

This week at the UK regulators

Thirty second guide: The week in overview

In its first market abuse case concerning the gilts market, the FCA has imposed a fine of over £662,000 on a former bond trader for unsuccessful attempts to inflate the price of gilts during a round of quantitative easing in 2011. It has also added to the list of penalties it has imposed for anti-bribery and corruption compliance systems and controls failings, fining a firm £315,000 for persistent breaches and failures to improve systems. Further enforcement cases in this area appear likely as its thematic review of smaller brokers continues.

Other enforcement developments have been illustrative of the flexibility with which the FCA uses its powers and the close relationships it maintains with other authorities at the margins of its regulatory remit. In a case demonstrating its approach of both warning consumers about unauthorised firms and allowing them to make their own decisions in tandem with taking decisive action to seek to proactively prevent consumer detriment, it has obtained an order for the winding up of a boiler room firm. The other minor cases it has brought to a conclusion this week show how it responds to regulatory action taken by other agencies, in these cases by cancelling the permissions of payment services firms following their removal from the register maintained by HM Revenue & Customs for the purposes of anti-money laundering legislation.

It was a week without policy developments, but guidance issued jointly with The Pensions Regulator provides a further illustration of the way in which the FCA (and PRA) must regulate multilaterally across many areas of their responsibilities.

FCA fines and bans former bond trader for attempted gilt price manipulation

The FCA has (on 20 March) imposed a financial penalty of £662,700 and a prohibition order on **Mr Mark Stevenson**, a former trader, for engaging in market abuse through market manipulation. The case is the first in which the FCA has taken action for market manipulation for attempted or actual manipulation in the gilts market.

The FCA found that he attempted to inflate the price of his holding of gilts (which eventually amounted to 92 per cent of the turnover in the gilt in question on the particular day) during one phase of quantitative easing in November 2011. The Bank of England declined to trade with him after it noticed abnormalities caused by the trading pattern he adopted. It found that he acted alone and did not collude with any other parties.

The penalty imposed was reduced by 30 per cent as Mr Stevenson settled at an early stage of the investigation.

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

FCA imposes fine for anti-bribery compliance failings

The FCA has (on 19 March) imposed a financial penalty of £315,000 on **Besso Limited** for breaches of Principle 3 (management and control) of its Principles for Businesses connected with shortcomings in its anti-bribery and corruption compliance systems and controls.

It found that, between January 2005 and October 2009, Besso had limited bribery and corruption procedures in place and that the arrangements implemented in response to FCA visits and industry wide warnings were, until August 2011, deficient. The Final Notice points specifically to breaches in respect of inadequate risk assessments and due diligence on third parties prior to entering into business relationships, and inadequate monitoring of business relationships and recording of the rationale for payments to third parties thereafter.

The penalty, the third to be imposed on an insurance broker for anti-bribery and corruption failings, was reduced by 30 per cent as Besso settled at an early stage of the investigation. The FCA is currently undertaking a thematic review in relation to the anti-bribery and corruption compliance measures maintained by smaller brokers, and

has indicated that levels of compliance are variable and that it has uncovered breaches by others. It appears that this penalty will not be the last to be imposed in this area.

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

Other Final Notices

On 17 March, in separate Final Notices, the FCA cancelled the permission granted to **Great Wall Financial Service, Forex Trading (UK) Limited** and **ASE Global Transfers Limited** under the Payment Services Regulations 2009 ("PSR 2009") following their removal from the register maintained by HM Revenue & Customs for the purposes of the Money Laundering Regulations 2007. The de-registration of the firms for those purposes meant that they no longer met the requirements for registration under PSR 2009.

<http://www.fca.org.uk/static/documents/final-notice/great-wall-financial-service-limited.pdf>

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

<http://www.fca.org.uk/static/documents/final-notice/ase-global-transfers-limited.pdf>

Also on 17 March, the FCA has cancelled the permission granted to **Provident Equity Limited** under PSR 2009 for failure to notify the FCA of a change of address.

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

FCA winds up boiler room

Further to a warning issued and interim freezing order it secured in November last year (see This week at the UK regulators, 25 November 2013), the FCA has (on 20 March) obtained an order from the High Court for the winding up of **First Capital Wealth Limited**. The FCA established that the firm had been promoting the sale of membership shares in a company named Berkeley Brookes LLC without the required authorisation, using aggressive and persistent sales tactics and unsubstantiated promises of large returns.

The FCA has stated that it is aware that 27 UK consumers have invested a total of approximately £660,000. It has stated that it does not know whether it will be possible to

recover sums invested by these investors, but has passed their details to the company's liquidator.

<http://www.fca.org.uk/news/firms/fca-winds-up-a-boiler-room>

<http://www.fca.org.uk/news/warnings/first-capital-wealth-limited>

<https://onlineservices.cliffordchance.com/online/freeDownload.action?key=OBWlbfGhNlNomwBI%2B33QzdFhRQAhp8D%2BxrlGRel2crGqLnALtlyZe%2B2K1cwCipS1YApckk3JLYLp%0D%0A5mt12P8Wnx03DzsaBGwsIB3EVF8XihbSpJa3xHNE7tFeHpEbaelf&attachmentsize=120425>

RDR implementation: FCA reports on "independent" advice

Following the implementation of the rule changes associated with the Retail Distribution Review ("RDR"), the FCA has (on 20 March) released the findings of a thematic review into the use of the description "independent" to describe advice provided to customers. The rules as amended draw a distinction between "restricted" advice, which describes situations where advisers are only able to recommend a limited range of products or providers, and "independent", which requires them to objectively consider all types of retail investment products.

The review found that most firms are using the description correctly, but offers further guidance still requiring assistance as to how to comply with the changes.

<http://www.fca.org.uk/your-fca/documents/thematic-reviews/tr14-05>

FCA and The Pensions Regulator publish joint regulatory guide

The FCA and The Pensions Regulator ("TPR") have issued joint guidance on how they regulate defined contribution workplace pensions. The guidance is aimed at trustees, advisers and pension providers and clarifies the respective approaches of the FCA and TPR, identify and manage overlaps and address potential concerns in relation to areas in which detriment may accrue to members as the result of how trust based and contract based defined contribution pensions are regulated.

<http://www.fca.org.uk/static/documents/workplace-defined-contribution-pensions-guide.pdf>

FCA warnings

Name of firm	Date of warning	Details
CFS PLC	21 March 2014	Not authorised http://www.fca.org.uk/news/warnings/cfs-plc
Kevin Edwin Francis Gregory	21 March 2014	Not authorised http://www.fca.org.uk/news/warnings/kevin-edwin-francis-gregory
Wealth Planning Solutions Europe	19 March 2014	Clone firm http://www.fca.org.uk/news/warnings/wealth-planning-solutions-europe-clone
Axis Capital Limited	19 March 2014	Not authorised http://www.fca.org.uk/news/warnings/axis-capital-limited
Riggs Bank Europe Limited	17 March 2014	Not authorised http://www.fca.org.uk/news/warnings/riggs-bank-europe-limited
Berenberg Private Banking	17 March 2014	Clone firm http://www.fca.org.uk/news/warnings/berenberg-private-banking-clone
Global Intermediate Finance Group / GIF Group	17 March 2014	Not authorised http://www.fca.org.uk/news/warnings/global-intermediate-finance-group

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

Luke Tolaini
Partner

E: luke.tolaini
@cliffordchance.com

Judith Seddon
Director of Business Crime
& Regulatory Enforcement

E: judith.seddon
@cliffordchance.com

Editor

Chris Stott
Lawyer

E: chris.stott
@cliffordchance.com

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