



Regulatory Corner



DOL Rule

Please be sure to review the Hilltop View publication regarding the DOL Rule and what Hilltop is doing to help facilitate this change. There are those that are hopeful that this will get overturned before it takes affect, but in anticipation of it not, please be sure to read the update. This rule is an example of regulators who do not know our business, make rules thinking they do. This is a very complicated rule change and there will be a lot of changes that will come along with it. We will provide as much information along the way as possible.

Here is a recent article about Merrill's decision regarding the DOL Rule: [EXCLUSIVE: Merrill to End Commission-Based Retirement Business on Retail Accounts](#)

FINRA—NASD—NYSE Rule Conversion Charts (something we must provide to you)

To facilitate the transition to the consolidated rulebook, FINRA has created three Rule Conversion Charts to show how new FINRA Rules relate to the NASD and/or Incorporated NYSE Rules that they replace. FINRA updates these charts as the effective dates of rules for the consolidated FINRA rulebook are announced.

Important Note: These conversion charts are intended as a reference aid only—member firms are responsible for carefully consulting the relevant new rule language.

[Download the NASD to FINRA Conversion Chart Spreadsheet](#) (Excel 528 KB)

[Download the NYSE to FINRA Conversion Chart Spreadsheet](#) (Excel 140 KB)

[Download the FINRA to NASD and NYSE Conversion Chart Spreadsheet](#) (Excel 698 KB)

Did you know this about HTS????

Hilltop Securities—Changes and Challenges

A few items that may not have been mentioned in their weekly publication but may be important:

DK—Don't Know Fees

When fixed income trades are not affirmed, meaning the other side doesn't know the same trade, a DK fee of \$25 will be charged if the trade isn't affirmed by settlement. We generally receive an email that a trade will DK (the night before settlement) if the other side doesn't affirm.

Extension Fees

HTS has gotten more aggressive with enforcing all extension filing fees. You will see these on your commission statement. Please remember that if you exceed the limit on extensions for an account, that account will be flagged for cash only transactions. Check your accounts before placing trades. With settlement going to T+2 in the very near future, no longer are the days of "the check is in the mail".

Debits in Clients Accounts

Please be aware that HTS can no longer place trades to cover debits in clients accounts. We will be given ample time to either contact the client to get the funds due and if no response, the rep will be charged the debit. Keep on top of this to be sure enough cash is in the account as yearend is fast approaching when account fees will occur.

The Hilltop View

It is very important that you read this weekly publication to be aware of changes at Hilltop. We receive very little notices outside of this publication. If you aren't receiving it direct, let me know.

REQUIRED READINGS

FINRA Monthly Recaps

(link is to page that all are located on)

[Apr-May-Jun-Jul-Aug-Sep](#)

(PodCasts)

*****Rule 4530 Attestation*****

READ BELOW

Any customer complaints?
Any criminal or civil activity?
Any bankruptcy, liens or judgements?

By responding to the Quarterly Review you acknowledge a negative response to the questions above. IF you have a positive response, contact the Home Office immediately.

Topics of Importance

- Outside/Away Accounts
- Inventory Accounts-Fixed Income
- Annual Compliance Certification
- Computer Anti-Virus/Security
- AML—Hilltops Audit
- AML Reports in Talysis
- FINRA Renewals
- Revised Workbook Blotters

New Forms or Revised Forms

WSP Manual **

HO P&P Manual**

CIB—Cyber Security Added

****new manuals will be published the end of year 2016**



Techie Talk

2nd Time [Protect Your Computer](#)

Last quarter we published the above article. *Not everyone responded so we will try again this quarter.* Upon completion of reading this Quarterly Review, send an email with proof (printscreen or forward email with subscription information) that you have such anti-virus/security installed on your computer. Failure to do so could result in compliance oversight.

If you responded last time, thank you.



Outside "Away" Accounts

All outside accounts must be reported on a monthly and/or quarterly basis. We have used the workbook blotter in the past to record this, but we need to have proof of what we are reporting.

For mutual funds that are held direct, all reps should have access to DST Vision. Please provide one of the reports available that shows all clients and their month end values. Include this when you submit your blotter workbook.

For other accounts that are held direct or direct participation, you should be receiving some communication from the fund company and if not, please contact them to obtain that. You need some report that shows a quarterly value.

Inventory Accounts

Inventory accounts are used for fixed income trading. If you have the need to use an inventory account, please be sure to use the specific account that is established for you. If you have a HTS trader input your trade you need to be sure to tell them your specific inventory account number. This is to avoid any corrections or errors that might occur with trading profit. If you don't have an inventory account, contact the Home Office to have one established.

ACC—Annual Compliance Certification

Just a heads up that in January we will be conducting our annual compliance certification which includes elements of the firm's CE program, compliance meeting, compliance certifications, outside business attestation and U4 review. Notices will be sent in January with all pertinent information. This is for all firm associates regardless if you are a registered rep or not. No one is exempt from participation. The compliance program must be completed no later than the end of the first quarter (3-31-17)

Computer Anti-Virus/Security

Be sure to comply with the anti-virus/security request upon completion of reading this publication.

AML—Hilltop Completes AML Audit

Hilltop's AML department sent out a memo recapping what their AML audit revealed. All firms must annual perform an AML audit of their procedures regarding anti-money laundering. We will be concluding our AML audit in the next month and will have our findings ready for the next review. Please read the following memo from HTS regarding their audit" HTS AML Audit 2016

AML Reports—HTS Talysis System (formerly CSS/Brokerview)

Please review the AML reports available in the HTS system at least quarterly. Some reports require action on your part or your clients, like missing agreements or information. You can also review money movement patterns for possible red flags. Should you find something suspicious, contact the Home Office.

FINRA Renewals

It is that time of year for renewals. Funny how it seems just a year ago we were talking about this! Please review your state registrations to be sure you have what you need and cancel what you don't. While we don't anticipate any increases, we won't know until they publish the renewal statements. We will be deducting renewal fees using November production—coming out of your check that you will receive on Dec 6th. If you think your production will not cover your renewal fees, please make arrangements to have the money available for deposit to the firm.

Revised Workbook Blotters

We will be revising the workbook blotters that we have been using for many years now. In the later part of December, you will receive a new workbook via email. Please begin to use this new workbook but keep the old one in your files. Each workbook will be customized according to the business mix that you do. Remember that workbook blotters are to be transmitted to the home by the 10th of the following month.



FINRA REQUIRED CE NOW CAN BE DONE AT YOUR DESK - ONLINE - NO TIMED SESSIONS

Alternative Investing

Lightstone—New Website to look at these REITS www.lightstonecapitalmarkets.com

Carter Validus REITs—view their latest REITS that contain data driven centers and medical facilities



Upcoming Events **4Q 2016—WSP & Manual Updates**
4Q 2016—Form Updates

Recruiting Program

You may be able to help us grow, reduce your overall costs and earn cash (without the responsibility of supervision) all at the same time! We have instituted a "recruiting inducement bonus program" (note: this program is not applicable to brokers who are contracted to your OSJ office). Just make the introduction and we'll take it from there! The program will pay a recruiting bonus once referral is contracted.

Please contact Mike Jordan to further discuss any situation you may be aware of – all we need is an introduction.