

# This week at the UK regulators

## Thirty second guide: The week in overview

In a relatively quiet week for the regulators without any concluded enforcement actions, the main announcement was the FCA's review of the assessment undertaken by advisory firms of the suitability of the products and services they recommend to retail clients. Additionally, the minutes of a meeting regarding the implementation of MiFID II were published and the Bank of England updated its supervisory statement regarding Solvency II. The PRA also published a consultation paper setting out its proposed amendments to rules in respect of second and subsequent charge mortgages, the FCA invited views on the relevance of the retained provisions of the Consumer Credit Act, and the FCA and PRA provided feedback regarding some elements of the Senior Managers and Certification Regimes and Senior Insurance Managers Regime.

Further afield, in the US, FINRA launched a 'target examination' intended to evaluate US brokerages' firm culture and values. Last week also saw significant developments in separate cases where anti-corruption authorities in the UK and further afield, with the conclusion of the first prosecution in the UK for the offence of failing to prevent bribery and a global settlement between US and Dutch authorities in respect of historic alleged corrupt payments.

## FCA reviews of advisory firms' assessments of suitability of products and services

The FCA has (on 19 February) published a thematic review (TR16/1) setting out the findings of review of the research and due diligence processes carried out by advisory firms on the products and services they recommend to retail clients. The FCA considers how advisory firms review the market and ensure that they recommend suitable solutions for retail clients. The paper reviews, amongst other things, how firms select products, funds, platforms and discretionary investment management services, create panels and centralised investment propositions and consider options for individual clients.

<http://www.fca.org.uk/static/fca/article-type/thematic%20reviews/tr16-01.pdf>

## FCA publishes minutes of the MiFID II Implementation: Trading Venue Roundtable

The FCA has (on 18 February) published the minutes of the 'MiFID II Implementation: Trading Venue Roundtable' held on 5 February 2016. Amongst other matters, the FCA noted that, based on reported comments, it expected the European Commission to shortly propose putting back the date of application for the whole of MiFID II to January 2018

and the timeline for implementation measures was also unclear. The FCA has indicated that it has not yet decided when it would publish its second MiFID II consultation paper, which would depend on the progress of the implementation measures.

<http://www.fca.org.uk/static/fca/documents/mifidii-trading-venue-roundtable-minutes-050216.pdf>

## FCA Call for Input: Review of retained provisions of the Consumer Credit Act

The FCA has (on 18 February) requested input regarding the retained provisions of the Consumer Credit Act. Following the repeal of a number of Consumer Credit Act 1974 ("CCA") provisions, the Treasury has required the FCA to undertake a review of the remaining CCA provisions by 1 April 2019, which may include recommendations for legislative change. The FCA has stated that it aims to simplify the regime where possible and ensure an appropriate degree of consumer protection whilst not placing disproportionate burdens on firms. It has indicated that it will consider whether the remaining provisions are still appropriate, whether repeal of CCA provisions would adversely affect the appropriate degree of protection for consumers, and whether they could be replaced by FCA rules or guidance.

The FCA has invited comments by 18 May 2016.

<http://www.fca.org.uk/static/documents/call-for-input-review-retained-provisions-consumer-credit-act.pdf>

## FCA warnings

Name of firm	Date of warning	Details
Fort Finance Limited	19 February 2016	Not authorised <a href="https://www.fca.org.uk/news/warnings/fort-finance-limited-cc">https://www.fca.org.uk/news/warnings/fort-finance-limited-cc</a>
Property Shares	18 February 2016	Not authorised <a href="http://www.fca.org.uk/news/warnings/property-shares">http://www.fca.org.uk/news/warnings/property-shares</a>
Financial Management Worldwide L.P.	18 February 2016	Not authorised <a href="http://www.fca.org.uk/news/warnings/financial-management-worldwide-lp">http://www.fca.org.uk/news/warnings/financial-management-worldwide-lp</a>
Ox Global Investments Limited Ltd	18 February 2016	Clone firm <a href="http://www.fca.org.uk/news/warnings/ox-global-investments-limited-ltd-clone">http://www.fca.org.uk/news/warnings/ox-global-investments-limited-ltd-clone</a>
Debt Collection Service Limited	16 February 2016	Clone firm <a href="http://www.fca.org.uk/news/warnings/debt-collection-service-limited-clone-cc">http://www.fca.org.uk/news/warnings/debt-collection-service-limited-clone-cc</a>
Capital Markets trading as MarketCT	15 February 2016	Clone firm <a href="http://www.fca.org.uk/news/warnings/capital-markets-marketct-clone">http://www.fca.org.uk/news/warnings/capital-markets-marketct-clone</a>

