Buckley Sandler LLP

InfoBytes

FINANCIAL SERVICE HEADLINES & DEADLINES FOR OUR CLIENTS AND FRIENDS

July 13, 2012

TOPICS IN THIS ISSUE

MORTGAGES - BANKING - CONSUMER FINANCE – SECURITIES - E-COMMERCE - PRIVACY/DATA - SECURITY - CRIMINAL ENFORCEMENT

SPECIAL ALERT

Earlier this week, we issued a Special Alert, DOJ Increasingly Pursuing Monetary and Non-Monetary Relief in Civil Enforcement Actions. If you want to learn more, BuckleySandler partners Andrew Schilling and Matthew Previn will be speaking about the DOJ's use of recently "rediscovered" civil enforcement statues that have not traditionally been applied in context of financial fraud as well as other civil enforcement trends of the DOJ - click here to find out more or register for this webinar.

FEDERAL ISSUES

CFPB Proposes Two Major Mortgage Rules. On July 9, the CFPB issued two proposed rules related to mortgages. The first proposed rule would amend Regulations X and Z to establish new disclosure requirements and forms for most residential mortgage transactions. The proposal would combine existing disclosure requirements in new loan estimate and closing forms and would incorporate new Dodd-Frank Act requirements. This proposed rule also provides extensive guidance regarding compliance with the new disclosure requirements. Comments on most aspects of the proposal are due by November 6, 2012, but the CFPB has requested comments by September 7, 2012 on two portions of the proposal. The second proposed rule would implement the Dodd-Frank Act's amendments to HOEPA that (i) expand HOEPA's coverage to more types of mortgage transactions, (ii) amend existing high-cost triggers, (iii) add a prepayment penalty trigger, and (iv) expand protections associated with high-cost mortgages. The proposal also would amend Regulation X to implement other homeownership counseling-related requirements in Dodd-Frank requiring lenders to (i) distribute a list of homeownership counselors or counseling organizations to consumers within a few days after applying for any mortgage loan and (ii) provide first-time borrowers with counseling before taking out a negatively amortizing loan. Comments on this second proposed rule are due by September 7, 2012.

House Members Urge CFPB To Adopt QM Rule With Safe Harbor. This week, 90 members of the House of Representatives reportedly sent a letter to CFPB Director Richard Cordray urging the CFPB to include a clear and strong safe harbor in its final "ability to repay" or "qualified mortgage" (QM) rule. The rule would require creditors to verify a consumer's ability to repay prior to making a residential mortgage loan and would define a QM that has a presumption of compliance with the ability to repay requirement. The letter, which was initiated by Representatives Capito (R-WV) and

Sherman (D-CA), adds to a record that some Members of Congress have been building with regard to the QM rule. The Financial Institutions and Consumer Credit Subcommittee of the House Financial Services Committee chaired by Representative Capito held a hearing this week to receive testimony on the rule from stakeholders. While the witnesses generally agreed that the QM rule should be broad and provide clearly defined standards, differences of opinion remain with regard to the safe harbor issue. This week the extended comment period for the rule closed; the CFPB has indicated that it expects to issue its final rule before the end of 2012.

DOJ Finalizes Settlement Over Bank's Mortgage Lending Practices. On July 12, the DOJ announced a settlement with a national bank to resolve allegations that the bankengaged in a pattern or practice of discrimination against qualified African-American and Hispanic borrowers in its mortgage lending from 2004 through 2009. Pursuant to a consent decreeawaiting approval by the U.S. District Court for the District of Columbia, the bank will pay $125 million in compensation to wholesale borrowers who, the DOJ alleges, were steered into subprime mortgages or who paid higher fees and rates because of their race or national origin, and $50 million in direct down payment assistance to borrowers in communities identified by the DOJ as having large numbers of discrimination victims. In addition to the combined $175 million payment, the bank also agreed to separately compensate individual African-American and Hispanic borrowers identified through an internal review of its retail mortgage lending operations. Finally, the agreement will subject the bank to other compliance, training, recordkeeping, and monitoring requirements. In addition to resolving the federal allegations, the consent decree resolves a fair lending suit based on similar allegations brought bythe Illinois Attorney General. The DOJ's Fair Lending Unit in the Civil Rights Division's Housing and Civil Enforcement Section worked with the U.S. Attorney's Office for the District of Columbia and the Illinois Attorney General to obtain this agreement. The Fair Lending unit was established in 2010, and since that time has filed a complaint in or resolved 19 matters, a pace far surpassing that of previous years. This matter also is the most recent to be concluded under President Obama's Financial Fraud Enforcement Task Force, an interagency effort to investigate and prosecute financial crimes.

