

# SDDco Group Client Update

Contact Us

**Dear SDDco Clients and Colleagues:**

Our June 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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## **ADVISORS & BROKER-DEALERS**

### **[Don't Wanna Cry? Do Cybersecurity Testing and Upgrade Systems](#)**

A ransomware attack, known as WannaCry, WCry, or Wanna Decryptor, hit organizations across one hundred plus countries starting on May 12, 2015. The WannaCry ransomware infects computers with a malicious software that encrypts computer users' files and demands payment of ransom to restore access to the locked files. The hackers gained access to enterprise servers either through Microsoft Remote Desktop Protocol (RDP) compromise or by exploiting a critical Windows Server Message Block version 1 vulnerability or via phishing emails and malicious websites. The OCIE Risk Alert...

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## **BROKER-DEALERS**

### **[Broker-Dealers: RCAs Due June 16th](#)**

FINRA has extended the filing deadline of the Risk Control Assessment Survey for member broker-dealers to Friday, June 16. What's an RCA? The annual Risk Control Assessment (RCA) is part of FINRA's risk-based examination and surveillance program. "FINRA uses it to better understand the risks associated with the business activities in which individual member firms engage, the products and services they sell, and the kinds of customers and counterparties with which they deal." A completed RCA gives FINRA teams a more current understanding of a firm's business profile, which could translate to a "lower regulatory burden" for a broker-dealer...

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### **[Municipal Advisors: Series 50 Sept. Deadline ~ See Live Webinar](#)**

Municipal advisors are encouraged to participate in a free webinar covering their professional qualification requirements. The live webinar hosted by the SEC and the MSRB will happen on Thursday, June 15, 2017, from 3-4 p.m. ET. Register for the webinar here. Get info from SEC and MSRB staff on signing up for the MSRB's Municipal Advisor Representative Qualification Examination (Series 50 exam), preparing to take the Series 50 exam, and fulfilling municipal advisor firms' SEC registration obligations. About the Series 50 Exam Deadline...

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### [Broker-Dealers... Speak Out on Outside Business Activities](#)

FINRA is conducting a retrospective review to assess the rules governing the outside business activities and private securities transactions of brokerage account executives. FINRA's focus is on two rules: (1) Rule 3270 (Outside Business Activities of Registered Persons) (2) Rule 3280 (Private Securities Transactions of an Associated Person). These rules govern the outside business activities ("OBA") by any SEC registered employees of a broker-dealer performed away from the firm that are considered outside the regular course or scope of their employment. The goals of the OBA rules...

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### [New SIPC Assessment Fee ~Fiscal Year Factored Out](#)

The Securities Investor Protection Corporation ("SIPC") member notice of May 19, 2017, informs registered broker-dealers that the new, reduced assessment rate of 0.15% will apply to all members effective January 1 2017, regardless of when their fiscal years begin. The notice calls for a comment period ending June 12, 2017 on the proposed application of the 0.15% rate to firms with non-calendar fiscal years. Expect further SIPC updates on the new assessment rate...

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### [FINRA's April 2017 Podcast for Broker-Dealers](#)

FINRA's April 2017 podcast covers these timely FINRA related topics of interest to broker-dealers. Request for Comment: FINRA requests feedback on its new initiative to evaluate various aspects of its operations and programs to identify opportunities to more effectively further its mission. The Notice solicits comment from all interested parties on FINRA's current engagement programs. See Special Notice 3/21/17 The comment period expires June 19, 2017. Rad about all the notices and other topics covered in the April podcast...

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### [FINRA Rule Conversion Charts](#)

Since 2008, FINRA has been working toward a new consolidated rulebook governing its member broker-dealers. The goal is to "harmonize and streamline existing rules" and consider the "rapidly evolving nature of the securities business and the broad diversity of firms subject to FINRA regulation". FINRA maintains and updates three Rule Conversion Charts to illustrate the relationship between new FINRA Rules and the old NASD and/or Incorporated NYSE Rules they replace. While the charts are a good reference tool, firms are encouraged to explore the actual new rule language...

