

# This week at the UK regulators

## Thirty second guide: The week in overview

In a week when the headlines have been dominated by penalties imposed by the FCA and other regulators around the world on a number of major institutions relating to the attempted manipulation of foreign exchange benchmarks, the FCA has also been busy advancing its campaign of decisive action in the consumer credit market, imposing a price cap on high-cost short-term credit with effect from January next year.

In other developments, the FCA has updated sections of its financial crime guidance in relation to anti-money laundering, sanctions and anti-bribery and corruption systems and controls and released the findings of two thematic reviews covering these areas, whilst the new Payment Systems Regulator has unveiled its proposed approach to regulation. Further afield, the Central Bank of Ireland has announced the imposition of a financial penalty and a reprimand on a bank for IT and governance failings in June and July 2012.

### FCA imposes fines for attempted manipulation of the foreign exchange bench mark rate

As has been widely publicised, the FCA has (on 12 November) imposed financial penalties totalling £1.1 billion on Citibank N.A. , HSBC Bank PLC , JPMorgan Chase Bank N.A , the Royal Bank of Scotland PLC and UBS AG for failing to control business practices in their G10 spot foreign exchange trading operations. The agreements between the FCA and the five banks which have entered into settlements at this stage were co-ordinated with parallel action in respect of similar conduct pursued by the US Commodities and Futures Trading Commission and, in respect of the two US banks and another US bank, the Office of the Comptroller of the Currency, which between them imposed penalties of approximately US\$2.1 billion and the Swiss regulator FINMA, which ordered UBS to disgorge CHF 134 million. As has also been widely reported, various investigations continue to be pursued in respect of the five banks which have settled and other banks which were not part of this settlement.

<http://www.fca.org.uk/static/documents/final-notice-citi-bank.pdf>

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

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

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

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

### FCA finalises price cap for high-cost short-term credit

The FCA has (on 11 November) issued finalised guidance and amended rules (to be contained in the Consumer Credit sourcebook section of the Handbook) introducing a price cap for high-cost short-term credit. The rules, unchanged from the version on which the FCA consulted in July, will come into force on 2 January 2015. The price cap will be reviewed in 2017.

The main features of the new rules are an initial cost cap of 0.8 per cent per day, a requirement for fixed default fees not to exceed £15 and a total cost cap of 100 per cent. Together, the new rules are aimed at lowering the cost of credit for most borrowers and protecting borrowers struggling to repay from escalating costs by ensuring that total costs will not exceed £24 per £100 borrowed and that no borrower may be required to repay more than twice the amount they borrowed.

<http://www.fca.org.uk/static/documents/policy-statements/ps14-16.pdf>

<http://www.fca.org.uk/static/documents/consultation-papers/cp14-10.pdf>

## FCA reports on financial crime systems and controls

The FCA has (on 14 November), published the results of two thematic reviews on the financial crime systems and controls maintained by small banks and commercial insurance intermediaries. The reviews, which involved examination of arrangements at 10 small commercial insurance intermediaries and 21 small banks follow up on studies undertaken by the FSA in 2010 and 2011.

The reviews found some progress to address previous shortcomings and examples of good practice, but that significant weaknesses remain in most banks' anti-money laundering systems and controls and in some banks' sanctions controls. It found particular problems associated with the allocation of sufficient resources and reconciliation of group policies with strict UK requirements. The FCA also found that most insurance intermediaries failed to meet required standards in relation to anti-bribery and corruption measures and that, although policies on remuneration, hospitality and training are in some places more effective, problems remain with the adequacy of review mechanisms and senior management oversight.

The FCA has used its findings from the thematic reviews, together with material gathered during past and ongoing enforcement investigations and proceedings, to inform proposed changes to its Financial Crime Guide, set out in a guidance consultation paper (also released on 14 November). The updates focus on its expectations in areas including the adequacy of management information on financial crime issues to be provided to senior management, risk assessments and the establishment of source of wealth and source of funds. Other particular areas of emphasis include governance arrangements, culture and allocation of adequate resources to compliance functions.

<http://www.fca.org.uk/static/documents/thematic-reviews/gc14-07.pdf>

<http://www.fca.org.uk/static/fca/documents/thematic-reviews/tr14-16.pdf>

<http://www.fca.org.uk/static/documents/thematic-reviews/tr14-17.pdf>

[http://www.fsa.gov.uk/pubs/other/aml\\_final\\_report.pdf](http://www.fsa.gov.uk/pubs/other/aml_final_report.pdf)

[http://www.fsa.gov.uk/pubs/anti\\_bribery.pdf](http://www.fsa.gov.uk/pubs/anti_bribery.pdf)

<http://www.fca.org.uk/static/documents/thematic-reviews/gc14-07.pdf>

## Payment systems regulator approach and priorities unveiled

The FCA has (on 14 November) published a detailed consultation paper setting out how the new Payment Systems Regulator intends to approach the regulation of the payments industry. The paper sets out how the regulator intends to advance the specific statutory objectives allocated to it under the Financial Services and Markets Act 2000, with particular emphasis laid on opening up processes associated with strategy setting, governance, ownership and control to a broader range of participants, achieving fairer and more direct access to payment system operators and greater transparency for those seeking indirect access to payment systems. It has also indicated that it intends to set high level standards of behaviour to be observed and that it has already begun preparatory work on two market reviews into the ownership and competitiveness of current ownership structures and the way in which indirect access is currently provided, and that these will be formally launched in April 2015.

