

# This week at the UK regulators

## Thirty second guide: The week in overview

Away from the latest well-publicised financial penalty imposed in connection with bench mark rate manipulation, activity at the FCA last week focused largely on its new consumer credit remit. It has issued a warning to consumer credit firms, principally payday lenders, in connection with advertising, and has published details of a voluntary requirement imposed on one firm restricting its payday lending activities and ability to pursue unpaid debts until the FCA is satisfied that appropriate improvements have been made to its policies, procedures and culture. This case, which is likely to be but the first example of its stated intention to improve standards in the consumer credit sector, follows closely behind another notice imposed on a different firm restricting its ability to enforce consumer credit agreements.

The FCA has also published a thematic review on funds charges in which it reports on examples of good practice across the industry, but also points to some areas for improvement. In another area of its remit, the extensively trailed changes to the Listing Rules aimed at enhancing protection for minority shareholders entered into force last week, the timetable for their introduction having been accelerated.

Further afield, in the UK, the new Payment Systems Regulator has announced the identity of its first Managing Director. In Hong Kong, the Securities and Futures Commission has settled the first enforcement action it has taken in connection with algorithmic trading.

## FCA fines interdealer broker for bench mark rate failings

The FCA has (on 15 May) imposed a financial penalty of £630,000 on **Martin Brokers (UK) Limited** ("Martins") for breaches of Principles 5 (market conduct) and 3 (management and control) of its Principles for Businesses ("the Principles") in connection with the manipulation of Japanese Yen London Interbank Offered Rate ("LIBOR") submissions.

The penalty imposed would have been £3.6 million if Martins had not been able to demonstrate that it would not be able to pay a fine at that level due to action taken by other regulators internationally (the US Commodities and Futures Trading Commission has (also on 15 May) imposed a penalty of US\$1.2 million in respect of the same failings).

The penalty imposed by the FCA was further reduced as Martins agreed to settle at an early stage of its investigation.

<http://www.fca.org.uk/static/documents/final-notice/martin-brokers-uk-ltd.pdf>

<http://www.cftc.gov/PressRoom/PressReleases/pr6930-14>

## Other enforcement notices/statements

The FCA has, in separate Final Notices (both dated 9 May), cancelled the permission of **Catalyst Fund Management Limited** and **Autopromotions Insurance Services Limited** for non-payment of fees and levies.

<http://www.fca.org.uk/static/documents/final-notice/catalyst-fund-management-limited.pdf>

<http://www.fca.org.uk/static/documents/final-notice/autopromotions-insurance-services-limited.pdf>

The FCA has (on 13 May) issued a warning notice statement giving brief details of proposed action against a former director of an appointed representative ("AR") of an FCA authorised firm. It alleges breaches of Principle 1 (integrity) of the Statements of Principle and Code of Practice for Approved Persons ("APER") in connection with deliberately promoting and arranging sales of Unregulated Collective Investment Scheme ("UCIS") products in breach of its agreement with its principal and recklessly devising a structure and participating in a process which, in the FCA's view, was likely to provide false assurance to customers and others that the AR's involvement was authorised.

<http://www.fca.org.uk/static/documents/warning-notice-statements/warning-notice-statement-14-10-individual.pdf>

## FCA reports on fund charges

The FCA has (on 13 May) released the findings of a thematic review on the way in which fund charges are set and communicated to customers. It found examples of good practice found across the documentation reviewed from three funds at each of 11 firms. Particular features of firms' documents and processes recognised by the FCA as examples of good practice included the use of questionnaires to assist customers to understand the levels of charges, materials designed specifically for retail customers and the presentation of the same summary charges figure on websites and fund documents.

The review is clear though that improvement is possible in some areas, with particular points for improvement being the failure of some firms to provide a clear, combined figure for charges on their websites or in marketing material and, in some instances, inaccurate descriptions of management charges.

The FCA has indicated that it will follow up its thematic review with a continued focus on this area through its day to day supervisory work.

<http://www.fca.org.uk/your-fca/documents/thematic-reviews/tr147-->

## FCA warns consumer credit firms on advertising

The FCA has (on 16 May) issued a warning to consumer credit firms that they must change the way in which they advertise. In a survey of over 500 advertisements conducted since the FCA assumed responsibility for the sector on 1 April, it found approximately 20 per cent were deficient. The FCA found that 108 advertisements fell short of financial promotions requirements as key information such as risk warnings and APRs was missing or difficult to find. It also found that, in some cases, advertisements inappropriately targeted young audiences or made inappropriate claims that loans would help improve credit ratings or clear existing debts. The largest proportion of advertisements found to require amendments related to payday lending.

