

September 15, 2010

**MEMORANDUM  
OF  
UNDERSTANDING**

**UNITED STATES OF  
AMERICA**

**Financial Industry  
Regulatory Authority,  
Inc.**

**UNITED KINGDOM**

**Financial Services  
Authority**

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# Memorandum of Understanding (“MoU”)

Between

**Financial Industry Regulatory  
Authority, Inc. (FINRA)**

and

**Financial Services Authority (“FSA”)**

## **Recitals**

- A. FINRA is the largest independent regulator for all securities firms doing business in the United States of America. Created in July 2007 through the consolidation of National Association of Securities Dealers, Inc. and the member regulation, enforcement and arbitration functions of the New York Stock Exchange (NYSE), FINRA is dedicated to investor protection and market integrity through effective and efficient regulation.
- B. The FSA is the United Kingdom’s single financial services and markets regulator. As such it gains its powers from the Financial Services and Markets Act 2000 (“FSMA”) which provides among other things for the supervision of financial services, financial products and financial markets. Also, in its capacity as the competent authority (i.e. the UK Listing Authority) under Part VI of FSMA, the FSA is responsible for regulating listed issuers and their corporate advisers.
- C. FINRA and the FSA wish to enter into this MoU to provide a formal basis for co-operation, including for the exchange of information and investigative assistance. FINRA and the FSA believe such co-operation will enable them to perform their functions more effectively.

## Operative Part

### Interpretation

1. In this MoU, unless the context requires otherwise:

“administering” an applicable law, regulation or requirement includes enforcing the same;

“applicable laws, regulations and requirements” means any law, regulation or requirement applicable in the United States of America and/or in the United Kingdom, and where the context permits includes:

- (a) relevant European legislation that has not yet been transposed into UK domestic law;
- (b) any law, regulation or requirement applicable in the United States of America or the United Kingdom; and
- (c) any rule, direction, requirement, guidance or policy made or given by or to be taken into account by an Authority;

“Authority” means FINRA or the FSA. Collectively, FINRA and FSA are the “Authorities”;

“FSA” means the Financial Services Authority

“FINRA” means the Financial Industry Regulatory Authority, Inc.

“person” means a natural person, legal entity, partnership or unincorporated association.

### Purpose and Principles

2. The purpose of this MoU is to establish a formal basis for co-operation, including the exchange of information and investigative assistance.
3. This MoU does not modify or supersede any laws or regulatory requirements in force in, or applying to, the United States of America or the United Kingdom. This MoU sets forth a statement of intent and accordingly does not create any enforceable rights, any legally binding obligations or agreement. Provided however, notwithstanding anything contained herein, the provisions set forth in Section 15, 16 and 17 shall govern the disclosure of confidential information and continue to apply in perpetuity.
4. The Authorities acknowledge that they may only provide information under this MoU if permitted or not prevented under applicable laws, regulations and requirements.

### Provision of Unsolicited Information

5. Each Authority may provide to the other authority without prior request, information, which it considers is likely to be of assistance to the other Authority in administering their respective laws, regulation or requirements.

## Requests for Assistance

6. If a request for assistance is made, each Authority will use reasonable efforts to provide assistance to the other, subject to its laws and overall policy. Assistance may include for example:
  - (a) providing information in the possession of the requested Authority;
  - (b) confirming or verifying information provided to it for that purpose by the requesting Authority;
  - (c) exchanging information on or discussing issues of mutual interest;
  - (d) obtaining specified information and documents from persons designated by the requesting Authority;
  - (e) questioning or taking testimony of persons designated by the requesting Authority;
  - (f) facilitating the conduct of inspections or examinations of financial services providers; and
  - (g) permitting the representatives of the requesting Authority to participate in the conduct of enquiries made by or on behalf of the requested Authority pursuant to paragraphs (e) - (f) above.

