

ALERTS

SEC Extends and Modifies Its No-Action Relief for BDs to Rely on RIAs for Performance of CIP

February 24, 2011

On Jan. 11, 2011, the Division of Trading and Markets (the “Division”) of the U.S. Securities and Exchange Commission (the “SEC” or the “Commission”), in consultation with the Financial Crimes Enforcement Network (“FinCEN”), a bureau of the U.S. Department of the Treasury, issued a no-action letter in response to a request from the Securities Industry and Financial Markets Association (“SIFMA”) in which it agreed that it would continue not to recommend enforcement action to the Commission under Exchange Act Rule 17a-8 if a broker-dealer relies on a registered investment adviser (“RIA”) to perform some or all of its Customer Identification Program (“CIP”) obligations under Section 326 of the USA PATRIOT Act of 2001 (the “PATRIOT Act”) and 31 C.F.R. § 103.122 thereunder (collectively, the “CIP Rule”), subject to certain enumerated conditions. Modeled on its 2004 and other similar no-action letters, this most recent no-action letter added some significant new conditions.

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