions of the Act, including oversight of systemically important non-banks, regulatory structure for swaps and derivatives, and the Volcker Rule.

Learning Objectives

After completing this session, you will be able to:

- discuss ways regulatory reform is intended to curtail systemic risk;
- understand rulemaking in the area of over-the-counter (OTC) derivatives and swaps; and
- analyze the complexities of the Volcker Rule.

Instructor

David Skeel, S. Samuel Arsht Professor of Corporate Law, University of Pennsylvania Law School

Financial Products II

This session builds upon the Financial Products: Derivatives session from Week I. Professor Ramaswarmy covers in depth how derivative contracts, such as credit default swaps and structured products, are used to create synthetic products and special purpose vehicles. The session uses scenarios to illustrate hedging, arbitrage and margin strategies.

Learning Objectives

After completing this session, you will be able to:

- examine credit default swaps and their prominence and use by market participants;
- understand how derivatives are used to create exotic products; and
- explain how contracts are designed to hedge risk and analyze counterparty risk exposure.

Instructor

Krishna Ramaswarmy, Professor of Finance, Wharton School of the University of Pennsylvania

Foreign Markets & Securities Regulation – Selected Topics

This session surveys aspects of foreign securities and banking practices, including interaction of global securities markets, collaborative regulation and operation of stock markets in transition economies. The session also covers Regulation S transactions, U.S. broker-dealers operating in foreign jurisdictions and jurisdictional reach.

Learning Objectives

After completing this session, you will be able to:

- understand how the U.S. and foreign capital markets are evolving globally;
- evaluate international aspects of U.S. broker-dealers operating in foreign jurisdictions;
- examine foreign regulatory regimes, such as the E.U., Japan and China, and their impact on foreign capital market regulation; and
- analyze extraterritorial jurisdiction post the Morrison case and Dodd-Frank Act.

Instructor

To be determined

Hedge Funds

This session focuses on an introduction to hedge funds and their differences from private equity funds. It also provides an overview of investment strategies, such as fund of funds business, and broker-dealer affiliate compliance and regulatory considerations.

Learning Objectives

After completing this session, you will be able to:

- understand the difference between hedge funds and private equity funds;
- understand the basic performance and risk measurement of hedge funds;
- appreciate the heterogeneity of styles, strategies and risks of hedge funds;
- recognize selected compliance and regulatory considerations related to hedge funds;
- analyze compliance considerations for broker-dealers that are affiliates of hedge funds; and
- discuss SEC registration and what it means for hedge fund advisors.

Instructor

Richard Marston, James R.F. Guy Professor of Finance, Wharton School of the University of Pennsylvania

Hot Topics

This session is a moderated discussion with FINRA senior staff and leading industry professionals on rulemaking initiatives and policy debates at the forefront of regulation. Panelists share their views on where regulation is headed, touching on the current state of key JOBS Act provisions.

Learning Objectives

After completing this session, you will be able to:

- understand the current hot topics being debated;
- evaluate trends in regulation and the impact rulemaking has across insurance, banking and securities; and
- analyze JOBS Act provisions in the context of the broker-dealer business.

Speakers

Barry Barbash, Partner, Willkie, Farr & Gallagher LLP

Tom Selman, Executive Vice President, FINRA Regulatory Policy

Insider Trading

This session builds upon concepts introduced during Week I related to SEA Rule 10b-5. Professor Fisch covers the theories of insider trading liability and evidentiary thresholds via the exploration of high-profile cases. The session also addresses the disclosure requirements of Regulation FD (fair disclosure).

Learning Objectives

After completing this session, you will be able to:

- explain the theories of insider trading liability;
- understand how the theories work in the context of actual cases;
- identify situations that present particular risk for broker-dealers; and
- understand the requirements of Regulation FD and its relationship to insider trading.

Instructor

Jill Fisch, Perry Golkin Professor of Law and Co-Director, Institute for Law and Economics, University of Pennsylvania Law School

Market Regulation I: National Market System

This session surveys the microstructure of the equity securities markets, the persons who participate in them and the effect regulations have had on the national market system.

Learning Objectives

After completing this session, you will be able to:

- understand the regulatory structure of the national market system;
- examine the role regulation plays on the operation of the equities markets; and
- analyze changes in trading technology and practices.

Instructor

Lawrence Glosten, S. Sloan Colt Professor of Banking and International Finance, Columbia Business School

Market Regulation II: Events and Regulatory Response

This session analyzes the laws, public policy issues and regulatory response to contemporary market trends caused, in part, by the shift from manual trading to primarily automated trading. Through the examination of market volatility events, this session addresses whether market structure rules have kept pace with changes in trading practices.

Learning Objectives

After completing this session, you will be able to:

- examine regulatory responses to market events;
- evaluate the affect "algo" trading has had on the U.S. equities markets; and
- discuss the types of procedures market participants are expected to implement, under Reg. SCI, to minimize the impact of technology errors on the markets.

Instructor

Lawrence Glosten, S. Sloan Colt Professor of Banking and International Finance, Columbia Business School

Market Regulation III: Quotes, Trades and Order Execution

This session builds upon Market Regulation Sessions I and II by offering an in-depth examination of the substantive rules governing quotes, trades and execution by brokers of customer orders. The session also focuses on a range of market manipulation activities, failure to supervise actions and the increasing prominence of high-frequency trading and dark pools of liquidity.

Learning Objectives

After completing this session, you will be able to:

- identify the rules governing the broker-dealer principal-agent relationship;
- understand the origins of the duty of best execution and the rule's requirements;
- explain when and why transactions are reported to a FINRA Trade Reporting Facility (TRF); and
- examine cases involving market manipulation schemes and failure-to-supervise violations.

Instructor

Susan Tibbs, Vice President, FINRA Quality of Markets

Privacy and Data Protection Laws

This session covers domestic and international privacy laws, fair information practices and how to operate within the framework. Through real-life scenarios, the session also explores data protection management and proper handling of personal information.

Learning Objectives

After completing this session, you will be able to:

- understand concepts related to privacy and data protection, and their use in the global economy;
- compare the U.S., Canadian and European Union approaches to privacy and data protection; and
- recognize risk areas and avenues for data breaches.

Instructor

Christopher Wolf, Partner, Hogan Lovells

Sales Practice Compliance: Advanced Applications

This session provides an in-depth examination of issues and compliance considerations related to broker-dealer regulation. Professor Fanto uses case study exercises to facilitate a dialogue around firm policies, procedures and best practices.

Learning Objectives

After completing this session, you will be able to:

- evaluate compliance obligations and ways to comply with them; and
- identify the nuances of specific sales practice rules and interpretations.

Instructor

James Fanto, Professor of Law, Brooklyn Law School

Investor protection. Market integrity.

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