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House Subcommittee Presses CFPB on White House Ties. On July 2, the Chairman of a House Oversight and Government Reform Subcommittee, Representative McHenry (R-NC), sent a letter to CFPB Director Richard Cordray seeking information and documents regarding the CFPB's contacts with the executive branch. As an independent federal agency, the letter explains, the CFPB should operate "free from executive control." The letter catalogues meetings and other interactions between CFPB staff and executive branch personnel that Mr. McHenry believes "raise concerns about the [CFPB's] commitment to regulatory independence." Representative McHenry asks that the CFPB produce documents and information in response to a series of questions by July 16, 2012. For example, the letter seeks (i) information about requested or suggested

actions originating from the Executive Office of the President (EOP), (ii) CFPB internal guidelines and procedures to ensure independence from the executive branch, and (iii) all documents and communications between the CFPB and any employee of the EOP.

Senate Committee Explores Framework for Mobile Payments. On July 10, the Senate Banking Committee held the second hearing in a two-part series on developing a framework for safe and efficient mobile payment systems. A panel comprised of economic and legal experts in the area of mobile payments updated the Committee on the state of the market and provided ideas for establishing an appropriate regulatory framework that balances innovation and consumer protection. Among other topics, the panelists and Senators discussed information collection and use and the related privacy and data security risks to consumers, as well as to merchants taking mobile payments. At the first hearing in the series, held in March, the Committee received testimony from regulatory experts from the Federal Reserve System. During that hearing the Committee sought information about the current roles of regulators with regard to mobile payments, and potential gaps in the regulatory structure. The House Financial Services Committee recently concluded a similar series in which it explored the regulatory structure for mobile payments and assessed the market impacts of mobile payment advances.

NIST Proposes Update To Mobile Device Security Guidelines. On July 11, the National Institute of Standards and Technology released a proposed update to its guidelines for securing mobile devices. Originally published as *Guidelines on Cell Phone and PDA Security*, the proposed *Guidelines for Managing and Securing Mobile Devices in the Enterprise* offer new recommendations for devices used by the federal government. The draft guideline provide recommendations for developing centralized device management systems, with specific guidance related to (i) developing system threat models, (ii) establishing mobile device security policies, and (iii) implementing and testing prototype mobile device solutions, among other topics.

FinCEN Announces Public Hearing on Customer Due Diligence Proposal, Releases First Report on Real Estate Title and Escrow Industry SARs. On July 10, FinCEN announcedthe first in a series of public hearings to collect information related to its proposed rule on customer due diligence requirementsfor financial institutions. The public hearing, to be held July 31, 2012 at the Treasury Department, is designed to obtain input from the law enforcement and regulatory communities, as well as industry representatives.

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identify regulatory gaps and assess appropriate solutions to close those gaps and mitigate risk.

Medical Device Manufacturer Resolves FCPA Violations Related to Conduct in Mexico. On July 10, medical device manufacture Orthofix International N.V. became the latest in a string of companies in the medical device sector to resolve an FCPA matter with the U.S. government. The settlement adds Orthofix to the list of device manufacturers that have settled FCPA matters in 2012, along with Smith & Nephew and Biomet, who settled in February and March 2012, respectively. The Orthofix FCPA resolution calls for the company to pay a criminal fine to the DOJ of $2.22 million, and a civil monetary sanction (including disgorgement and interest) of $5.2 million to the SEC. The DOJ resolved the matter through a Deferred Prosecution Agreement, which was attached to the company's 8-K of July 10, 2012, reporting the resolution. According to the allegations in the SEC's Complaint, Promeca S.A. de C.V, a subsidiary based in Mexico, paid bribes to employees of the government-operated health care system, referring to the payments as "chocolates" and booking inaccurate reimbursement requests as meals, car tires or training expenses. The Mexico subsidiary made approximately $317,000 in improper payments over a 7-year period, according to the SEC. The FCPA resolution follows a June 7, 2012 guilty plea by the U.S. subsidiary, Orthofix Inc., on a False Claims Act-related matter, resulting in $7.8 million fine and payment of over $34 million to resolve a civil action.

