

This week at the UK regulators

Thirty second guide: The week in overview

The main enforcement development last week was the sentencing of two individuals for insider dealing following the long running and complex Operation Tabernula investigation, conducted by the FCA in partnership with the National Crime Agency. The sentence of 4.5 years handed down to one of the individuals is the longest in any insider dealing case pursued by the FCA to date. Away from the criminal courts, under the regulatory regime, a substantially reduced fine of £36,285 was imposed on an individual for insider dealing in the context of personal dealing. In another case, the FCA has followed the Upper Tribunal's direction to fine a former insurance broker £10,000 for misuse of client funds.

In other developments, the FCA has published details of its performance in relation to the handling of applications and has started accepting applications for its "Regulatory Sandbox", part of "Project Innovate". In a linked development, it has released details of the latest agreement to be signed with an overseas authority (in this case the Singaporean regulator) in relation to innovation. Finally, the FCA has released details of studies into the impact of the Mortgage Market Review, drawing broadly positive conclusions about firms' responsible lending practices.

Further afield, the International Organization of Securities Commissions has named the CEO of the Hong Kong Securities and Futures Commission as its new Chair and the US Securities and Exchange Commission, announcing a payment of over US\$3.5 million to an informant, has confirmed that whistleblowers will still be rewarded if they bring useful information, even if an investigation has already been commenced.

Record sentence imposed on Operation Tabernula insider dealers

Further to the convictions announced last week, Mr Martyn Dodgson and Mr Andrew Hind have (on 12 May) been sentenced to 4.5 and 3.5 years' imprisonment respectively for insider dealing. The sentence imposed on Mr Dodgson is the longest ever imposed for insider dealing in a case brought by the FCA. The sentences conclude the most complex insider dealing investigation ever conducted by the FCA, which involved it working in partnership with the National Crime Agency. The FCA has confirmed that it will pursue confiscation proceedings against both individuals.

<http://www.fca.org.uk/news/insider-dealers-sentenced-in-operation-tabernula-trial>

FCA fines and bans individual for market abuse

The FCA has (on 13 May) published a Final Notice (dated 5 May) imposing a financial penalty of £36,285 and a prohibition order on Mr Mark Taylor for engaging in market abuse through insider dealing contrary to section 118(2) of the Financial Services and Markets Act 2000.

The FCA found that Mr Taylor, a financial adviser,

purchased shares in March 2015 for his own account using funds from his self-invested personal pension based upon inside information about a takeover proposal contained in an email circulated in error by his employer. It found that he made a profit of £3,498 when he subsequently sold the shares.

The notice states that the FCA would have imposed a financial penalty of £78,819 had Mr Taylor not provided verifiable evidence that such a fine would cause him serious financial hardship. This figure was arrived at after reductions of 25 per cent to reflect admissions made during an early interview under caution and a further 30 per cent as Mr Taylor agreed to settle at an early stage of the investigation. It also states that the FCA is minded to revoke the prohibition order in May 2018 provided there is no new evidence that Mr Taylor is not fit and proper to be perform functions related to the carrying on of regulated activities.

<http://www.fca.org.uk/static/documents/final-notice/mark-samuel-taylor.pdf>

Other enforcement notices

The FCA has (on 9 May) imposed a financial penalty of £10,000 and a prohibition order on Mr Terence Joint, a former director of an insurance brokerage firm, for breaches

of principles 6 (due skill, care and diligence) and 7 (compliance by firm with regulatory standards) of the Statements of Principles for Approved Persons (APER) and of rules set out in the Client Assets Sourcebook (CASS) in connection with the use of monies received in respect of insurance premiums for business expenses. The FCA's Final Notice imposes the penalty ordered by the Upper Tribunal in November 2015 following a reference pursued by Mr Joint. He had sought to appeal the Tribunal's determination but withdrew his appeal in March 2016.

<http://www.fca.org.uk/your-fca/documents/final-notice/2016/terence-andrew-joint>

<http://www.tribunals.gov.uk/financeandtax/Documents/decisions/Terence-Andrew-Joint-v-FCA.pdf>

The FCA has (on 9 May) refused an application made by Mr Nasser Yusuf trading as Advance Money Management for permission to carry on the regulated activities of debt adjusting and debt counselling based on failures to comply with disclosure obligations, the FCA's conclusion that he is not ready, willing and organised to comply with regulatory obligations and its assessment of Mr Yusuf's skills and experience.

<http://www.fca.org.uk/static/documents/final-notice/nasser-yusuf%20.pdf>

In separate Final Notices, the FCA has (on 12 May) cancelled the permissions of R Sadler and Made 2 Measure Fitted Furniture Limited based upon failures to submit required regulatory returns.

<http://www.fca.org.uk/static/fca/documents/r-sadler.pdf>

<http://www.fca.org.uk/static/fca/documents/made-2-measure-fitted-furniture-limited.pdf>

FCA publishes details of performance on applications

The FCA has (on 9 May) published details of how it performed against its key performance indicators for the quarter to March 2016 in respect of authorisations, variation of permission, payment services and e-money and waivers. The report shows that whilst time taken to deal with some types of applications has decreased, the processing time for some more complex types of applications have increased.

