

This week at the UK regulators

Thirty second guide: The week in overview

This week saw the FCA announce the appointment of Megan Butler as permanent Director of Supervision – Investment, Wholesale and Specialists. She had previously been carrying out the role on a temporary basis on secondment from the PRA.

Three individuals were convicted of conspiracy to defraud following an investigation by the SFO and sentenced to a total of nearly 21 years' imprisonment. Investors paid almost £80 million to invest in Saunders Electrical Wholesale Ltd, which vastly overstated the extent of its electrical supply business. The individuals involved were alleged to have spent the money on yachts, expensive property and cars.

The FCA continued its efforts to improve consumers' access to retail financial services by publishing: (i) an independent research paper prepared by ESRO exploring the problems faced by consumers when accessing financial services; and (ii) an occasional paper promoting new ideas and solutions to enable consumers to play a wider role in financial markets and the economy.

FCA announces appointment of Megan Butler as permanent Director of Supervision – Investment, Wholesale and Specialists

On 27 May 2016, the FCA announced the appointment of Megan Butler as permanent Director of Supervision – Investment, Wholesale and Specialists. She had previously been in the role on secondment from the PRA where she was Executive Director of International Banks Directorate.

<http://www.fca.org.uk/news/megan-butler-appointed-permanent-director-supervision-investment-wholesale-specialists>

FCA publishes a research paper exploring consumers' experiences of financial exclusion

On 24 May 2016, the FCA published a research paper entitled "Mind the gap: Consumer research exploring experiences of financial exclusion across the UK". This independent research carried out by ESRO was commissioned by the FCA to explore the problems encountered by consumers when accessing financial products and services. The paper outlined a number of potential opportunities for different bodies, whether on the consumer, firm or regulatory/government side, to reconsider policies, practices and procedures.

<http://www.fca.org.uk/your-fca/documents/research/mind-the-gap>

FCA publishes paper as part of attempt to encourage consumer access to financial services

On 24 May 2016, the FCA published an occasional paper entitled "Access to Financial Services in the UK" (Occasional Paper 17). The FCA considers that there are potentially millions of UK consumers who cannot use the financial services that would help them to meet their needs and enable them to play a wider role in the financial markets and the economy. The purpose of this paper was to generate ideas and solutions to foster a culture of access and inclusion through retail financial services.

<http://www.fca.org.uk/your-fca/documents/occasional-papers/occasional-paper-17>

FCA publishes paper on market-based finance

On 26 May 2016, the FCA published an occasional paper entitled "Market-Based Finance: Its Contributions and Emerging Issues" (Occasional Paper 18). The paper provides an overview of the evolution as well as recent innovations in market-based finance (MBF). It argues that MBF is not merely an alternative way of providing banking-like services; it is in many ways a more efficient means of creating, distributing, and managing money, credit and risk

globally. Properly regulated and supervised MBF can contribute to a dynamic and competitive financial services sector, develop new and innovative products to meet customers' needs.

<http://www.fca.org.uk/your-fca/documents/occasional-papers/occasional-paper-18>

FCA publishes study on derisking

On 24 May 2016, the FCA published a study of representative views and data in the UK by John Howell & Co Ltd entitled "Drivers & Impacts of Derisking". The FCA commissioned the study in response to the process of "derisking" undertaken by some banks over recent years. This process of removing bank accounts/services from customers which banks associate with higher money laundering risk has been attributed to the increasing overall cost of complying with regulatory requirements. The study found that banks take the derisking issue seriously and are mindful of their obligations to treat customers fairly and of the financial inclusion agenda. However, there was frustration about a lack of, or contradictory, communications from banks and banks' unwillingness to identify what, if any, remediation could reverse the decision to derisk. The study

concluded that there was no "silver bullet" for the derisking issue but that potential solutions may lie in balancing of costs and risks between banks and high risk sectors (which may partly occur through market mechanisms) and a better developed understanding of how to measure risk on a case by case basis.

<http://www.fca.org.uk/your-fca/documents/research/drivers-impacts-of-derisking>

FCA issues final notice to Quick Pay Forex Limited

On 26 May 2016, the FCA issued a Final Notice to Quick Pay Forex Limited, a Manchester-based company, in respect of breaches of the Payment Services Regulations 2009 related to failing to be open and co-operative and payment services regulations in the payment services sector. The FCA decided to cancel the registration granted to Quick Pay Forex Limited as a Small Payment Institution under the Payment Services Regulations.