U.S. Eases Sanctions on Burma to Allow U.S. Investment and Export of Financial Services. On July 11, President Obama announced that the U.S. is easing sanctions on Burma to allow U.S. companies to responsibly conduct business in Burma. The revised sanctions permit the first new U.S. investment in Burma in nearly 15 years and broadly authorize the exportation of financial services to Burma. Any person that engages in new investment in Burma pursuant to the revised sanctions that exceeds $500,000 is subject to new reporting requirements.

SEC Announces Additional Senior Appointments. On July 5, the SEC announced Norm Champ as the new Director of the SEC's Division of Investment Management. Mr. Champ has been serving as Deputy Director of the SEC's Office of Compliance Inspections and Examinations. Prior to joining the SEC in 2010, Mr. Champ was general counsel and a partner at investment management firm Chilton Investment Company. On July 9,the SEC announced that beginning August 6, 2012, Paula Drake will serve as Associate Director, Chief Counsel and Chief Compliance and Ethics Officer. Ms. Drake joins the SEC from Oechsle International Advisors, LLC, where she served as General Counsel and Chief Operating Officer.

Freddie Mac Names New General Counsel. On July 9, Freddie Mac named William H. McDavid as executive vice president, general counsel and corporate secretary beginning July 16, 2012. Mr. McDavid will replace Alicia Myara who has served as interim general counsel since November 2011. Mr. McDavid previously was general counsel and co-

general counsel for JPMorgan Chase & Co.

STATE ISSUES

Key Parts of California "Homeowner Bill of Rights" Signed Into Law. On July 11, California Governor Jerry Brown signed into law two bills that form part of the state's proposed "Homeowner Bill of Rights." Effective January 1, 2013, the two substantively identical bills will (i) codify a number of protections similar to those contained in the Multistate Servicer Settlement between 49 state attorneys general, the Federal Government, and the nation's five largest mortgage servicers announced in February, (ii) amend the mechanics of California's foreclosure processes, and (iii) provide borrowers with new private rights of action. Several other parts of the Homeowner Bill of Rights remain pending, as described in a fact sheet prepared by the California Attorney General.

Texas Revises Residential Mortgage Loan Originator and Mortgage Banker Regulations. Recently, the Texas Department of Savings and Mortgage Lending finalized revisions and updates to its regulations governing residential mortgage loan originators and mortgage bankers. The final rules took effect July 5, 2012 and mirror the rules as proposed on May, 4, 2012. In addition to clarifying and updating the regulations, the new rules alter disclosure forms for loans originated by mortgage companies or brokers. However, the department will not begin citing violations for use of an outdated form until September 1, 2012.

COURTS

First Circuit Holds Bank May Be Liable For Customer Losses from Cyber Attacks. On July 3, the U.S. Court of Appeals for the First Circuit became the first federal appellate court to address the issue of bank liability for the loss of customer funds resulting from a breach of a bank's cyber security, reversing a district court's holding that the bank was not liable for such losses because its security protections were commercially reasonable. *Patco Const. Co., Inc. v. People's United Bank*, No. 11-2031, 2012 WL 2543057 (1st Cir. Jul. 3, 2012). Patco Construction Company, a commercial banking customer suffered losses when cyber attackers gained electronic access to its account and made a series of unauthorized withdrawals. The customer sued the bank to recover the lost funds. The district court granted summary judgment in favor of the bank, holding that the customer should bear the loss from the fraudulent transfers because the bank's cyber security protections were commercially reasonable, and the customer agreed that the procedures were reasonable when it signed the contract to add its electronic account. On appeal the customer argued that the procedures were not commercially reasonable, that it did not agree to the procedures, and that the bank did not comply with its own procedures. Specifically, the customer argued that the bank increased the risk of compromised security when it decided to lower the threshold that triggered account verification questions from $100,000 to $1, essentially requiring that

the verification questions be answered for every transaction without considering the circumstances of the customer and the transaction. The First Circuit agreed. It found that the procedure change increased the risk of fraud through unauthorized use of compromised security answers. Moreover, after it had warning that fraud was likely occurring, the bank did not monitor the transaction or provide notice to the customer. The court held that the bank's collective security failures, when compared to the security measures employed by other financial institutions and the bank's capacity to implement more robust protections, rendered its security procedures commercially unreasonable. The court reversed the district court's ruling in favor of the bank and remanded for further proceedings.