<http://www.fca.org.uk/static/documents/corporate/key-performance-indicators-march-2016.pdf>

FCA starts accepting sandbox applications...

The FCA has (on 9 May) published the application form to be used by businesses seeking to benefit from its "Regulatory Sandbox", an initiative set up as part of "Project Innovate" to enable products, services, business models and delivery mechanisms considered to be innovative to be tested without immediately incurring all the normal regulatory consequences of running a pilot activity.

<http://www.fca.org.uk/static/documents/forms/regulatory-sandbox-application-form.docx>

...and announces cooperation with Singaporean regulator on innovation

The FCA has (on 11 May) published a cooperation agreement entered into with the Monetary Authority of Singapore (MAS) relating to the promotion of innovation in financial services. It aims to provide a framework for cooperation, information sharing and referrals between the FCA's "Project Innovate" and MAS' Financial Technology & Innovation Group.

This follows a similar agreement signed with Australian regulators in March 2016 (see This week at the UK regulators, 29 March 2016) and previous announcements by the Swiss and Singaporean regulators indicating their support for projects fostering innovation and specific initiatives similar to the FCA's "Regulatory Sandbox" (see This week at the UK regulators, 4 April 2016).

<http://www.fca.org.uk/static/documents/mou/fca-monetary-authority-of-singapore-co-operation-agreement.pdf>

<https://onlineservices.cliffordchance.com/online/freeDownload.action?key=OBWlbfGhNlNomwBl%2B33QzdFhRQAhp8D%2BxrlGRel2crGqLnALtlyZe%2F3x2d4WdUjngVb2FIYHeRTp%0D%0A5mt12P8Wnx03DzsaBGwsIB3EVF8XihbSpJa3xHNE7tFeHpEbaelf&attachmentsize=81050>

FCA sets out details on Suspicious Transaction and Order Reports

The FCA has (on 10 May) published slides from a presentation aimed at assisting firms with understanding its expectations in relation to the broadened reporting regime under the Market Abuse Regulation, which will apply from 3 July 2016. It includes some details of how Suspicious Transaction and Order Reports (STORs) will be handled in practice by the FCA.

<http://www.fca.org.uk/your-fca/documents/suspicious-transaction-and-order-reports-update-february-2016>

FCA warnings

Name of firm	Date of warning	Details
Sure Money UK	13 May 2016	Clone firm http://www.fca.org.uk/news/warnings/sure-money-uk-clone
Martin Pranz	13 May 2016	Clone firm http://www.fca.org.uk/news/warnings/martin-pranz-clone
Thornton & Tresk	13 May 2016	Not authorised http://www.fca.org.uk/news/warnings/thornton-tresk
Pearson Jacobs Limited	12 May 2016	Not authorised http://www.fca.org.uk/news/warnings/pearson-jacobs-limited
Zeta Holding Limited	10 May 2016	Clone firm http://www.fca.org.uk/news/warnings/financial-services-net-ltd-clone
Financial Services Net Ltd	9 May 2016	Clone firm http://www.fca.org.uk/news/warnings/financial-services-net-ltd-clone

Policy developments

FCA		PRA	
Proposed developments			
		Deadline for responses	
Consultation		12 August	The PRA has (on 12 May) published a consultation paper

papers			2016	(CP 21/16) on Pillar 2 liquidity http://www.bankofengland.co.uk/pira/Documents/publications/cp/2016/cp2116.pdf
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Finalised Policy and guidance				
		Implementation/effective date		
Feedback statements	<p>The FCA has (on 16 May) published a feedback statement (FS 16/3) reporting on the themes arising from the responses to the Call for Inputs it published in October 2015 on competition in the mortgage sector. This statement has been published alongside a report setting out the findings of its market wide thematic review examining the impact of the Mortgage Market Review. This finds that firms have recognised and positively engaged with the aims of the responsible lending rules, and that these rules are not preventing lending across particular age groups or sections of the population such as the self-employed. It found that they have not yet had a material impact on lending volumes but that interest rate rises may lead to decreases due to their application.</p> <p>http://www.fca.org.uk/static/fca/documents/feedback-statements/fs16-03.pdf</p> <p>http://www.fca.org.uk/static/documents/cfi-mortgage-sector.pdf</p> <p>http://www.fca.org.uk/static/fca/article-type/thematic%20reviews/tr16-04.pdf</p>	n/a		

Further Afield

Hong Kong regulator to become new IOSCO chief

At its annual conference in Lima, the International Organization of Securities Commission has appointed Ashley Alder, the CEO of the Hong Kong Securities and Futures Commission to chair its Board. He will replace Greg Medcraft, who leads the Australian Securities and Investments Commission.

<https://www.iosco.org/news/pdf/IOSCONEWS427.pdf>

SEC US\$3.5 million whistleblower award

The US Securities and Exchange Commission has (on 13 May) announced an award of over US\$3.5 million to a whistleblower whose information bolstered an ongoing investigation with additional evidence of wrongdoing. The SEC's release emphasises that awards may be paid not only where whistleblowers' tips lead to the commencement of investigations but also in cases such as this, where they assist in identifying new matters.

<http://www.sec.gov/news/pressrelease/2016-88.html>

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