## Procedure for Requests

7. Requests for the provision of information or other assistance will be made in writing, or made orally and, unless otherwise agreed, confirmed in writing within ten business days. To facilitate assistance, the requesting Authority should specify in any written request:
  - (a) the information or other assistance requested (identity of persons, specific questions to be asked etc.);
  - (b) if information is provided by the requesting Authority for confirmation or verification, the information and the kind of confirmation or verification sought;
  - (c) the purpose for which the information or other assistance is sought;
  - (d) how the information is likely to be used, including details of any likely onward disclosure by the requesting Authority, and the purpose such disclosure would serve;
  - (e) if the request for assistance is for the purpose of actual or possible enforcement action, the matters set out in clause 1 of Appendix 1;
  - (f) any other matters specified by the requested Authority and by the applicable laws, regulations and requirements in relation to the requested Authority;
  - (g) if the matter is urgent; and

(h)desired time for reply.

### **Assessing Requests**

8. Each request for assistance will be assessed on a case-by-case basis by the requested Authority to determine whether assistance can be provided under the terms of this MoU and pursuant to any applicable laws or regulations. In any case where the request cannot be fulfilled in part or whole, the requested Authority will consider whether there may be other assistance which can be given by itself or by any other authority in its jurisdiction.
9. In deciding whether and to what extent to fulfil a request, the requested Authority may take into account:
  - (a)whether the request conforms with this MoU;
  - (b)whether the request involves the administration of a law, regulation or requirement which has no close parallel in the jurisdiction of the requested Authority;
  - (c)whether the provision of assistance would be too burdensome or disproportionate in all the circumstances;
  - (d)whether it would be otherwise contrary to the public interest or the essential national interest of the requested Authority's jurisdiction to give the assistance sought;
  - (e)if the request for assistance is for the purpose of actual or possible enforcement action, the further matter set out in clause 2 of Appendix 1;
  - (f)any other matters specified by the laws, regulations and requirements of the requested Authority's jurisdiction (in particular those relating to international co-operation, confidentiality and professional secrecy, data protection and privacy, and procedural fairness); and
  - (g)whether complying with the request may otherwise be prejudicial to the performance by the requested Authority of its functions.
10. The authorities recognise that assistance may be denied in whole or in part for any reason in the discretion of the requested Authority.
11. The Authorities acknowledge that all Information shared or exchanged pursuant to this MoU is provided "as is".

### **Contact Points**

12. The Authorities will provide a list of contact points to which information or requests for information or assistance under this MoU should be directed.

### **Further Provisions**

13. The further provisions set out in:
  - (a) Appendix 1 will apply in relation to actual or possible enforcement matters;
  - (b) any other Appendices covering specific areas of financial services or specific issues, as agreed in writing by the Authorities, will apply.

### **Costs**

14. If the cost of fulfilling a request is likely to be substantial, the requested Authority may, as a condition of agreeing to give assistance under this MoU, require the requesting Authority to make a contribution to costs.

### **Confidentiality**

15. The requesting Authority shall maintain strict confidentiality with respect to any non-public information, which has been provided by the requested Authority, or become known to the requesting Authority, pursuant to or in connection with a request for assistance made under this MoU.
16. The requesting Authority shall not use, disclose, or publish any non-public information of the requested Authority or received pursuant to a request for assistance made under this MoU for any purpose other than as provided under this MoU without the prior written approval of the requested Authority unless the information is already known to the requesting Authority prior to disclosure by the requested Authority and the requesting Authority is not otherwise under a duty of non-disclosure;
17. If there is a legally enforceable demand for non-public information supplied under this MoU, the Authority receiving the demand will, to the extent permitted by law, use its best endeavours to notify the disclosing Authority and receive its consent prior to disclosing such information. If the disclosing Authority does not consent to such disclosure, then the receiving Authority will use all reasonable legal means to resist such a demand, including asserting such appropriate legal exemptions or privileges with respect to that information as may be available. Notwithstanding anything otherwise set forth herein, FINRA may disclose information: a) to a government agency with regulatory or oversight jurisdiction over FINRA for the purpose of

enabling or assisting FINRA to discharge its regulatory functions; or b) for the purpose of enabling or assisting FINRA to discharge any of FINRA's regulatory responsibilities, including responsibilities under the Securities Exchange Act of 1934 or other applicable law.

