

This week at the UK regulators

Thirty second guide: The week in overview

The FCA has concluded a number of enforcement cases, banning a former trader following a guilty plea to an offence in the US in relation to the alleged manipulation of LIBOR and imposing a fine and bans on former directors of a pensions advice firm for failures to ensure suitability of advice and for conflicts of interest inherent in charging mechanisms. It has also confirmed the substantial fine and ban ordered by the Upper Tribunal to be imposed on the former CEO of a now defunct hedge fund following the expiry of time limits for him to pursue avenues of appeal against that decision.

Publishing the findings of a thematic review into governance of mortgage lending strategies, it took the opportunity to reinforce more widely applicable messages in relation to the importance it attaches to placing customers' best interests at the heart of product strategy formulation and delivery and set out some of the ways in which it considers firms should do so.

The principal policy development last week was the publication by the PRA of important finalised rules and guidance in relation to the implementation of Solvency II.

FCA bans trader following US guilty plea

The FCA has (on 17 March) released a final notice (dated 25 February) imposing a prohibition order on Mr Paul Robson, a former trader based on findings that he engaged in deliberate misconduct in respect of the Japanese Yen London Interbank Offered Rate ("LIBOR"). Mr Robson was charged by the US Department of Justice with one count of conspiracy and 13 counts of wire fraud between approximately 2006 and approximately 2011. He pleaded guilty to the former and the FCA found that he lacks honesty and integrity.

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

FCA imposes fine and bans for pension advice failings

The FCA has (on 20 March) imposed a financial penalty of £93,800 on Mr Lloyd Pope and has issued a statement of misconduct in respect of Mr Peter Legerton, former directors of TailorMade Independent Limited ("TMI"). The FCA took action for breaches of Principle 7 of the Statements of Principle for Approved Persons ("APER") in respect of failures to ensure that TMI assessed the suitability of products and investments for customers when providing them with advice in connection with Self Invested Personal Pension Schemes ("SIPPs") between January 2010 and January 2013. The FCA found that 1,661 customers transferred a total of £112,420,985 into SIPPs

which were not suitable. The FCA also identified a conflict of interest inherent in arrangements by which TMI received commission. It also concluded that Mr Pope and Mr Legerton do not meet required standards of fitness and propriety and imposed partial prohibition orders.

The penalty imposed on Mr Pope was reduced by 30 per cent as he agreed to settle at an early stage of the FCA's investigation. The FCA has indicated that it would have imposed a financial penalty of £84,100 on Mr Legerton if he had not shown verifiable evidence that the imposition of such a penalty would cause serious financial hardship.

<http://www.fca.org.uk/static/documents/final-notice/lloyd-arnold-pope%20.pdf>

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

FCA fines and bans former hedge fund chief

Further to a decision of the Upper Tribunal handed down in July last year, the FCA has (on 18 March) imposed a financial penalty of £2.7 million and a prohibition order on Mr Alberto Micalizzi, former principal of the now defunct Dynamic Decisions Capital Management hedge fund. The action related to findings that Mr Micalizzi breached Principle 1 (integrity) of APER and findings of dishonesty on his part. The Final Notice has now been issued following the expiry of the period allowed for him to request an oral

hearing in appeal proceedings relating to the Upper Tribunal's decision originally pursued by him. For details of the background to the action taken by the FCA and the Upper Tribunal's decision, see This week at the UK regulators – 5 August 2014.

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

<https://onlineservices.cliffordchance.com/online/freeDownload.action?key=OBWlbFgNhlNomwBI%2B33QzdFhRQAhp8D%2BxrlGRel2crGqLnALtlyZe41xn%2FnBgkY5GKf6zwBiE73p%0D%0A5mt12P8Wnx03DzsaBGwsIB3EVF8XihbSpJa3xHNE7tFeHpEbaelf&attachmentsize=165569>

Other enforcement notices

In separate final notices, the FCA has (on 19 and 20 March) cancelled the permissions of Glocal Capital Partners Limited and Alpha Accident Claims Limited for breaches of Principle 11 (relations with regulators) of the Principles for Businesses through failures to be open and co-operative with the FCA.

<http://www.fca.org.uk/static/documents/final-notices/alpha-accident-claims-limited.pdf>

<http://www.fca.org.uk/static/documents/final-notices/glocal-capital-partners-limited.pdf>

In separate notices (released on 17 March but dated 24 June 2014), the FCA has cancelled the registration of Euro Commercial Trading Limited (formerly Financial Guarantee Limited), Orkin Financial Services Limited and Union Securities Limited under the Money Laundering Regulations 2007 for failure to pay fees and levies.

<http://www.fca.org.uk/static/documents/cancellation-notices/euro-commercial-trading-ltd.pdf>

<http://www.fca.org.uk/static/documents/cancellation-notices/orkin-financial-services-ltd.pdf>

FCA finds room for improvement in governance of mortgage lending strategies

The FCA has (on 19 March) published the findings of its thematic review into governance of mortgage lending strategies. Taking the opportunity to reiterate a number of its key priority messages, the FCA found that whilst conduct is on the agenda of all the firms reviewed, it is not yet culturally embedded and there are inconsistencies in the way the issue is approached between firms, that some firms are overly reliant on a few individuals as "conduct champions" and that firms could do more to embed understanding of customers' best interests and the steps which should be taken to meet them at every stage of product formulation, development and delivery.

The report does not prescribe approaches for firms at each stage, but suggests key considerations and practical steps for developing and implementing strategies to meet its expectations. Although the study related to mortgage lending strategies, it is likely to be of more general application across other product types.

