

# SDDco Group Client Update

Contact Us

## Dear SDDCO Clients and Colleagues:

Our March 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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## ABOUT US

### [SDDCO #1 in the Nation! ~ Outsourced Pros for Broker-Dealers ~ FinOps & CCOs](#)

The SDDCO Group of CPAs and Consultants was named "Number 1 Leading Outsourcing Firm for Broker-Dealers!" SDDCO was cited in a research study on 200 consulting firms that perform the CCO or the FinOp role on an outsourced basis for broker-dealers and also register with that firm. The study was conducted by Greg LaRoche, Research Partners LLC. In this February 2017 study entitled "Leading Outsourcing Consultants for Broker-Dealers," La Roche states, "More and more, small to medium-sized broker-dealers are outsourcing certain administrative jobs, such as the roles of the Chief Compliance Officer (CCO) and Financial and Operations Principal (FINOP), to outsourcing consultants..."

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## ADVISERS

### [Clarity on Custody for Investment Advisers in SLOAs](#)

Staff of the Investment Management Division of the SEC ("IM staff") clarified in a reply to the Investment Adviser Association (IAA) on February 21, 2017, that an investment advisor is considered to have regulatory custody of client assets when the client gives authority—even limited authority—to transfer assets to a designated third party. IAA assistant general counsel, Laura Grossman, sought confirmation that an investment advisor does *not* have custody per the Custody Rule of the Advisers Act when acting according to a *standing letter of authorization* (SLOA) arrangement where a client instructs its qualified custodian to transfer assets to a designated third party. The IM Division did not agree but provided it will not recommend enforcement action against an investment adviser in an SLOA arrangement if *all* of these criteria are met...

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## [A Double Dose of Robo-Adviser Guidance](#)

Robo-advisers represent a fast-growing trend within the investment advisory industry. Two new informational bulletins shed light on the expectations and obligations of this fintech investment vehicle for providers and users. IM Guidance Update A Securities and Exchange Commission (SEC) bulletin addresses the obligations of robo-adviser professionals—registered investment advisers giving investors algorithm-generated portfolio advice directly to clients over the internet. The [IM Guidance Update: Robo-Advisers](#), from the Division of Investment Management, covers obligations of robo-advisers under the Investment Advisers Act of 1940 (“Adviser Act”) including...

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## **BROKER-DEALERS**

### [SEC Approves Certain BD Retail Mark-Up/Mark-Down Disclosures](#)

The SEC approved amendments to FINRA Rule 2232 (Customer Confirmations) that will require member firms to disclose additional transaction-related info to retail customers for trades in certain fixed income securities. Effective May 14, 2018, amended Rule 2232 will require broker-dealer members to: (1) Disclose the amount of mark-up or mark-down it applies to trades with retail customers in corporate or agency debt securities if the member also executes an offsetting principal trade in the same security on the same trading day; and (2) Disclose two additional items on all retail customer confirmations for corporate and agency debt security trades...

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### [FINRA Wants Feedback on Rule Exception for Projected Performance](#)

FINRA wants feedback on proposed amendments to its Communications with the Public Rule that would create an exception to its prohibition on projecting performance. If approved, changes to Rule 2210 would enable broker-dealers (“firms”) to distribute projected performance info to investors via a “customized hypothetical investment planning illustration that includes the projected performance of an asset allocation or other investment strategy subject to specified conditions. Conditions include provision of a reasonable basis for recommendations, along with proper disclosure and supervision steps. See Attachment A in the Full Notice for the proposed rule text. The Proposal...

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### [FINRA February 2017 Podcasts for Broker-Dealers](#)

FINRA issued two recent broker-dealer podcasts in February 2017: (1) Revisit the latest FINRA notices, compliance resources, and news from February 2017: February 2017 Monthly Recap Podcast: (2) Hear Part of a four-part series on the 2017 Exam Priorities Letter: FINRA’s 2017 Exam Priorities – Part 1...

