

# SDDco Group Client Update

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### **Dear SDDCO Clients and Colleagues:**

Our February 2017 Client Update includes industry news and guidance, regulatory rule info, important deadlines, and other timely matters impacting brokers, advisers, fintech firms, taxpayers, investors, and their service professionals.

SDDCO Client Update posts are made available on our website throughout the month at <http://sddco.com/resources/client-updates/>

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### **ADVISERS & BROKER-DEALERS**

#### **[SEC 2017 BD & RIA Examination Hot Spots](#)**

In its continued effort to protect investors and maintain fair, orderly, and efficient markets, in 2017, the SEC's Office of Compliance Inspections and Examinations ("OCIE") will focus on three overarching areas concerning broker-dealers ("BDs"), registered investment advisers ("RIAs"), and transfer agents: 1. Matters of importance to retail investors 2. Risks specific to elderly and retiring investors 3. Market-wide risks. OCIE conducts examinations of regulated entities to...

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#### **[SEC Leadership Turnover](#)**

The past few weeks brought leadership changes at the U.S. Securities and Exchange Commission (SEC) and there's more to come. On Monday, January 23, 2017, republican commissioner Dr. Michael Pinowar was designated acting Chairman of the SEC. His term can extend to 2018 but is expected to be brief since the new administration has offered securities lawyer, Jay Clayton, Partner of Sullivan and Cromwell, as their choice to permanently fill Mary Jo White's vacated spot...

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### **ADVISERS**

#### **[SEC Reveals Top 5 Compliance Issues in Adviser Exams](#)**

OCIE, the Office of Compliance Inspections and Examinations, published a Risk Alert covering common compliance issues identified in deficiency letters following an investment adviser examination. The top five compliance topics addressed in this Risk Alert are deficiencies or weaknesses involving: (1) Compliance Rule; (2) Regulatory Filings; (3) Custody Rule; (4) Code of Ethics Rule; and (5) Books and Records Rule...

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#### **[SEC Updates Its FAQs on Form PF for RIAs](#)**

The SEC's Division of Investment Management updated, on January 17, 2017, its Form PF FAQs. A registered investment adviser ("RIA") managing one or more private funds with at least \$150 million in private fund assets under management ("AUM") must complete and file a Form PF. These updated FAQs present guidance for RIAs required to complete Form PF ("you") related to rules, filing instructions, and specific questions ("Qs"). FAQ Update Takeaways...

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## **BROKER-DEALERS**

### **[SEC Annual Report Filing ~ Simplified for Broker-Dealers](#)**

SEC staff issued a **no-action letter** on January 27, 2017, to update and simplify for broker-dealers the **electronic filing process** of certain annual reports via the Electronic Data Gathering, Analysis and Retrieval (EDGAR) system. This no-action letter replaces a 2015 no-action letter enabling broker-dealers and OTC derivative dealers to continue to file required annual and supplemental reports under SEA Rules 17a-5 or 17a-12 through EDGAR but with two simpler attachment options...

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### **[FINRA Podcasts in January](#)**

FINRA issued three broker-dealer podcasts in 2017: (1) Understand what FINRA staff looks for when assessing a firm's risk. A Few Minutes with FINRA: Nine Risks That Inform FINRA's Examination and Surveillance Program (2) Revisit the latest FINRA notices, compliance resources, and news from January 2017. FINRA's Monthly Podcast ~ January 2017 (3) Learn about examples of registered representatives' misconduct in FINRA's January 2017 Quarterly Disciplinary Review ...

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### **[Municipal Advisors to Follow Revised Customer Complaint Rules](#)**

Revised MSRB customer complaint and related recordkeeping rules were approved by the SEC on January 27, 2017. These revisions become effective on October 13, 2017. The MSRB issued a regulatory notice to members. Customer Complaint Rules Changes The MSRB: Extended its customer complaint recordkeeping requirements to all municipal advisors, including non-solicitor and solicitor municipal advisors. Amended Rule G-8 to require that municipal dealers and municipal advisors keep a standardized complaint log electronically using product and problem codes tailored for municipal securities...

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## **COMMODITY BROKERS**

### **[NFA Reminder on CCO Report Filing ~ FCMs & SDs](#)**

The National Futures Association (NFA) reminds futures commission merchant (FCM), swap dealer (SD), and major swap participant (MSP) members of their obligation to file their chief compliance officer (CCO) annual report up to ninety (90) days after their fiscal year-end. On November 16, 2016, the CFTC amended Regulation 3.3 to give all such registrants this this uniformly extended deadline. The amendment replaces

prior CFTC No Action Letters related to Regulation 3.3...

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### **Registration Exempt CFOs & CTAs ~ Affirm by March 1, 2017**

The National Futures Association (NFA) reminds commodity pool operators (CPOs) and commodity trading advisors (CTAs) exempt from registration to annually affirm by March 1, 2017. Failure to complete the process on time is considered a request to withdraw from the exemption. Such persons/entities may be required to be registered with the CFTC and become NFA members. To check exempt affirmations...

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## **FINTECH FIRMS**

### **Forecasts for Fintech in 2017**

Asset Disrupters Will Multiply: Financial technology or fintech firms continue to look to disrupt core banking products—checking, savings, debit cards—and are expected to increase this year, mainly as partnerships between the fintech firms and traditional banks. That may change going forward, however, if fintech companies are granted bank charters by the Office of the Comptroller affording customers more direct access to lower fees, faster service and better innovation...

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## **INVESTORS**

### **Investor Brush-up on Money Market Funds**

The SEC's Office of Investor Education and Advocacy issued an Investor Bulletin to help educate investors about money market funds, highlighting the objectives and risks. Money Market Funds Explained Investors utilize money market funds to store cash or as an alternative to investing in the stock market. Money Market Funds: Are a type of mutual fund with lower risks and returns than other mutual funds and most other investments...