Massachusetts Federal Court Upholds Local Foreclosure Laws. On July 3, the U.S. District Court for the District of Massachusetts dismissed several banks' challenge to a Massachusetts city's foreclosure-related ordinances. *Easthampton Savings Bank v. City of Springfield*, No. 11-30280, 2012 WL 2577582 (D. Mass. Jul. 3, 2012). The banks sued to enjoin the City of Springfield from enforcing two local ordinances related to foreclosures: one that regulates the maintenance of vacant properties and properties in the foreclosure process, and another that requires mediation prior to foreclosures. The banks argued that (i) state law preempts both ordinances, (ii) the vacant property ordinance violates the Contracts Clause of the U.S. Constitution, and (iii) a provision of the vacant property ordinance that requires a cash bond constitutes a tax prohibited by state law. The court in ruling for the city held that the ordinances are not preempted by state law because neither significantly alters the foreclosure process or the mortgagee-mortgagor relationship established by state law, and the imposition of additional duties does not create a conflict with state law. With regard to the federal constitutional challenge, the court held that the vacant property ordinance does not violate the Contracts Clause because any impairment of the banks' contracts under the ordinances is minor, and even if substantial, the ordinance falls within the city's police powers, is appropriately tailored to protect a basic societal interest, and imposes reasonable conditions on mortgagors. Finally, the court allowed the bond requirements of the vacant property ordinance to stand, reasoning that it is a regulatory fee and not a tax because the portion of the bond retained by the city is reasonably designed to compensate the city for regulatory expenses.

FIRM NEWS

Please Join Us for a Complimentary Webinar - The Consumer Financial Protection Bureau:
How to Prepare for an Examination
As the first anniversary of the CFPB approaches, many banks and non-banks are experiencing their first examination by the CFPB. In this webinar, Jeffrey Naimon, Jonice Gray Tucker, and Lori Sommerfield will provide guidance on what to expect from the CFPB, how to prepare for and manage the exam, and how best to interact with the Bureau concerning examination findings and ratings. During this webinar, we will also

highlight key developments, including recent changes to CFPB leadership, the status of critical rulemakings, and enforcement activity.

Date& Time: Thursday, July 26, 2012, 2:00 - 3:15 PM ET

Click here to register: https://www1.gotomeeting.com/register/543845256
Registration required. This webinar is open to all financial services companies and others subject to CFPB oversight. Please no outside law firms, government agency personnel, consulting firms, or media. After registering and being approved, you will receive a confirmation email containing instructions for joining the webinar.

Jeffrey Naimon will speak at National Mortgage News' 4th Annual Best Practices in Loss Mitigation Conference in Dallas, TX on July 19, 2012. Mr. Naimon's panel is entitled, "Current Regulatory Issues and Political Outlook" and will provide an overview of the regulatory and legislative developments affecting the mortgage servicing market, review current regulatory issues, and discuss how the issues and election year political moving parts might affect the current regulatory landscape.
Matthew Previn and Andrew Schilling will present a one-hour PLI telephone briefing entitled "From False Claims Act to FIRREA: The Government's Expanding Enforcement Arsenal Against Financial Institutions" on July 26, 2012 at 1:00 pm. Mr. Previn and Mr. Schilling will be joined by Pierre G. Armand, Deputy Chief of the Civil Frauds Unit at the U.S. Attorney's Office for the Southern District of New York, to discuss the government's recent approach to civil enforcement actions against mortgage lenders and other financial institutions.

Jonice Gray Tucker and Jay Laifman will participate in the California Mortgage Bankers Association's Western States Loan Servicing Conference on July 30, 2012 in Las Vegas, Nevada. Ms. Tucker will moderate a panel of current and former state and federal officials regarding the implementation and enforcement of new mortgage servicing standards. Mr. Laifman will speak on a panel that will explore best practices for compliance with the new servicing standards. For further information or registration, you may click the following LInk: http://www.cmba.com/new/brochures/ WSLC12Reg.pdf.

Andrew Sandler will speak at the National Mortgage News 2nd Annual Mortgage Regulatory Forum taking place September 13-14, 2012, in Arlington, VA. The Mortgage Regulatory Forum is created to provide the most up-to-date information on newly implemented regulation, and regulation in the pipeline, for both those on the origination side of the business, as well as mortgage servicing.

About BuckleySandler LLP (www.BuckleySandler.com)

With over 150 lawyers in Washington, DC, Los Angeles, and New York, BuckleySandler provides best-in-class legal counsel to meet the challenges of its financial services industry and other corporate and individual clients across the full range of government enforcement actions, complex and class action litigation, and transactional, regulatory, and public policy issues. The Firm represents many of the nation's leading financial services institutions. "The best at what they do in the country."(Chambers USA, 2010).