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### **[MSRB Plans to Update Municipal Dealer and Advisor Advertising Regs](#)**

The Municipal Securities Rulemaking Board (MSRB) seeks comment on its plan to update municipal securities dealer advertising rule and create similar advertising standards for municipal advisors. The MSRB solicits feedback on draft amendments to MSRB Rule G-21, on advertising, and on new draft MSRB Rule G-40, on advertising by municipal advisors: Draft amendments to Rule G-21, applicable to brokers, dealers and municipal securities dealers (collectively, “dealers”) would update as well as harmonize Rule G-21 with certain provisions of the advertising rules of other financial regulators. Draft Rule G-40 would address advertising by municipal advisors...

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### **[Comment on MSRB Draft Changes to CUSIP # Rules](#)**

The MSRB seeks feedback on draft amendments to its regulations on the role of underwriters and financial advisors in obtaining CUSIP numbers for new issue municipal securities. MSRB Rule G-34 draft amendments clarify the application of the rule to private placement transactions and expand it to include non-dealer municipal advisors when advising on new issue municipal securities sold in a competitive offering. In the notice, the MSRB is also reminds underwriters of their existing obligation to obtain CUSIP numbers in certain secondary market securities. Since 1983, Rule G-34 aims to...

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## **COMMODITY BROKERS**

### **[More Time to Comply ~ CFTC Grace Period for SD Variation Margin Regs](#)**

The (CFTC’s Division of Swap Dealer and Intermediary Oversight (DSIO) issued a time-limited no-action relief for a Swap Dealers (“SDs”) without a prudential regulator to comply with the variation margin requirements (“VM Requirements”) by the March 1, 2017. A grace period has been afforded until September 1, 2017. Of CFTC registered SDs, about half have a prudential regulator...

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## **FINTECH FIRMS**

### **[SEC & NYU Hosted Crowdfunding Dialogue](#)**

The U.S. and NYU hosted a free crowdfunding symposium on Tuesday, February 28, 2017, to discuss securities crowdfunding and market regulations. Evert location was the SEC headquarters, 100 F Street,

NE in Washington, D.C. The event video of the seminar will be posted soon. The SEC's Division of Economic and Risk Analysis partnered with NYU's Salomon Center for the Study of Financial Institutions to arrange this half-day symposium. The program covered the challenges, opportunities, and the effects of securities-based crowdfunding on various market participants, as well as protecting investors while facilitating capital formation ...

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## **INVESTORS**

### **[Helpful Stuff at Investor.gov](#)**

No matter your means of investing, it's in your best interest to become a better informed investor. To avoid fraud and invest safer, consider ten ways to use Investor.gov from the SEC's Office of Investor Education and Advocacy. 1. Background Check Your Investment Professional: Use the SEC's free search tool, IAPD, to learn if your investment adviser is licensed and registered, and has a disciplinary history or customer complaints. 2. Educate Yourself About Investment Products: Bone up on common investment products—stocks, bonds, mutual funds—and learn the risks and characteristics of a wide variety of investment products. 3. Use Online Tools...

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## **TAXPAYERS**

### **Featured Online Tax Articles for March 2017**

#### **[IRS Dirty Dozen Tax Scams for 2017](#)**

Compiled annually by the IRS, the "Dirty Dozen" is a list of common scams taxpayers may encounter in the coming months. While many of these scams peak during the tax filing season, they may be encountered at any time during the year.

#### **[Six Overlooked Tax Breaks for Individuals](#)**

Confused about which credits and deductions you can claim on your 2016 tax return? You're not alone. Here are six tax breaks you won't want to overlook.

#### **[Are your Social Security Benefits Taxable?](#)**

Some people must pay taxes on part of their Social Security benefits while others find that their benefits aren't taxable at all. If you receive Social Security, a tax professional can help you determine if some--or all--of your benefits are taxable.