## Policy developments

FCA		PRA	
<b>Proposed developments</b>			
		<b>Deadline for responses</b>	

<p><b>Consultation papers</b></p>			<p>11 March 2016</p>	<p>The PRA has (on 15 January) published a consultation paper (CP 6/16) setting out its proposals for amendments to the Housing Part of the PRA Rulebook in respect of second and subsequent charge mortgage contracts, which will fall under the definition of a regulated mortgage contract from 21 March 2016. The consultation paper proposes to amend the PRA's rules in order to continue to exclude second and subsequent charge mortgage contracts from the loan to income flow limit.</p> <p><a href="http://www.bankofengland.co.uk/pradocuments/publications/cp/2016/cp616.pdf">http://www.bankofengland.co.uk/pradocuments/publications/cp/2016/cp616.pdf</a></p>
<p><b>Guidance consultation</b></p>	<p>The FCA has (on 22 February) published a guidance consultation paper (GC16/2) inviting views on the proposed guidance to explain how the FCA will interpret provisions of the Consumer Credit Act 1974 (CCA) regarding the enforcement of security in relation to a regulated credit agreement or a regulated consumer hire agreement.</p> <p><a href="http://www.fca.org.uk/static/documents/gc16-02.pdf">http://www.fca.org.uk/static/documents/gc16-02.pdf</a></p>	<p>18 March 2016</p>		

<p><b>Finalised Policy and guidance</b></p>				
		<p><b>Implementation/effective date</b></p>		
<p><b>Policy statements</b></p>	<p>The FCA has (on 15 February) published a policy statement (PS16/5) setting out the PRA and FCA final rules to implement the proposals for applying the Senior Insurance Managers Regime</p>	<p>Various – see table on page 8 of the Policy Statement</p>	<p>Various – see table on page 8 of the Policy Statement</p>	<p>The PRA has (on 15 February) published a policy statement (PS5/16) setting out the PRA and FCA final rules to implement the proposals for applying the Senior Insurance</p>

	<p>("SIMR") to Swiss general insurers. It also provides feedback to various consultation papers regarding the Senior Managers and Certification Regimes and SIMR generally.</p> <p><a href="http://www.fca.org.uk/static/fca/documents/policy-statements/ps16-05.pdf">http://www.fca.org.uk/static/fca/documents/policy-statements/ps16-05.pdf</a></p>			<p>Managers Regime ("SIMR") to Swiss general insurers. It also provides feedback to various consultation papers regarding the Senior Managers and Certification Regimes and SIMR generally.</p> <p><a href="http://www.bankofengland.co.uk/pr/Documents/publications/ps/2016/ps516.pdf">http://www.bankofengland.co.uk/pr/Documents/publications/ps/2016/ps516.pdf</a></p>
				<p>The PRA has (on 19 February) published a policy statement (PS6/16) setting out the feedback to responses to CP39/15 regarding the PRA's approach to identifying other systemically important institutions (O-SIIs). Appendix 1 to this policy statement sets out the PRA's criteria and scoring methodology used to identify O-SIIs; and Appendix 2 contains the 2015 list of UK firms designated as O-SIIs.</p> <p><a href="http://www.bankofengland.co.uk/pr/Documents/publications/ps/2016/ps616.pdf">http://www.bankofengland.co.uk/pr/Documents/publications/ps/2016/ps616.pdf</a></p> <p><a href="http://www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp3915.aspx">http://www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp3915.aspx</a></p> <p><a href="http://www.bankofengland.co.uk/pr/Documents/publications/so/2016/approachtosiiis.pdf">http://www.bankofengland.co.uk/pr/Documents/publications/so/2016/approachtosiiis.pdf</a></p> <p><a href="http://www.bankofengland.co.uk/pr/Documents/crdiv/2015osiilst.pdf">http://www.bankofengland.co.uk/pr/Documents/crdiv/2015osiilst.pdf</a></p>
<b>Supervisory statements</b>			18 February 2016	<p>The Bank of England has (on 18 February) updated its supervisory statement (SS37/15) entitled "Solvency II: internal model reporting codes and components" that was originally published in August 2015. The update provides, amongst other things, details</p>