The FCA's press release acknowledges that the majority of the advertisements with which problems were identified have been amended or withdrawn, and that firms responsible for the remainder are taking steps to do likewise.

<http://www.fca.org.uk/news/consumer-credit-firms-must-raise-advertising-standards>

## FCA puts tougher stance on consumer credit into action

The FCA has (on 13 May) published an voluntary requirement imposed **Cheque Centre Limited**. The agreed terms of the requirement include the cessation of sales of single instalment payday loans and an undertaking to stop making debt collection telephone calls until the FCA is satisfied that appropriate improvements have been made. A skilled person will be appointed under section 166 of the Financial Services and Markets Act 2000 ("FSMA") to test the changes made. The FCA's press release acknowledges the steps taken by the firm to respond swiftly to concerns raised by the FCA, which followed an investigation undertaken by the Office of Fair Trading ("OFT") (including FCA staff on secondment at the OFT) whilst it was still responsible for consumer credit regulation (i.e. prior to 1 April 2014).

The action follows a less highly publicised requirements notice imposed on **Amalgamated Finance Limited** on 7 May in relation to the interim permission granted to it. The notice in that case which imposes various restrictions on the firm's ability to take steps to enforce consumer credit agreements.

The FCA has held the action concluded last week up as an example of its more robust approach, which involves the application of similar standards to those expected of firms covered by other areas of its regulatory remit under FSMA. Further examples of negotiated settlements with co-operating firms and less consensual enforcement action against non co-operating firms are likely to follow. The FCA has made commitments to driving up standards of compliance and consumer protection in the sector, and has been clear that its approach is likely to lead to many firms radically altering their business model or exiting the sector altogether (see, for example, statements made in its consultation paper CP 13/10, published in October 2013).

The conclusion of this action comes in the same week as the FCA has (on 14 May) published a list of firms previously licensed by the OFT in respect of consumer credit activities which have not applied to it for interim permission, which may also form the basis for future enforcement action.

<http://www.fca.org.uk/static/fca/documents/cheque-centres-limited-vreq.pdf>

<http://www.fca.org.uk/static/documents/consultation-papers/cp13-10.pdf>

<http://www.fca.org.uk/your-fca/documents/oft-licensed-firms-without-interim-permission>

<http://www.fca.org.uk/static/documents/requirement-notice/amalgamated-finance-limited.pdf>

## Managing Director of Payment Systems Regulator appointed

The FCA has announced (on 13 May) that the new Payment Systems Regulator will, from 14 July, be led by Hannah Nixon, who has previously led Ofgem's work on overhauling the regulatory structures applicable to the gas and electricity markets.

<http://www.fca.org.uk/news/firms/payment-systems-regulator-appoints-hannah-nixon-managing-director>

## FCA warnings

Name of firm	Date of warning	Details
TimeBinary	15 May 2014	Not authorised <a href="http://www.fca.org.uk/news/warnings/timebinary">http://www.fca.org.uk/news/warnings/timebinary</a>
Kevin Williams t/a Kevin Williams Financial Planning Ltd	15 May 2014	Clone firm <a href="http://www.fca.org.uk/news/warnings/kevin-williams-ta-kevin-williams-financial-planning-ltd-clone">http://www.fca.org.uk/news/warnings/kevin-williams-ta-kevin-williams-financial-planning-ltd-clone</a>
CBO Investment House	15 May 2014	Clone firm <a href="http://www.fca.org.uk/news/warnings/cbo-investment-house-clone">http://www.fca.org.uk/news/warnings/cbo-investment-house-clone</a>
ACM Financial UK	14 May 2014	Clone firm <a href="http://www.fca.org.uk/news/warnings/acm-financial-uk-clone-cc">http://www.fca.org.uk/news/warnings/acm-financial-uk-clone-cc</a>
Global GEGR	14 May 2014	Not authorised <a href="http://www.fca.org.uk/news/warnings/global-gegr">http://www.fca.org.uk/news/warnings/global-gegr</a>
BGC Markets	13 May 2014	Clone firm <a href="http://www.fca.org.uk/news/list/bgc-markets-clone">http://www.fca.org.uk/news/list/bgc-markets-clone</a>
Loan Solutions (Cheshire) Limited trading as Loan Solutions Direct	13 May 2014	Clone firm <a href="http://www.fca.org.uk/news/warnings/loan-solutions-cheshire-limited-trading-as-loan-solutions-direct-clone-cc">http://www.fca.org.uk/news/warnings/loan-solutions-cheshire-limited-trading-as-loan-solutions-direct-clone-cc</a>