## FCA extends temporary prohibition on short selling

The FCA has (on 11 November) issued a statement drawing attention to the extension of the temporary prohibition previously imposed on 28 October by the Italian Commissione Nazionale per le Società e la Borsa ("CONSOB") on the creation of new net short positions in Banca Monte dei Paschi di Siena spa and Banca Carige spa and related instruments. The measure is effective until the end of trading on 27 January 2015.

<http://www.fca.org.uk/news/temporary-ban-on-net-short-positions-banca-monte-dei-paschi-di-siena-extension>

## FCA warnings

Name of firm	Date of warning	Details
Crown Group Funds UCITS Plc	13 November 2014	Clone firm <a href="http://www.fca.org.uk/news/warnings/crown-group-funds-ucits-plc-clone">http://www.fca.org.uk/news/warnings/crown-group-funds-ucits-plc-clone</a>
Ignite Boilers Limited	12 November 2014	Not authorised <a href="http://www.fca.org.uk/news/warnings/ignite-boilers-limited">http://www.fca.org.uk/news/warnings/ignite-boilers-limited</a>
Aberdeen Trust	12 November 2014	Not authorised <a href="http://www.fca.org.uk/news/warnings/aberdeen-trust">http://www.fca.org.uk/news/warnings/aberdeen-trust</a>
Capital Resource Development Company	12 November 2014	Not authorised <a href="http://www.fca.org.uk/news/warnings/capital-resource-development-company">http://www.fca.org.uk/news/warnings/capital-resource-development-company</a>
Baltic International Bank	12 November 2014	Clone firm <a href="http://www.fca.org.uk/news/warnings/baltic-international-bank-clone">http://www.fca.org.uk/news/warnings/baltic-international-bank-clone</a>
Kingsley Asset Management	11 November 2014	Clone firm <a href="http://www.fca.org.uk/news/warnings/kingsley-asset-management-clone">http://www.fca.org.uk/news/warnings/kingsley-asset-management-clone</a>

## Policy developments

FCA		PRA	
<b>Proposed developments</b>			
		<b>Deadline for responses</b>	
<b>Consultation papers</b>	<p>As detailed above, the FCA has (on 14 November) published a detailed consultation paper setting out how the new Payment Systems Regulator intends to approach the regulation of the payments industry.</p> <p><a href="http://www.fca.org.uk/static/documents/psr/psr-cp14-1-cp-a-new-regulatory-framework-for-payment-systems-in-the-uk.pdf">http://www.fca.org.uk/static/documents/psr/psr-cp14-1-cp-a-new-regulatory-framework-for-payment-systems-in-the-uk.pdf</a></p>	12 January 2015	
<b>Guidance consultation</b>	<p>As detailed above, the FCA has (on 14 November) published a guidance consultation paper (GC14/07) setting out proposed additions and amendments to its Financial Crime Guide.</p> <p><a href="http://www.fca.org.uk/static/documents/thematic-reviews/gc14-07.pdf">http://www.fca.org.uk/static/documents/thematic-reviews/gc14-07.pdf</a></p>	6 February 2015	
<b>Finalised policy and guidance</b>			
		<b>Implementation/effective date</b>	
<b>Policy</b>	<p>As set out in more detail above, further to consultation in July 2014 (CP14/10), the FCA has (on 10 November) issued a policy statement (PS14/16) and finalised amended rules in the Consumer Credit sourcebook ("CONC") section of its handbook introducing a price cap for short-term high-cost credit.</p> <p><a href="http://www.fca.org.uk/static/documents/consultation-papers/cp14-10.pdf">http://www.fca.org.uk/static/documents/consultation-papers/cp14-10.pdf</a></p> <p><a href="http://www.fca.org.uk/static/documents/policy-statements/ps14-16.pdf">http://www.fca.org.uk/static/documents/policy-statements/ps14-16.pdf</a></p>		

## Further Afield

### Irish regulator imposes penalty for IT and governance failings

The Central Bank of Ireland has (on 12 November) announced that it has fined Ulster Bank Limited ("Ulster Bank") €3.5 million and imposed a reprimand in relation to IT and governance failings during June and July 2012. These sanctions follow a redress scheme under which Ulster Bank has paid approximately €59 million to affected customers. The press release issued acknowledges the extensive engagement of Ulster Bank with regulators and the steps taken to put in place a remediation programme, implementation of which is due to be completed by March 2015.

<http://www.centralbank.ie/press-area/press-releases/Pages/SettlementAgreementbetweentheCentralBankofIrelandandUlsterBankIrelandLimitedNovember2014.aspx>

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