

FTC Increases Thresholds for Interlocking Directorates

On January 14, 2013, the Federal Trade Commission (the “FTC”) revised thresholds to Section 8 of the Clayton Antitrust Act (15 U.S.C. §19(a)(5)) (the “Clayton Act”), as amended, whereby an individual would be prohibited from holding directorships of two (2) competing corporations if capital, surplus and undivided profits are over \$28,883,000 and competitive sales surpass \$2,888,300. Previously, Section 8 of the Clayton Act prohibited one (1) individual from serving as a director or officer of two (2) competing corporations if each corporation had capital, surplus and undivided profits in excess of \$27,784,000 and the competitive sales equaled or exceeded \$2,778,400.

The official FTC announcement may be accessed at:
<http://www.ftc.gov/opa/2012/01/hsr.shtm>.

FINRA Seeks to Tighten Arbitrator Rule

On January 13, 2013, the Financial Industry Regulatory Authority Inc. (“FINRA”) filed a notice of proposed rule change with the U.S. Securities and Exchange Commission (the “SEC”) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Exchange Act”) and the Rule 19b-4 thereunder. In the release, FINRA proposes a twofold amendment to the definition of “public arbitrator” under National Association of Securities Dealers (“NASD”) rules 12100(u)(3) and 13100(u)(3) of to exclude persons associated with a mutual fund or hedge funds, and to require individuals to wait for two (2) years after ending certain affiliations.

Currently, the definition of “public arbitrator” excludes the investment advisers from serving as public arbitrators, but does not expressly exclude persons associated with mutual funds or hedge funds. FINRA has amended its definition of “public arbitrator” and believes the amendments boost investor confidence and the perception of fairness in the public roster. FINRA believes the proposed rule change is designed to “prevent fraudulent and manipulative acts and practices, promotes just and equitable principles of trade, and, in general, protects investors and public interest”, as outlined in Section 15A(b)(6) of the Exchange Act, each as amended.

More information regarding the proposed rule change can be found at:
<http://www.investmentnews.com/article/20130114/FREE/130119976>.

Access the SEC press release at: <http://www.sec.gov/rules/sro/finra/2013/34-68632.pdf>.

SEC: Consequences for Investment Advisers and Principals Violating Shareholder Agreements

On December 21, 2012, the U.S. Securities and Exchange Commission (the “SEC”) issued an order instituting administrative and cease-and-desist proceedings against an investment adviser and its principal pursuant to Section 8A of the Securities Act of 1933, Section 21C of the Securities Act of 1934, Sections 203(e) 203(f) and 203(k) of the Investment Advisers Act of 1940 and Sections 9(b) and 9(f) of the Investment Company Act of 1940.

Barry C. Ziskin (“Ziskin”), the principal exercising sole control over the investment adviser, also served as president, treasurer and the interested director of the investment adviser’s mutual fund. Ziskin and the investment adviser have submitted Offers of Settlement (the “Offers”) with regard to this order, which the SEC has accepted.

HIGHLIGHTS

FTC revises interlocking directorates prohibitions

FINRA to amend “public arbitrator” definition

SEC alleges investment adviser breaches fiduciary duties to fund and makes material misrepresentations to shareholders

Swap transactions and swap dealer registration reporting in real-time to public

The mutual fund's SEC filings, including its prospectuses and statements of additional information, restricted its use of options and held itself out as a fund seeking long-term capital appreciation. The filings stated that these restrictions could be changed only by holding a shareholder vote. In contradiction to its investment strategy stated in several regulatory filings, the SEC alleges the investment adviser and Ziskin bought options on behalf of the mutual fund for speculative purposes. Specifically, in October 2009, the mutual fund had \$5.3 million in net assets, but within fifteen (15) months realized \$3.7 million in losses from options. Subsequently, the mutual fund was forced to liquidate.

The SEC holds that the investment adviser and Ziskin not only breached their fiduciary duties to the mutual fund, but also made material misrepresentations to investors by stating in its shareholder reports that options trading was for hedging purposes only.

With respect to claims made by the SEC and the Offers, the SEC ordered that: (1) respondents cease-and-desist from further violation of securities laws; (2) the investment adviser is censured; and (3) Ziskin is barred from association with any securities dealers, advisors, agents and organizations and prohibited from being any part of an advisory board.

The SEC Order may be accessed at: <http://sec.gov/litigation/admin/2012/33-9377.pdf>.

Real-Time Public Reporting of Swap Transactions and Swap Dealer Registration Began December 31, 2012

As of December 31, 2012, the U.S. Commodity Futures Trading Commission (the "CFTC") announced both swap transactions and swap dealer registration will be reported in real-time to the public, as promulgated under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. This marks the first time that the general public can access real-time price and volume for swap transactions. Not only will this real-time data help to bolster the transparency of swap transactions, but these swap participants will also be subject to certain recordkeeping standards, business

codes of conduct, and sales practices in order to lower economic risk.

With this new reform, sixty-five (65) of the largest international and domestic financial entities dealing in swaps applied for and became provisionally registered as swap-dealers as of December 31, 2012. Each registrant reports interest rate and credit index swap transactions to swap data repositories ("SDRs"). Pursuant to the Commodity Exchange Act, all data reported to SDRs is made available electronically to the CFTC and is also accessible to other regulators upon request. Members of the general public may view all real-time swap transaction and pricing data at the SDRs' websites. Additional swap transaction reporting will be phased in over the next several months and will include foreign exchange, equity, and commodity swaps.

"This... implementation of transparency and oversight reforms begins to fulfill key goals of the Dodd-Frank Act," commented CFTC Chairman Gensler. "They are an historic change for the markets that will benefit the public and the economy at large."

The CFTC press release can be accessed at: <http://www.cftc.gov/PressRoom/PressReleases/pr6489-13>.

For more information, please speak to your relationship manager or visit jpmorgan.com/wss.

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