<http://www.fca.org.uk/your-fca/documents/final-notices/2016/quick-pay-forex-limited>

FCA warnings

Name of firm	Date of warning	Details
Schulz & Partner	27 May 2016	Clone firm http://www.fca.org.uk/news/warnings/schulz-partner-clone
TRD Brokers Limited / TRD Futures Group	25 May 2016	Not authorised http://www.fca.org.uk/news/warnings/trd-brokers-limited-trd-futures-group
Parmaserv Ltd	24 May 2016	Not authorised http://www.fca.org.uk/news/warnings/parmaserv-ltd
Watters & Partners Ltd	24 May 2017	Not authorised http://www.fca.org.uk/news/warnings/watters-partners-ltd
Grosvenor Capital / GCR	23 May 2016	Not authorised

Capital		http://www.fca.org.uk/news/warnings/grosvenor-capital-gcr-capital
Walkert Alliance	23 May 2016	Clone firm http://www.fca.org.uk/news/warnings/walkert-alliance-clone
Quick Financer	23 May 2016	Not authorised http://www.fca.org.uk/news/warnings/quick-financer-cc

Policy developments

FCA		PRA		
Proposed developments				
		Deadline for responses		
Consultation papers	On 26 May 2016, the FCA published a consultation paper entitled "Capping early exit pension charges" (CP16/15). The paper sets out the FCA's proposals on the application and level of cap on early exit charges in certain pensions contracts. This follows the Chancellor's announcement that the Government would introduce legislation to place a new duty on the FCA to cap such early exit charges. http://www.fca.org.uk/your-fca/documents/consultation-papers/cp16-15	18 August 2016	17 August 2016	On 25 May 2016, the PRA published a consultation paper entitled "Solvency II: Monitoring model drift and standard formula SCR reporting for firms with an approved internal model" (CP22/16). In this consultation paper, the PRA proposed a supervisory statement setting out the PRA's approach to monitoring model drift and expectations on firms with an approved internal model for the reporting formula Solvency Capital Requirement (SCR). http://www.bankofengland.co.uk/p-ra/Pages/publications/cp/2016/cp2216.aspx
Guidance consultation	On 23 May 2016, the FCA proposed to issue a guidance document entitled "The FCA's approach to wind-down planning" (GC16/5). In wind-down planning, a firm considers how it could close	22 July 2016		

	<p>down its regulated business in an orderly manner, including under stressed conditions. The purpose of this document is to offer suggestions to assist any solo-regulated firms that may need to wind-down.</p> <p>http://www.fca.org.uk/your-fca/documents/guidance-consultations/gc16-05</p>			
Supervisory statements		N/A		<p>On 25 May 2016, the PRA issued a supervisory statement entitled "Recalculation of the 'transition measure on technical provisions' under Solvency II" (SS6/16). The purpose of this supervisory statement is to provide clarity with respect to the PRA's expectations, and proposed process, for recalculations of the TMTP. This statement is of interest to all UK insurance firms within the scope of Solvency II and to the Society of Lloyd's. It is particularly relevant to firms that have been granted approval to use the TMTP, or those that have been considering applying to use this transitional measure.</p> <p>http://www.bankofengland.co.uk/p/ra/Pages/publications/ss/2016/ss616.aspx</p>

Finalised policy and guidance				
		Implementation/effective date		
Policy statements	<p>On 26 May 2016, the FCA published a policy statement entitled "Feedback on CP15/33, Consumer credit: proposals in response to the CMA's recommendations on high-cost short-term credit" (PS16/15). This</p>	1 December 2016		

	<p>policy statement reported on the main issues arising from Consultation Paper 15/33 (October 2015) and published the final rules for price comparison websites comparing HCSTC products.</p> <p>http://www.fca.org.uk/your-fca/documents/policy-statements/ps16-15-consumer-credit-proposals-from-cma-hcstc-recommendations</p>			
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Further Afield

Three Ponzi fraudsters sentenced to a total of nearly 21 years' imprisonment

On 24 May 2016, three individuals who took almost £80 million from London investors and spent the money on yachts, expensive property and cars were sentenced to a total of nearly 21 years at Southwark Crown Court. Jolan Marc Saunders, 40, of Buckhurst Hill, Michael Dean Strubel, 54, of North London and Spencer Mitchell Steinberg, 46, of Hertfordshire, were all convicted of conspiracy to defraud following an investigation by the SFO. The Ponzi fraud they ran involved an electrical supply business. From early 2006 they persuaded people to invest hundreds of thousands of pounds, in some instances millions of pounds, in Saunders Electrical Wholesale Ltd (SEWL). SEWL purported to be a successful supplier of electrical goods such as light bulbs, air conditioning units, trouser presses and televisions to major hotel chains such as Marriott and Hilton. However, the trade was fairly minor, and not at the high levels claimed to potential investors. They also falsely claimed to be the preferred supplier of the Olympic village, ahead of the 2012 Games.

In handing down the sentences, His Honour Judge Grieve QC said: "Their roles were complementary and they looked to share the profits of their crime equally. And the lifestyles of all three became ever more conspicuous."

Jane de Lozey, joint head of fraud at the SFO said: "This was a particularly pernicious crime where vulnerable investors from within the fraudsters' own communities were

targeted for huge sums, including, in some instances, their life savings."

<https://www.sfo.gov.uk/2016/05/24/ponzi-fraudsters-sentenced-total-21-years/>

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