

This week at the UK regulators

Thirty second guide: The week in overview

In a week without any concluded enforcement cases, the main news was that rules for regulatory references and the broader application of the Conduct Rules came into force under the Senior Managers and Certification Regime.

The FCA entered into a referral framework with the JFSA to support fintech businesses in the UK and Japan seeking entry into the other market and to exchange information about financial services innovation.

The FCA also published a number of policy developments about proposed changes to the redress methodology in cases of unsuitable transfers of defined benefit pension schemes to personal pensions, the implementation of the Insurance Distribution Directive and changes to the Handbook, including those to reflect the implementation of the Lifetime ISA, ESMA's guidance on commodity derivatives, the coming into force of the Prospectus Regulation, the FCA's regulatory reporting requirement and improvements to firms' communications with consumers.

Further afield, authorities announced enforcement cases against a firm and a former managing director found to have breached AML responsibilities (Hong Kong) and two firms and their owners for alleged manipulation of the US equities markets through layering and cross-manipulation schemes (US).

Senior Managers and Certification Regime rollout continues

On 7 March, the FCA and PRA rules regarding regulatory references came into force for Senior Managers and staff in the Certification Regime at deposit takers, large investment firms and insurers. The Conduct Rules also now apply to all staff at deposit takers and large investment firms, apart from those who undertake purely ancillary functions. Further, all firms were required to issue certificates for staff in the Certification Regime by this date.

<https://www.fca.org.uk/news/news-stories/senior-managers-and-certification-regime-one-year>

FCA and JFSA in referral framework for fintech firms

On 9 March, the FCA and JFSA exchanged letters on a co-operation framework to provide a regulatory referral system for fintech and other innovative financial firms in the UK and Japan that wish to enter the other market. The framework intends to reduce barriers to entry in the UK and Japan by allowing the receiving authority to reduce regulatory uncertainty and time to market for a referred firm and to encourage the FCA and JFSA to share information with each other about financial services innovation in their markets.

<https://www.fca.org.uk/news/press-releases/financial-regulators-japan-and-uk-announce-exchange-letters-co-operation>

FCA Competition Director speaks about competition in consumer markets

On 9 March, Mary Starks, Director of Competition at the FCA, spoke to the Association of Investment Companies about the nature of the FCA's consumer competition remit, the interpretation of its objectives and its role in supporting the government during Brexit negotiations. Ms Starks also addressed the findings of the FCA's own asset management market study that competition has not worked well to deliver value in this market and commented on the recent market changes for consumers as a result of pensions reform.

<https://www.fca.org.uk/news/speeches/view-regulator-developing-our-approach>

SFO Joint Head of Bribery and Corruption speaks about deferred prosecution agreements

On 7 March, Ben Morgan, Joint Head of Bribery and Corruption at the SFO, spoke to a seminar of general counsel and compliance counsel about the nature and future of deferred prosecution agreements (DPAs). He

provided an overview of the three DPAs entered into to date with the SFO and summarised his view of future DPAs as increasingly common vehicles for the disposal of corporate criminal risk for those institutions that behave responsibly and the importance of self-reporting and early engagement with the SFO.

<https://www.sfo.gov.uk/2017/03/08/the-future-of-deferred-prosecution-agreements-after-rolls-royce/>

FCA warnings

Name of firm	Date of warning	Details
Asset Management Protection (AMP)	10 March 2017	Not authorised https://www.fca.org.uk/news/warnings/asset-management-protection-amp
GE Money Financing	10 March 2017	Clone firm https://www.fca.org.uk/news/warnings/ge-money-financing-clone
Loans 2 Go	8 March 2017	Clone firm https://www.fca.org.uk/news/warnings/loans-2-go-clone
Loan and Go	7 March 2017	Not authorised https://www.fca.org.uk/news/warnings/loan-and-go
Goldman Reeves Ltd	7 March 2017	Not authorised https://www.fca.org.uk/news/warnings/goldman-reeves-ltd
Tesco 2 Finance / Tesco 4 Finance	7 March 2017	Not authorised https://www.fca.org.uk/news/warnings/loan-and-go