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New York: 1133 Avenue of the Americas, Suite 3100, New York, NY 10036, (212) 600-2400

We welcome reader comments and suggestions regarding issues or items of interest to be covered in future editions of InfoBytes. E-mailinfobytes@buckleysandler.com.

In addition, please feel free to email our attorneys. A list of attorneys can be found at: http://www.buckleysandler.com/professionals/professionals.
For back issues of InfoBytes, please see http://www.buckleysandler.com/infobytes/infobytes.
InfoBytes is not intended as legal advice to any person or firm. It is provided as a client service and information contained herein is drawn from various public sources, including other publications.

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holding that the customer should bear the loss from the fraudulent transfers because the bank's cyber security protections were commercially reasonable, and the customer agreed that the procedures were reasonable when it signed the contract to add its electronic account. On appeal the customer argued that the procedures were not commercially reasonable, that it did not agree to the procedures, and that the bank did not comply with its own procedures. Specifically, the customer argued that the bank increased the risk of compromised security when it decided to lower the threshold that triggered account verification questions from $100,000 to $1, essentially requiring that the verification questions be answered for every transaction without considering the circumstances of the customer and the transaction. The First Circuit agreed. It found that the procedure change increased the risk of fraud through unauthorized use of compromised security answers. Moreover, after it had warning that fraud was likely occurring, the bank did not monitor the transaction or provide notice to the customer. The court held that the bank's collective security failures, when compared to the security measures employed by other financial institutions and the bank's capacity to implement more robust protections, rendered its security procedures commercially unreasonable. The court reversed the district court's ruling in favor of the bank and remanded for further proceedings.

CONSUMER FINANCE

House Subcommittee Presses CFPB on White House Ties. On July 2, the Chairman of a House Oversight and Government Reform Subcommittee, Representative McHenry (R-NC), sent a letter to CFPB Director Richard Cordray seeking information and documents regarding the CFPB's contacts with the executive branch. As an independent federal agency, the letter explains, the CFPB should operate "free from executive control." The letter catalogues meetings and other interactions between CFPB staff and executive branch personnel that Mr. McHenry believes "raise concerns about the [CFPB's] commitment to regulatory independence." Representative McHenry asks that the CFPB produce documents and information in response to a series of questions by July 16, 2012. For example, the letter seeks (i) information about requested or suggested actions originating from the Executive Office of the President (EOP), (ii) CFPB internal guidelines and procedures to ensure independence from the executive branch, and (iii) all documents and communications between the CFPB and any employee of the EOP.

SECURITIES

CFTC, SEC Approve Final Rules To Define "Swap"; CFTC Exempts Small Banks From Clearing Requirements. This week the CFTC and the SEC approved jointly written rules and guidance to further define "swap," "security-based swap," and other

related terms for use in regulating over-the-counter (OTC) derivatives. The Dodd-Frank Act defines these terms but also requires both the SEC and CFTC to jointly define the terms further and jointly establish regulations regarding "mixed swaps" as may be necessary to carry out the purposes of swap and security-based swap regulation under the Act. The SEC and CFTC final rules and guidance identify specific products and services that do and do not fall within the further-defined terms. The approved rules will take effect 60 days after being published in the Federal Register. The approval of the definitions also triggers the period for swap dealers to comply with other Dodd-Frank Act rules put in place to regulate the OTC derivatives markets. The CFTC also approved a final rule that implements an exemption to the clearing requirement for non-financial entities and financial institutions with total assets of $10 billion or less that hedge or mitigate business risk through swaps.

SEC Announces Additional Senior Appointments. On July 5, the SEC announced Norm Champ as the new Director of the SEC's Division of Investment Management. Mr. Champ has been serving as Deputy Director of the SEC's Office of Compliance Inspections and Examinations. Prior to joining the SEC in 2010, Mr. Champ was general counsel and a partner at investment management firm Chilton Investment Company. On July 9,the SEC announced that beginning August 6, 2012, Paula Drake will serve as Associate Director, Chief Counsel and Chief Compliance and Ethics Officer. Ms. Drake joins the SEC from Oechsle International Advisors, LLC, where she served as General Counsel and Chief Operating Officer.

