

This week at the UK regulators

Thirty second guide: The week in overview

Last week saw the imposition of a financial penalty of £300,000 and a ban on a former financial adviser for integrity breaches between 2004 and 2010. The FCA banned the individual concerned for advising clients to invest in companies in which he had an interest which subsequently went into liquidation, causing substantial losses to investors. The FCA has also warned customers of several debt management companies to cease making payments further to action it has taken to freeze the bank accounts of the companies concerned.

Away from enforcement-related developments, in a week without any announcements about policy developments, the FCA has released details of industry reaction to its Project Innovate initiative, which has stimulated debate as to how the authorisations process may be improved, particularly for new entrants to financial services markets.

Further afield, the SEC has taken action against a broker dealer involved in high frequency trading for breaches of net capital rules. Similar action against others involved in similar activities on US markets are expected to follow.

FCA fines and bans adviser for failing to disclose conflicts of interest

The FCA has (on 16 September) imposed a financial penalty of £300,000 and a prohibition order on Mr Peter Carron, a former financial adviser, for breaches of Principle 1 (integrity) of the Statements of Principle and Code of Practice for Approved Persons ("APER"). Specifically, the FCA found that Mr Carron abused his position as a senior partner in a wealth management firm between 2004 and 2010 by recklessly failing to disclose that he owned or controlled companies in which he was advising clients to invest and representing to customers that the investments were endorsed or approved by the firm for which he worked (which they were not). The FCA also found that he behaved without integrity as he advised clients to invest in these companies irrespective of the suitability of the investment for them, without considering whether or how they would be able to recover losses and without providing the appropriate risk warnings. Finally, it found that, on occasions, he made investments and moved clients' funds without their consent and advised clients to invest in companies when he knew that the companies were in financial difficulties. The Final Notice issued to Mr Carron states that 11 clients lost approximately £2.2 million (of approximately £2.4 million invested) when the companies he owned and controlled went into liquidation between May and August 2010.

Mr Carron had referred the matter to the Upper Tribunal, but his reference was struck out on 18 July 2014. In separate proceedings concluded last month, Mr Carron was

banned by the High Court from acting as a director or managing or controlling any company for a period of 13 years.

<http://www.fca.org.uk/static/documents/final-notices/peter-thomas-carron.pdf>

FCA warns debt management customers to stop making payments

Further to the use of its powers last month to freeze the bank accounts of three debt management firms, the FCA has (on 18 September) advised customers of these firms to cease making payments, as they will not reach creditors. The firms affected are Gregson and Brooke Financial Services (trading as Expert Money Solutions), One Tick (trading as Debt Savers Direct and 1-Tick) and the Money Management Service, all of which are based in Bolton. Approximately 2,000 to 2,500 customers are thought to be affected. The FCA has stated that it has contacted creditors to request that they take a sympathetic approach towards non-payment.

<http://www.fca.org.uk/news/customers-of-three-debt-management-firms>

FCA hears industry views on innovation

Further to its call for inputs in July in relation to Project Innovate, an initiative aimed at helping businesses to bring innovative ideas into financial services markets, (see This week at the UK regulators, 14 July 2014), the FCA has (on

19 September) released details of the feedback it has received at a series of industry roundtables.

The FCA's paper sets out details of discussions on issues including how the authorisations process may be streamlined and made more understandable, transparent and interactive and practical challenges faced by new entrants such as obtaining a bank account and funding. It also sets out different views from small innovators, non-regulated businesses and existing regulated firms as to what is meant by innovation, the challenges imposed by the regulatory system and how the FCA should design and operate its proposed innovation hub and incubator functions.

The FCA has stated that it will now use the feedback it has received to decide which areas will be addressed through Project Innovate.

<http://www.fca.org.uk/your-fca/documents/project-innovate-feedback-from-roundtables>

<https://onlineservices.cliffordchance.com/online/freeDownload.action?key=OBWlbFgNhLNomwBI%2B33QzdFhRQAhp8D%2BxrlGRel2crGqLnALtlyZezQt%2Fq0rsofMBrlxTtRBj7p%0D%0A5mt12P8Wnx03DzsaBGwsIB3EVF8XihbSpJa3xHNE7tFeHpEbaelf&attachmentsize=160946>

FCA warnings

Name of firm	Date of warning	Details
WB Global Strategic Asset Management	19 September 2014	Not authorised http://www.fca.org.uk/news/warnings/wb-global-strategic-asset-management
Martin Kessler	18 September 2014	Clone firm http://www.fca.org.uk/news/warnings/martin-kessler-clone
Brooke Point Limited/ Broke Point Limited	17 September 2014	Not authorised http://www.fca.org.uk/news/warnings/brooke-point-broke-point
Hirsche Private Asset Management Ltd	17 September 2014	Not authorised http://www.fca.org.uk/news/warnings/hirsche-private-asset-management-ltd
Watts Corporate Services LLC	17 September 2014	Not authorised http://www.fca.org.uk/news/warnings/watts-corporate-services-llc
Kames Capital in association with Dean Foster Associates	17 September 2014	Clone firm http://www.fca.org.uk/news/warnings/kames-capital-in-association-with-dean-foster-associates-clone

Capital Gearing Portfolio Fund	16 September 2014	Clone firm http://www.fca.org.uk/news/warnings/capital-gearing-portfolio-fund-clone
Griffin Advisors Limited	16 September 2014	Not authorised http://www.fca.org.uk/news/warnings/griffin-advisors-limited
Cenkos Global Securities	16 September 2014	Not authorised http://www.fca.org.uk/news/warnings/cenkos-global-securities-clone
Hudson Coe & Associates LLC	16 September 2014	Not authorised http://www.fca.org.uk/news/warnings/hudson-coe-associates-llc
Commodities Link	16 September 2014	Not authorised http://www.fca.org.uk/news/warnings/commodities-link
Belfius Commercial Finance Limited	16 September 2014	Clone firm http://www.fca.org.uk/news/warnings/belfius-commercial-finance-limited-clone
GE Shaw Management Group	15 September 2014	Not authorised http://www.fca.org.uk/news/warnings/ge-shaw-management-group
DuPont Financial / DuPont FX / DP Global Services Ltd	15 September 2014	Clone firm http://www.fca.org.uk/news/warnings/dupont-financial-clone

Further Afield

SEC imposes record penalty on high frequency trading firm

The US Securities and Exchange Commission ("SEC") has (on 17 September) imposed its largest ever fine for net capital rules on Latour Trading LLC ("Latour"), a broker dealer based in New York. Latour agreed to pay a penalty of US\$16 million following findings (which it neither admitted nor denied) that it operated without maintaining the prescribed minimum amount of capital on 19 of 24

dates in 2010 and 2011 surveyed as part of the SEC's investigation.

Further separate SEC actions against other firms involved in high frequency trading are expected to follow. In July 2014, press reports suggested that the SEC is actively seeking information on ten broker dealers as part of an ongoing investigation into high frequency trading strategies.

<http://www.sec.gov/News/PressRelease/Detail/PressRelease/1370542972403>

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