Policy developments

FCA		PRA		
Proposed developments				
		Deadline for responses		
Consultation papers	<p>On 3 March, the FCA published its quarterly consultation paper (CP17/6), which proposes changes to the Handbook to reflect (among other things) ESMA's guidance on commodity derivatives, the coming into force of the Prospectus Regulation, the FCA's regulatory reporting requirement and improvements to firms' communications with consumers.</p> <p>https://www.fca.org.uk/publication/consultation-papers/cp17-6-quarterly-consultation-paper-no-16</p>	3 April 2017 and 3 March 2017		
Guidance consultation	<p>On 10 March, the FCA published a guidance consultation (GC17/1) on updating the pension redress methodology in cases of unsuitable transfers of defined benefit pension schemes to personal pensions.</p> <p>https://www.fca.org.uk/publication/guidance-consultations/gc17-1-update-pension-redress-methodology</p>	10 June 2017		
Discussion papers	<p>On 6 March, the FCA published a discussion paper (DP17/7) on the implementation of the Insurance Distribution Directive, including the initial authorisation, passporting arrangements and ongoing regulatory requirements for insurance and reinsurance</p>	5 June 2017		

	intermediaries. https://www.fca.org.uk/publications/consultation-papers/cp17-7-insurance-distribution-directive-implementation			
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Finalised Policy and guidance				
		Implementation/effective date		
Policy statements	On 7 March, the FCA published a policy statement (PS17/4) on the Handbook changes to be implemented to reflect the introduction of the Lifetime ISA. https://www.fca.org.uk/publications/policy-statements/ps17-4-handbook-changes-reflect-introduction-lifetime-isa	6 April 2017		

Further Afield

SFC fines firm for AML guidelines breach

On 6 March, the Hong Kong Securities and Futures Commission (SFC) announced a reprimand and fine of HK\$3m for Guangdong Securities Limited, now known as Sinolink Securities (Hong Kong) Company Limited, for breaching the Prevention of Money Laundering and Terrorist Financing Guidance Note, the Guideline on Anti-Money Laundering and Counter-Terrorist Financing and the Code of Conduct when handling third-party payments. The SFC found that the firm's internal controls were deficient and inadequate for two years and that the firm failed to demonstrate that it had conducted appropriate verification checks before processing payments.

On 13 March, the SFC announced that the firm's former managing partner, Huang Qiang, was prohibited from the local industry for nine months as a result of these findings

and his responsibility for overseeing all operations within the firm, including monitoring risk and compliance issues.

<http://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=17PR27>

<http://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=17PR29>

SEC charges trading firms for layering and manipulations schemes

On 10 March, the US Securities and Exchange Commission (SEC) announced fraud charges against Avalon FA Ltd in connection with alleged manipulation of US equities markets. Avalon is alleged to have made more than \$21m over five years through layering transactions, by placing and cancelling orders after luring others into buying or selling equities at artificial prices, and more than \$7m through cross-market manipulation of equities and corresponding options at artificial prices. The SEC's complaint details further allegations against Nathan Fayer and Sergey Pustelnik, Avalon's named owners, Lek

Securities and named owner Samuel Lek for their alleged roles in facilitating the schemes.

<https://www.sec.gov/news/press-release/2017-63>

Contacts

Roger Best
Partner

E: roger.best
@cliffordchance.com

Helen Carty
Partner

E: helen.carty
@cliffordchance.com

Carlos Conceicao
Partner

E: carlos.conceicao
@cliffordchance.com

Dorian Drew
Partner

E: dorian.drew
@cliffordchance.com

Jeremy Kosky
Partner

E: jeremy.kosky
@cliffordchance.com

Rae Lindsay
Partner

E: rae.lindsay
@cliffordchance.com

Michael Lyons
Partner

E: michael.lyons
@cliffordchance.com

Kelwin Nicholls
Partner

E: kelwin.nicholls
@cliffordchance.com

Judith Seddon
Partner

E: judith.seddon
@cliffordchance.com

Luke Tolaini
Partner

E: luke.tolaini
@cliffordchance.com

Editors

Chris Stott
Lawyer

E: chris.stott
@cliffordchance.com

Scott Girvin
Senior Associate

E: scott.girvin
@cliffordchance.com

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Clifford Chance, 10 Upper Bank Street, London, E14 5JJ

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