

### SEC AND CFTC DELAY DODD-FRANK SWAPS RULES

A day after the Commodity Futures Trading Commission (CFTC) agreed to delay swaps rules until at least December 31, 2011 the Securities and Exchange Commission (SEC) followed suit by announcing an indefinite delay of its own on July 15. In the interim, the SEC further decided to grant “temporary relief from compliance with most of the new Exchange Act requirements set to take effect on July 16 as well as from provisions canceling out contracts made in violation of the Exchange Act.”

Regulators have long struggled to define key industry terms, such as “swap,” “swap dealer,” “major swap participant,” and “eligible contract participant.” Following months of vocal unease from legislators, regulators, and industry players, the extension affords the already strained agencies the opportunity to refine definitions to ensure industry clarity and effectiveness.

### REP. BARNEY FRANK (D-MA) TO THE NEW YORK TIMES: MUTUAL FUNDS NOT ‘SYSTEMATICALLY IMPORTANT’

While speaking on June 12 with reporters from *The New York Times*, Representative Barney Frank, co-author of the landmark Dodd-Frank legislation, opined that neither mutual fund companies nor life insurers are “risky enough” to warrant the Financial Stability Oversight Council’s “systematically important” designation. This news delighted the fund industry which has long opposed the stricter regulations that would follow such designations.

### PUBLIC COMPANY ACCOUNTING BOARD CONSIDERING AUDIT FIRM ROTATION REQUIREMENT

While speaking at the SEC and Financial Reporting Institute’s 30th Annual Conference on June 2, James Doty, the chairman of the Public Company Accounting Oversight Board (PCAOB), expressed concern regarding hundreds of uncovered egregious auditing failures stemming from a perceived lack of independence between audit firms and the companies they audit. In response to these findings, the PCAOB may mandate publicly traded companies change their audit firms after several years. “The examples are galling in their simplicity. Auditors must approach their jobs with independence and skepticism. They cannot allow themselves to be caught up in their audit clients’ business goals.” Accounting firms, contracted by publicly traded companies for their services, ardently oppose mandatory rotations because of the inevitable cost increases and diminished audit quality that would result.

### HIGHLIGHTS

The SEC announced an indefinite delay in its rule making on swaps

Rep. Barney Frank said that mutual funds are not “risky enough” to be designated “systematically important”

In response to its chairman’s concern, the PCAOB may require companies to change their audit companies after several years

The SEC expects to delay Investment Adviser registration implementation until 1Q2012

The SEC will now regulate interactions between IAs and political candidates

The Chamber of Commerce and SIFMA requested re-proposal of derivatives

## **DODD-FRANK INVESTMENT ADVISER REGISTRATION RULES DELAYED**

The ambitious, Congressionally-established Dodd-Frank implementation timetable has placed a heavy burden on the SEC. Citing internal difficulties, the SEC first stated back on April 8 that it would miss the Act-imposed July 21 deadline. This delay failed to surprise many in the industry. The SEC fully expects to present a proposed rule by July 21, and anticipates the ultimate enforcement to occur during the first Quarter of 2012.

## **INVESTMENT ADVISERS NOW FACE STRICT PUNISHMENT FOR OVER-INVOLVEMENT IN POLITICAL PROCESS**

In an effort to further stem political corruption, the SEC announced on June 5 that it will regulate interactions between investment advisers (IAs) and political candidates. Referred to as the “pay-to-play” rules, the SEC’s regulations will prohibit bundling and restrict political contributions above an established dollar amount to candidates in a position to hire advisers. Specifically, IAs may contribute \$350/election cycle for candidates for whom they are eligible to vote, and \$150 for those outside the IA’s voting area. Accordingly, the SEC requires advisers maintain accurate contribution records for disclosure reporting. Any failure to comply could trigger the so-called “death penalty,” or a two-year ban on providing government advisory services.

## **U.S. CHAMBER OF COMMERCE AND SIFMA REQUEST SEC RE-PROPOSE DERIVATIVES RULES**

In a May 31 letter sent to the SEC, a coalition led by the U.S. Chamber of Commerce and the Securities Industry and Financial Markets Association (SIFMA) has requested the SEC re-propose derivatives rules. “Our view is that, given the complexity and interdependency of many of these rules, market participants should have the ability to review and comment on a complete set of rules that has addressed prior comments.” While such action would delay implementation by months, the group feels the ultimate benefit cannot be overstated.

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