E-COMMERCE

FFIEC Issues Statement on Cloud Computing Vendors. On July 10, the federal banking regulators, through the Federal Financial Institutions Examination Council (FFIEC), published a statement on outsourcing of cloud computing services by financial institutions. The statement explains that the regulators consider cloud computing to be another form of outsourcing with the same basic risk characteristics and risk management requirements as traditional forms of outsourcing. The statement goes on to outline the key risks of outsourced cloud computing, focusing on due diligence, vendor management, information security, audits, legal and regulatory compliance, and business continuity planning. The statement concludes that "[c]loud computing may require more robust controls due to the nature of the service. When evaluating the feasibility of outsourcing to a cloud-computing service provider, it is important to look beyond potential benefits and to perform a thorough due diligence and risk assessment of elements specific to that service."

Senate Committee Explores Framework for Mobile Payments. On July 10, the Senate Banking Committee held the second hearing in a two-part series on developing a framework for safe and efficient mobile payment systems. A panel comprised of

economic and legal experts in the area of mobile payments updated the Committee on the state of the market and provided ideas for establishing an appropriate regulatory framework that balances innovation and consumer protection. Among other topics, the panelists and Senators discussed information collection and use and the related privacy and data security risks to consumers, as well as to merchants taking mobile payments. At the first hearing in the series, held in March, the Committee received testimony from regulatory experts from the Federal Reserve System. During that hearing the Committee sought information about the current roles of regulators with regard to mobile payments, and potential gaps in the regulatory structure. The House Financial Services Committee recently concluded a similar series in which it explored the regulatory structure for mobile payments and assessed the market impacts of mobile payment advances.

NIST Proposes Update To Mobile Device Security Guidelines. On July 11, the National Institute of Standards and Technology released a proposed update to its guidelines for securing mobile devices. Originally published as *Guidelines on Cell Phone and PDA Security*, the proposed Guidelines for Managing and Securing Mobile Devices in the Enterprise offer new recommendations for devices used by the federal government. The draft guideline provide recommendations for developing centralized device management systems, with specific guidance related to (i) developing system threat models, (ii) establishing mobile device security policies, and (iii) implementing and testing prototype mobile device solutions, among other topics.

PRIVACY / DATA SECURITY

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CRIMINAL ENFORCEMENT

FinCEN Announces Public Hearing on Customer Due Diligence Proposal, Releases First Report on Real Estate Title and Escrow Industry SARs. On July 10, FinCEN announcedthe first in a series of public hearings to collect information related to its proposed rule on customer due diligence requirementsfor financial institutions. The public hearing, to be held July 31, 2012 at the Treasury Department, is designed to obtain input from the law enforcement and regulatory communities, as well as industry representatives.
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Medical Device Manufacturer Resolves FCPA Violations Related to Conduct in Mexico. On July 10, medical device manufacture Orthofix International N.V. became the latest in a string of companies in the medical device sector to resolve an FCPA matter with the U.S. government. The settlement adds Orthofix to the list of device manufacturers that have settled FCPA matters in 2012, along with Smith & Nephew and Biomet, who settled in February and March 2012, respectively. The Orthofix FCPA resolution calls for the company to pay a criminal fine to the DOJ of $2.22 million, and a civil monetary sanction (including disgorgement and interest) of $5.2 million to the SEC. The DOJ resolved the matter through a Deferred Prosecution Agreement, which was attached to the company's 8-K of July 10, 2012, reporting the resolution. According to the allegations in the SEC's Complaint, Promeca S.A. de C.V, a subsidiary based in Mexico, paid bribes to employees of the government-operated health care system, referring to the payments as "chocolates" and booking inaccurate reimbursement requests as meals, car tires or training expenses. The Mexico subsidiary made

approximately $317,000 in improper payments over a 7-year period, according to the SEC. The FCPA resolution follows a June 7, 2012 guilty plea by the U.S. subsidiary, Orthofix Inc., on a False Claims Act-related matter, resulting in $7.8 million fine and payment of over $34 million to resolve a civil action.

U.S. Eases Sanctions on Burma to Allow U.S. Investment and Export of Financial Services. On July 11, President Obama announced that the U.S. is easing sanctions on Burma to allow U.S. companies to responsibly conduct business in Burma. The revised sanctions permit the first new U.S. investment in Burma in nearly 15 years and broadly authorize the exportation of financial services to Burma. Any person that engages in new investment in Burma pursuant to the revised sanctions that exceeds $500,000 is subject to new reporting requirements.

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