<http://www.fca.org.uk/static/documents/thematic-reviews/tr15-04.pdf>

FCA warnings

Name of firm	Date of warning	Details
Equerry Investment Management	20 March 2015	Clone firm http://www.fca.org.uk/news/warnings/equerry-investment-management-clone
CarbEx	19 March 2015	Not authorised

		http://www.fca.org.uk/news/warnings/carbex
Whitfield International Consulting Group	19 March 2015	Not authorised http://www.fca.org.uk/news/warnings/whitfield-international-consulting-group
Eagle and West Limited	18 March 2015	Not authorised http://www.fca.org.uk/news/warnings/eagle-and-west-limited http://www.fca.org.uk/news/warnings/wakefield-securities-limited
Wakefield Securities Limited	17 March 2015	Not authorised http://www.fca.org.uk/news/warnings/wakefield-securities-limited
FSDIB Investment/ FSD Investment	16 March 2015	Clone firm http://www.fca.org.uk/news/warnings/fsdib-investment-clone

Policy developments

FCA		PRA		
Proposed developments				
		Deadline for responses		
Consultation papers	The FCA has (on 20 March) published a consultation paper (CP 15/11) jointly with HM Treasury setting out proposals to implement the Transparency Directive Amending Directive and associated changes to the Listing Rules and Disclosure and	20 May 2015	20 April 2015	The PRA has (on 20 March) published a consultation paper (CP 11/15) setting out its proposed expectations of firms in relation to supervisory approval for volatility adjustment under Solvency II http://www.bankofengland.co.uk/pr/Docs/communications/publications/cp/2015/cp1115.pdf

	Transparency Rules. http://www.fca.org.uk/static/documents/consultation-papers/cp15-11.pdf			
			19 May 2015	The PRA has (on 19 March) issued a consultation paper (CP 10/15) setting out proposed fees (including the Special Project Fee levied in connection with Solvency II) to meet its Annual Funding Requirement. http://www.bankofengland.co.uk/publications/Documents/news/2015/cp1015.pdf
Finalised policy and guidance				
			Implementation /effective date	
Policy statement			20 March 2015	Further to various consultation papers issued during 2014 and 2015, the PRA has (on 20 March) published a policy statement (PS 2/15) setting out final rules and feedback in relation to the PRA's implementation of Solvency II. http://www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps215.aspx http://www.bankofengland.co.uk/pr/Documents/publications/ps/2015/ps215.pdf
Supervisory statement			20 March 2015	The PRA has (on 20 March), published a suite of supervisory statements on particular aspects of the Solvency II regime: - General application of Solvency II regime (SS 1/15) http://www.bankofengland.co.uk/pr/Documents/publications/ss/2015/ss115.pdf -Own funds (SS 2/15) http://www.bankofengland.co.uk/pr/Documents/publications/ss/2015/ss215.pdf - Quality of capital instruments (SS 3/15) http://www.bankofengland.co.uk/pr/Documents/publications/ss/2015/ss315.pdf

				<p>ents/publications/ss/2015/ss315.pdf</p> <p>- Solvency and minimum capital requirements (SS 4/15)</p> <p>http://www.bankofengland.co.uk/practitioner/communications/publications/ss/2015/ss415.pdf</p> <p>- Treatment of pension scheme risk (SS 5/15)</p> <p>http://www.bankofengland.co.uk/practitioner/communications/publications/ss/2015/ss515.pdf</p> <p>- Internal model treatment of participations (SS 6/15)</p> <p>http://www.bankofengland.co.uk/practitioner/communications/publications/ss/2015/ss615.pdf</p> <p>- Supervision of firms in difficulty or run off (SS 7/15)</p> <p>http://www.bankofengland.co.uk/practitioner/communications/publications/ss/2015/ss715.pdf</p> <p>- Composites (SS 8/15)</p> <p>http://www.bankofengland.co.uk/practitioner/communications/publications/ss/2015/ss815.pdf</p> <p>- Group supervision(SS 9/15)</p> <p>http://www.bankofengland.co.uk/practitioner/communications/publications/ss/2015/ss915.pdf</p> <p>- Third country branches (SS 10/15)</p> <p>http://www.bankofengland.co.uk/practitioner/communications/publications/ss/2015/ss1015.pdf</p> <p>- Regulatory reporting and exemptions (SS 11/15)</p> <p>http://www.bankofengland.co.uk/practitioner/communications/publications/ss/2015/ss1115.pdf</p> <p>- Lloyd's (SS 12/15)</p> <p>http://www.bankofengland.co.uk/practitioner/communications/publications/ss/2015/ss1215.pdf</p> <p>- Surplus funds (SS 13/15)</p> <p>http://www.bankofengland.co.uk/practitioner/communications/publications/ss/2015/ss1315.pdf</p> <p>- With profits (SS 14/15)</p> <p>http://www.bankofengland.co.uk/practitioner/communications/publications/ss/2015/ss1715.pdf</p> <p>- Approvals (SS 15/15)</p>
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				<p>http://www.bankofengland.co.uk/prd/Documents/publications/ss/2015/ss1515.pdf</p> <p>- Conditions governing business (SS 16/15)</p> <p>http://www.bankofengland.co.uk/prd/Documents/publications/ss/2015/ss1615.pdf</p> <p>- Transitional measures on risk free interest rates and technical provisions (SS 17/15)</p> <p>http://www.bankofengland.co.uk/prd/Documents/publications/ss/2015/ss1715.pdf</p>
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