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## **COMMODITY BROKERS**

### [A FinTech Initiative from the CFTC](#)

The Commodity Futures Trading Commission ("CFTC") unanimously approved the creation of a new agency based in New York City called LabCFTC. Its goal is to promote "FinTech innovation and fair competition by making the CFTC more accessible to FinTech innovators and serving as a platform to inform

the CFTC's understanding of new technologies". Here's their reason why. "Today, FinTech is driving innovation in financial markets across the globe. New technologies are wide-ranging in scope, from cloud computing and algorithmic trading to distributed ledgers to artificial intelligence and machine learning to network cartography, and many others. These technologies have the potential for...

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### **[Whistleblower Program Changes Approved by CFTC](#)**

The Commodity Futures Trading Commission ("CFTC") unanimously approved amendments to its Whistleblower Rules on May 22, 2017. The goals are threefold: to boost protections for whistleblowers, to improve the CFTC's internal review process, and to harmonize the CFTC's rules with those of the SEC's whistleblower program. Key Changes: The CFTC or the whistleblower may now bring an action against an employer for retaliation against a whistleblower. Employers may not impede a possible whistleblower from contacting CFTC staff by using a "confidentiality, pre-dispute arbitration or similar agreement". And a new claims review process...

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## **INVESTORS**

### **[How Much Money Can a Crowdfund Investor Fund? Or a Crowdfund Raise?](#)**

The SEC's Office of Investor Education and Advocacy issued an Investor Bulletin to advise investors about the inflation-adjusted increase in the investment limits for securities-based crowdfunding. Crowdfunding solicits small investments or contributions from a crowd of people, most typically via the Internet. As mandated by the JOBS Act of 2012, the SEC adopted rules to facilitate securities-based crowdfunding. 2015 crowdfunding rules enabled the general public to participate in capital raising activities of start-ups. But there are risks...

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## **TAXPAYERS**

### **[Startups Can Choose New Option for Claiming Research Tax Credit](#)**

Good news for startups claiming research credit from the IRS. "Eligible small business startups can now choose to apply part or all of their research credit against their payroll tax liability, instead of their income tax liability. This new option will be available for the first time to any eligible small business when filing its 2016 federal income tax return. Before 2016, the research credit, like most tax credits, could only be taken against income tax liability. The option to elect the new payroll tax credit may especially benefit any eligible startup that has little or no income tax liability." Eligibility...

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## **Featured Tax Articles for June 2017**

### **[Filing an Amended Return](#)**

Have you filed your federal tax return and then discovered a mistake? You might need to file an amended tax return. Then again, you might not. Here's what you need to know.

## [Tax Planning for Small Business Owners](#)

Tax planning is the process of looking at various tax options in order to determine when, whether, and how to conduct business and personal transactions to minimize or even eliminate your tax bill.

## [Five Things to know before Starting a Business](#)

Deciding to start a business is an exciting time in your life, but there is more to it than simply writing a business plan. It also means filing the proper state and federal forms that make your business a legal entity and allow you to hire and pay your employees. Here's a quick look at what you need to do first.

## [Deducting Travel and Entertainment Expenses](#)

As a self-employed individual, you are legally entitled to deduct certain expenses such as travel and entertainment. Learn which expenses you can deduct and how they could save your small business money.

## [Planning For Retirement: Withdrawals](#)

Are you thinking of retiring soon? You may face a major financial decision: what to do about the funds in your retirement plan.

## **Tax Tips**

### [Tax Tips for the Sharing Economy](#)

### [What to do if you get a Letter from the IRS](#)

### [Tax Tips for Students with a Summer Job](#)

### [10 Tips for Deducting Losses from a Disaster](#)

### [Tips on Tips: Are your Tips Taxable?](#)

## **Tax Due Dates**

### **June 12**

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

### **June 15**

**Individuals** - If you are a U.S. citizen or resident alien living and working (or on military duty) outside the United States and Puerto Rico, file Form 1040 and pay any tax, interest, and penalties due. (U.S. citizens living in the U.S. should have paid their taxes on April 18.) If you want additional time to file your return, file Form 4868 to obtain 4 additional months to file. Then file Form 1040 by October 16. However, if you are a participant in a combat zone, you may be able to further extend the filing deadline.

**Individuals** - Make a payment of your 2017 estimated tax if you are not paying your income tax for the year through withholding (or will not pay enough tax that way). Use Form 1040-ES. This is the second installment date for estimated tax in 2017.

**Corporations** - Deposit the second installment of estimated income tax for 2017. A worksheet, Form 1120-W, is available to help you estimate your tax for the year.

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

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

[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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