LBBI Risk Solution Ltd	13 May 2014	Not authorised <a href="http://www.fca.org.uk/news/warnings/lbbi-risk-solution-ltd">http://www.fca.org.uk/news/warnings/lbbi-risk-solution-ltd</a>
Donend Finance Limited	12 May 2014	Not authorised <a href="http://www.fca.org.uk/news/warnings/donend-finance-limited">http://www.fca.org.uk/news/warnings/donend-finance-limited</a>
Nasacrown Credit Union Ltd	12 May 2014	Not authorised <a href="http://www.fca.org.uk/news/warnings/nasacrown-credit-union-ltd">http://www.fca.org.uk/news/warnings/nasacrown-credit-union-ltd</a>

## Policy developments

FCA		PRA	
<b>Proposed developments</b>			
<b>Finalised policy and guidance</b>			
		Implementation/effective date	
	<p>As reported over the past few weeks, the FCA has (on 16 May) released a policy statement (PS14/8) containing changes to the Listing Rules aimed at enhancing protections afforded to minority shareholders. See This week at the UK regulators, 12 May 2014 and our Clifford Chance briefing for further details.</p> <p><a href="http://www.fca.org.uk/static/documents/policy-statements/ps14-08.pdf">http://www.fca.org.uk/static/documents/policy-statements/ps14-08.pdf</a></p> <p><a href="https://onlineservices.cliffordchance.com/online/freeDownload.action?key=OBWlbFgNhLNomwBI%2B33QzdFhRQAhp8D%2BxrlGReI2crGqLnALtlyZe%2BNOpomvh78nGYVa5WIM4w%2Fp%0D%0A5mt12P8Wnx03DzsaBGwsIB3EVF8XihbSpJa3xHNE7tFeHpEbaelf&amp;att">https://onlineservices.cliffordchance.com/online/freeDownload.action?key=OBWlbFgNhLNomwBI%2B33QzdFhRQAhp8D%2BxrlGReI2crGqLnALtlyZe%2BNOpomvh78nGYVa5WIM4w%2Fp%0D%0A5mt12P8Wnx03DzsaBGwsIB3EVF8XihbSpJa3xHNE7tFeHpEbaelf&amp;att</a></p>		

	<a href="https://onlineservices.cliffordchance.com/online/freeDownload.action?key=OBWlbfGnhLNomwBl%2B33QzdFhRQAhp8D%2BxrlGRel2crGqLnALtlyZe6rLqg8R%2BgVw6ug5f0zJqULp%0D%0A5mt12P8Wnx03DzsaBGwsIB3EVF8XihbSpJa3xHNE7tFeHpEbaelf&amp;attachmentsize=157792">achmentsize=117822 https://onlineservices.cliffordchance.com/online/freeDownload.action?key=OBWlbfGnhLNomwBl%2B33QzdFhRQAhp8D%2BxrlGRel2crGqLnALtlyZe6rLqg8R%2BgVw6ug5f0zJqULp%0D%0A5mt12P8Wnx03DzsaBGwsIB3EVF8XihbSpJa3xHNE7tFeHpEbaelf&amp;attachmentsize=157792</a>			
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## Further Afield

### Hong Kong securities regulator resolves concerns in first algorithmic trading action

The Hong Kong Securities and Futures Commission ("SFC") has (on 14 May) reprimanded **Citigroup Markets Asia Limited** ("Citigroup") in connection with its algorithmic trading activities between April 2009 and May 2010. The settlement agreed with the SFC recognises the co-operation provided by Citigroup during the investigation, its previously clean disciplinary record, the historic nature of the issues

(which occurred under a system which has subsequently been replaced) and its agreement to conduct a forward-looking review to ensure compliance with the rules on algorithmic trading in force since 1 January 2014.

[http://www.sfc.hk/web/EN/files/ER/PDF/14PR54\\_statement.pdf](http://www.sfc.hk/web/EN/files/ER/PDF/14PR54_statement.pdf)

## 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

**Kelwin Nicholls**  
Partner

E: kelwin.nicholls  
@cliffordchance.com

**Martin Saunders**  
Partner

E: martin.saunders  
@cliffordchance.com

**Judith Seddon**  
Partner

E: judith.seddon  
@cliffordchance.com

**Luke Tolaini**  
Partner

E: luke.tolaini  
@cliffordchance.com

## Editor

**Chris Stott**  
Lawyer

E: chris.stott  
@cliffordchance.com

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