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### **Investors Alert: Beware of Excessive Trading**

The SEC's Office of Investor Education and Advocacy (OIEA) and Broker-Dealer Task Force issued an Investor Alert to help investors identify and react to excessive trading in their brokerage accounts. Review Brokerage Account Documents: Review your account statements, trade confirmations, or online account, for these red flags: Unauthorized Trading: trades in your account that you did not authorize your broker to make. Frequent Trading...

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## TAXPAYERS

### Featured Articles for February 2017

#### [Who Should File a 2016 Tax Return?](#)

Most people file a tax return because they have to, but even if you think you don't need to, there may be times when you should--because you might be eligible for a tax refund and not know it.

#### [IRS Tax Scams 2017: FAQs](#)

As tax season approaches, taxpayers are reminded to be on the lookout for a series of evolving tax scams related to identity theft and refund fraud.

#### [Five Ways to Improve your Financial Situation](#)

If you are having trouble paying your debts, it is important to take action. Doing nothing leads to much larger problems in the future, whether it's a bad credit record or bankruptcy resulting in the loss of assets or even your home. If you're in financial trouble here are some steps to take to avoid financial ruin in the future.

#### [Claiming an Elderly Parent or Relative as a Dependent](#)

Are you taking care of an elderly parent or relative? You may be able to claim him or her as a dependent on your tax return as long as you meet certain criteria. Keep reading to learn more.

#### [Five Tax Breaks that Expired in 2016](#)

Many tax provisions were made permanent with the passage of the PATH Act in late 2015, but more than 36 others expired at the end of 2016. Here are the five that are most likely to affect taxpayers like you.

### Tax Tips

#### [2017 Tax Filing Season: Tax Returns due April 18](#)

#### [Missing your Form W-2?](#)

#### [Updated Withholding Tables for 2017](#)

#### [Kids' Day Camp Expenses May Qualify for a Tax Credit](#)

#### [Qualifying for a Health Coverage Exemption](#)

### Tax Due Dates

#### February 10

**Employees** - who work for tips. If you received \$20 or more in tips during January, report them to your employer. You can use Form 4070.

**Employers** - Social Security, Medicare, and withheld income tax. File Form 941 for the fourth quarter of 2016. This due date applies only if you deposited the tax for the quarter in full and on time.

**Farm Employers** - File Form 943 to report Social Security and Medicare taxes and withheld income tax for 2016. This due date applies only if you deposited the tax for the year in full and on time.

**Certain Small Employers** - File Form 944 to report Social Security and Medicare taxes and withheld income tax for 2016. This tax due date applies only if you deposited the tax for the year in full and on time.

**Employers** - Nonpayroll taxes. File Form 945 to report income tax withheld for 2016 on all nonpayroll items. This due date applies only if you deposited the tax for the year in full and on time.

**Employers** - Federal unemployment tax. File Form 940 for 2016. This due date applies only if you deposited the tax for the year in full and on time.

#### February 15

**Employers** - Social Security, Medicare, and withheld income tax. If the monthly deposit rule applies, deposit the tax for payments in January.

**Employers** - Nonpayroll withholding. If the monthly deposit rule applies, deposit the tax for payments in January.

**Individuals** - If you claimed exemption from income tax withholding last year on the Form W-4 you gave your employer, you must file a new Form W-4 by this date to continue your exemption for another year.

**All businesses.** Give annual information statements to recipients of certain payments you made during 2016. You can use the appropriate version of Form 1099 or other information return.

#### February 16

**Employers** - Begin withholding income tax from the pay of any employee who claimed exemption from withholding in 2016, but did not give you a new Form W-4 to continue the exemption this year.

#### February 28

**Businesses** - File information returns (Form 1099) for certain payments you made during 2016. These payments are described under *January 31*. There are different forms for different types of payments. Use a separate Form 1096 to summarize and transmit the forms for each type of payment. See the 2016 Instructions for Forms 1099, 1098, 5498, and W-2G for information on what payments are covered, how much the payment must be before a return is required, what form to use, and extensions of time to file.

If you file Forms 1097, 1098, 1099, 3921, 3922, or W-2G electronically (except Form 1099-MISC reporting nonemployee compensation), your due date for filing them with the IRS will be extended to March 31. The due date for giving the recipient these forms is still January 31.

**Payers of Gambling Winnings** - File Form 1096, *Annual Summary and Transmittal of U.S. Information Returns*, along with Copy A of all the Forms W-2G you issued for 2016. If you file Forms W-2G electronically (not by magnetic tape), your due date for filing them with the IRS will be extended to March 31. The due date for giving the recipient these forms remains January 31.

**Large Food and Beverage Establishment Employers** - with employees who work for tips. File Form 8027, *Employer's Annual Information Return of Tip Income and Allocated Tips*. Use Form 8027-T, *Transmittal of Employer's Annual Information Return of Tip Income and Allocated Tips*, to summarize and transmit Forms 8027 if you have more than one establishment. If you file Forms 8027 electronically (not by magnetic tape), your due date for filing them with the IRS will be extended to March 31.

**Health Coverage Reporting** - If you're an Applicable Large Employer, file paper Forms 1094-C, *Transmittal of Employer--Provided Health Insurance Offer and Coverage Information Returns*, and 1095-C with the IRS. For all other providers of minimum essential coverage, file paper Forms 1094-B, *Transmittal of Health Coverage Information Returns*, and 1095-B with the IRS. If you're filing any of these forms with the IRS electronically, your due date for filing them will be extended to March 31.

[Click here](#) to read the rest of the newsletter.

Please call us at (212) 751-4422 if you have any questions.

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