#### **[Small Business Financing: Securing a Loan](#)**

At some point, most small businesses owners will visit a bank or other lending institution to borrow money. Whether it's for startup costs or business expansion, understanding what your bank wants, and how to properly approach them, can mean the difference between getting your money for expansion and having to scrape through finding cash from other sources. Here's what you need to know.

## [What Income is Taxable?](#)

Are you wondering if there's a hard and fast rule about what income is taxable and what income is not taxable? The quick (and easy) answer is that all income is taxable unless the law specifically excludes it. But as you might have guessed, there's more to it than that. Keep reading to learn more.

## Tax Tips

### [Choosing the Correct Filing Status](#)

### [It's Not Too Late to Make a 2016 IRA Contribution](#)

### [Eight Tax Facts about Exemptions and Dependents](#)

### [IRS Releases Updated Form 990-EZ](#)

### [What You Should Know about the AMT](#)

## Tax Due Dates

### March 1

**Farmers and Fishermen** - File your 2016 income tax return (Form 1040) and pay any tax due. However, you have until April 18 to file if you paid your 2016 estimated tax by January 17, 2017.

### March 10

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

### March 15

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

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

**Partnerships** - File a 2016 calendar year income tax return (Form 1065). Provide each partner with a copy of their Schedule K-1 (form 1065-B) or substitute Schedule K-1. To request an automatic 6-month extension of time to file the return, file Form 7004. Then file the return and provide each partner with a copy of their final or amended (if required) Schedule K-1 (Form 1065) by September 15.

**S Corporations** - File a 2016 calendar year income tax return (Form 1120S) and pay any tax due. Provide each shareholder with a copy of Schedule K-1 (Form 1120S), Shareholder's Share of Income, Credits, Deductions, etc., or a substitute Schedule K-1. If you want an automatic 6-month extension of time to file the return, file Form 7004 and deposit what you estimate you owe.

**Electing large partnerships** - File a 2016 calendar year return (Form 1065-B). Provide each partner with a copy of Schedule K-1 (Form 1065-B), Partner's Share of Income (Loss) From an Electing Large Partnership. This due date applies even if the partnership requests an extension of time to file the Form

7004.

**S Corporation Election** - File Form 2553, Election by a Small Business Corporation, to choose to be treated as an S corporation beginning with calendar year 2017. If Form 2553 is filed late, S treatment will begin with calendar year 2018.

#### March 31

**Electronic filing of Forms 1097, 1098, 1099, 3921, and 3922** - File Forms 1097, 1098, 1099, 3921, and 3922 with the IRS (except a Form 1099-MISC reporting nonemployee compensation). This due date applies only if you file electronically. Otherwise, see February 28. The due date for giving the recipient these forms generally remains January 31.

**Electronic Filing of Form W-2G** - File copies of all the Form W-2G (Certain Gambling Winnings) you issued for 2016. This due date applies only if you electronically file. Otherwise, see February 28. The due date for giving the recipient these forms remains January 31.

**Electronic Filing of Forms 8027** - File copies of all the Forms 8027 you issued for 2016. This due date applies only if you electronically file. Otherwise, see February 28.

**Electronic Filing of Forms 1094-C and 1095-C and Forms 1094-B and 1094-B** - If you're an applicable Large Employer, file electronic forms 1094-C and 1095-C with the IRS. For all other providers of essential minimum coverage, file electronic Forms 1094-B and 1095-B with the IRS. Otherwise, see February 28.

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

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

SDDco Group  
485 Madison Avenue ~ Floor 15  
New York, NY 10022  
[www.sddco.com](http://www.sddco.com)  
(212) 751-4422

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Any accounting, business or tax advice contained in this communication, including attachments and enclosures, is not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties. If desired, we would be pleased to perform the requisite research and provide you with a detailed written analysis. Such an engagement may be the subject of a separate engagement letter that would define the scope and limits of the desired consultation services.

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