18. The provisions set forth in this paragraph shall survive the termination of this MoU.

**Consultation**

19. The Authorities will keep the operation of this MoU under review and will consult when necessary with a view to improving its operation and resolving any matters.
20. Where the specific conduct set out in the request for assistance may constitute a breach of a law, regulation or requirement in both the territory of the requesting and the requested Authorities, the relevant Authorities will consult to determine the most appropriate means for each Authority to provide assistance.

**Commencement**

21. This MoU will take effect when both Authorities have signed it and will continue to have effect until terminated by either Authority giving thirty (30) days advance written notice to the other Authority. This MoU may be amended by agreement in writing.

**Executed by the Parties:**

**For FINRA**



**Richard G. Ketchum**  
Chairman and Chief Executive Office

Date:

**For the FSA**



**Jon Pain**  
Managing Director

Date:



## **Appendix 1: Further Procedures for Enforcement Matters**

### **Further details to be contained in requests for assistance**

1. If a request for assistance as described in this MoU relates to actual or possible enforcement action, the following further details will be contained in the request:
  - (a) a description of the conduct or suspected conduct which gives rise to the request;
  - (b) details of the applicable law, regulation or requirement to the administration of which the request is relevant;
  - (c) the link between the specified rule or law and the regulatory functions of the requesting Authority;
  - (d) the relevance of the requested assistance to the specified rule or law; and
  - (e) whether it is desired that, to the extent permitted by the laws applying to the requested Authority, any persons from the country of the requesting Authority should be present during interviews which form part of an investigation, and whether it is desired that such persons should be permitted to participate in the questioning (as to which see clause 3 below).

### **Further ground for denial of request**

2. If a request for assistance as described in this MoU relates to actual or possible enforcement action, the following further matter may be taken into account by the requested Authority in determining whether to fulfil the request in whole or in part:
  - (a) whether the request would lead to the prosecution of, or the taking of disciplinary or other enforcement action against, a person who in the opinion of the requested Authority has already been appropriately dealt with in relation to the alleged breach the subject-matter of the request.

### **Requests to sit in**

3. If, following a request from the requesting Authority, the requested Authority conducts an interview of any person, the requested Authority may permit a representative of the requesting Authority to attend such an interview and to ask questions. Such requests will be in accordance with the applicable laws, regulations and requirements of the requested Authority. Requests for such assistance should conform to any published guidance for the making of such requests issued by the requested Authority.

### **Joint investigations**

4. The Authorities acknowledge that, subject to secrecy and confidentiality issues, an investigation, where it concerns suspected breaches of the law of both jurisdictions, may be conducted more effectively by the establishment of a joint investigation involving members from both Authorities.

5. The Authority suggesting the joint investigation will advise the other Authority of the background to the request for a joint investigation, and liaise with the other Authority to determine the likely objectives of the joint investigation, the expected resources required and the approximate duration of the proposed joint investigation. Each Authority will advise the other as soon as possible as to whether it will agree to such an investigation.
6. If the Authorities agree to take part in a joint investigation, an agreed initial action plan will be prepared setting out, among other things, the objectives, expected duration, funding, publicity and accountability arrangements, management of the joint investigation, and allocation of responsibilities.
7. Suggestions to the FSA should be made to the Director, Enforcement and Financial Crime Division and to the Senior Executive Vice President, Regulatory Operations for FINRA.

### **Rights of persons preserved**

8. Any person providing testimony, information or documents as a result of a request made under this MoU will be entitled to all the rights and protections of the laws of the jurisdiction of the requested Authority. Where assertions are made regarding other rights and privileges arising exclusively pursuant to the laws of the jurisdiction of the requesting Authority, the Authorities will consult to determine the most appropriate way to proceed.