			<p>regarding the additional flexibility when assigning codes to internal model Solvency Capital Requirement (SCR) components being reported (internal model SCR component codes remain a six character code). The appendix has been updated to reflect additional flexibility in use of characters 4 and 5 of the code; these characters are now letters or numbers.</p> <p><a href="http://www.bankofengland.co.uk/pru/Pages/publications/ss/2016/ss3715update.aspx">http://www.bankofengland.co.uk/pru/Pages/publications/ss/2016/ss3715update.aspx</a></p>
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## Further Afield

### FINRA to evaluate brokerages' firm culture and values

The US independent regulator of the securities industry, the Financial Industry Regulatory Authority Inc. ("**FINRA**"), has (on 18 February) launched a 'target examination' intended to evaluate brokerages' firm culture and values, and how they influence their ability to adhere to securities rules. Firms will be asked to summarise how they establish, implement and measure policies that form their culture, how they find and respond to compliance violations, and how they identify rogue 'subcultures'. As part of this review, FINRA intends to meet with executive business, compliance, and legal and risk management staff of relevant firms to discuss cultural values. FINRA will also analyse how a firm's compensation practices influence culture as well as how culture determines promotions.

The announcement resonates with those made previously by regulators in various jurisdictions in relation to culture. For details of the approach of the FCA and other regulators worldwide to this issue, see our Clifford Chance briefings, originally published in December 2014 and May 2015.

<http://www.investmentnews.com/article/20160218/FREE/160219928/finra-asks-8-questions-to-assess-a-firms-culture>

<http://www.finra.org/industry/establishing-communicating-and-implementing-cultural-values>

<https://onlineservices.cliffordchance.com/online/freeDownload.action?key=OBWlbfGhLNomwBl%2B33QzdFhRQAhp8D%2BxrlGRel2crGqLnALtlyZe852ozjOldYYE7foMQ9KfYHp%0D%0A5mt12P8Wnx03DzsaBGwsIB3EVF8XihbSpJa3xHNE7tFeHpEbaelf&attachmentsize=6487551>

<https://onlineservices.cliffordchance.com/online/freeDownload.action?key=OBWlbfGhLNomwBl%2B33QzdFhRQAhp8D%2BxrlGRel2crGqLnALtlyZe8nmSNwget6rzZHywghNSLTp%0D%0A5mt12P8Wnx03DzsaBGwsIB3EVF8XihbSpJa3xHNE7tFeHpEbaelf&attachmentsize=2298910>

### UK, US and Dutch anti-corruption authorities conclude key cases

In the first case of its type to be prosecuted by the UK Serious Fraud Office ("**SFO**"), a judge at Southwark Crown Court has (on 19 February) imposed a fine of £1.4 million on Sweett Group PLC following conviction for offences of failing to prevent bribery in connection with business carried on in the United Arab Emirates between December 2012 and December 2015. Sweett had pleaded guilty to the offence (under section 7 of the Bribery Act 2010) in December 2015. In addition to the fine, the Court also imposed a confiscation order of £851,152 and required Sweett to pay £95,031 in costs. The case is the first in which a corporate entity has been prosecuted for this offence since it came into effect in July 2011. It follows closely behind the SFO's first deferred prosecution agreement in November 2015, which also concerned the same offence (see our Clifford Chance briefing).

In a joint announcement issued on 18 February in connection with a separate case, the US Securities and Exchange Commission, the US Department of Justice and Dutch regulators announced a global settlement with VimpelCom Ltd, requiring it to pay more than \$795 million in respect of alleged violations of the Foreign Corrupt Practices Act (FCPA) to win business in Uzbekistan.

<http://www.sec.gov/news/pressrelease/2016-34.html>

<https://onlineservices.cliffordchance.com/online/freeDownload.action?key=OBWlbFgNhLNomwBI%2B33QzdFhRQAhp8D%2BxrlGRel2crGqLnALtlyZe%2BeiGTTeMBJzWol67krIQ3p%0D%0A5mt12P8Wnx03DzsaBGwsIB3EVF8XihbSpJa3xHNE7tFeHpEbaelf&attachmentsize=108222>

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