

This week at the UK regulators

Thirty second guide: The week in overview

In a week without any concluded UK enforcement cases, the main news was that HM Treasury published a further consultation and draft regulations in connection with the Fourth Money Laundering Directive and Fund Transfer Regulation, while the FCA issued a guidance consultation about the treatment of politically exposed persons under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.

The FCA's Chief Executive spoke to a Hong Kong conference about culture in financial institutions and the Director of Policy participated in a fintech podcast to discuss competition and innovation in the UK market.

Further afield, in Hong Kong the SFC sanctioned a number of firms for AML, client money and sponsor failings, with fines totalling HK\$19.6 million. The SFC's Chief Executive spoke about corporate governance challenges in an age of short-term investor thinking.

In the US, the DOJ's acting Assistant Attorney General spoke about developments in cross-border prosecutions of white collar crime, and the SEC entered into an enhanced cooperation agreement with the Belgian National Bank in relation to expanded US services provided by Euroclear.

HM Treasury issues further policy consultation on implementation of EU AML regulation

On 15 March, Her Majesty's Treasury published a policy consultation on the transposition of the Fourth Money Laundering Directive and Fund Transfer Regulation. The consultation provides an outline of responses to the original consultation that closed on 10 November 2016, summarises the government's policy decisions and includes draft regulations for comment by 12 April 2017.

<https://www.gov.uk/government/consultations/money-laundering-regulations-2017>

FCA CEO speaks about culture in financial institutions

On 16 March, Andrew Bailey, Chief Executive of the FCA, spoke to the HKMA Annual Conference for Independent Non-Executive Directors about culture in financial institutions, the major influences of management and public authorities on shaping cultural outcomes, banker remuneration and corporate governance as case studies and the role of the FCA in managing the "tone from the top", incentive structures and effective management and

governance.

<https://www.fca.org.uk/news/speeches/culture-financial-institutions-everywhere-nowhere>

FCA identifies MiFID II authorisations and investing in illiquid assets through open-ended investments as "hot topics"

On 16 March, the FCA published its March round-up with the latest news affecting regulated firms, including pieces about the impact on a range of authorised persons of pending MiFID II changes and the challenges posed by investing in illiquid assets through open-ended funds.

<https://www.fca.org.uk/news/newsletters/regulation-round-march-2017>

FCA policy director discusses competition and innovation with FinTech Insider

On 17 March, David Geale, Director of Policy for the FCA, spoke to the FinTech Insider podcast about the work of the FCA to promote competition and innovation since 2014

through the Project Innovate initiative. Discussion topics included the challenge of a regulatory framework that did not envisage innovative financial services, the FCA's regulatory sandbox and recent international agreements to reduce barriers to entry for fintech firms.

<https://www.fca.org.uk/news/news-stories/david-geale-competition-innovation-fintech-insider>

FCA warnings

Name of firm	Date of warning	Details
ABSA Wealth Management	16 March 2017	Clone firm https://www.fca.org.uk/news/warnings/absa-wealth-management-cloning-subsiary-barclays-africa-group
Stevenson Investment Management Inc	14 March 2017	Not authorised https://www.fca.org.uk/news/warnings/stevenson-investment-management-inc
Lazard Asset Management	14 March 2017	Clone firm https://www.fca.org.uk/news/warnings/lazard-asset-management-clone
Swiss Life	13 March 2017	Clone firm https://www.fca.org.uk/news/warnings/swiss-life-clone
Allied Capital Consultants	13 March 2017	Not authorised https://www.fca.org.uk/news/warnings/allied-capital-consultants

Policy developments

FCA		PRA	
Proposed developments			
		Deadline for responses	
Guidance Consultation	<p>On 16 March, the FCA published a guidance consultation (GC17/2) on the treatment of politically exposed persons under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.</p> <p>https://www.fca.org.uk/publication/consultation-papers/gc17-2-treatment-politically-exposed-persons-peps-money-laundering</p>	18 April 2017	

Further Afield

SFC CEO speaks about corporate governance challenges

On 13 March, Ashley Alder, the Chief Executive of the Hong Kong Securities and Futures Commission (SFC), spoke at the Companies Registry Corporate Governance Roundtable about the challenges of short-term thinking, passive investment strategies and environmental sustainability in relation to corporate governance in Hong Kong.

<http://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=17PR30>

SFC sanctions Zhongtai International Securities for non-compliance with AML regulations

On 14 March, the SFC reprimanded and fined Zhongtai International Securities Limited HK\$2.6 million for failing to comply with anti-money laundering regulatory requirements

when handling third-party fund deposits and breaching the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Guideline on Anti-Money Laundering and Counter-Terrorist Financing and the SFC Code of Conduct.

The SFC found that, from January 2013 to December 2014, the firm failed to monitor and scrutinise numerous third-party deposits to a client's sub-accounts and failed to establish adequate and appropriate internal controls to detect and report suspicious third-party fund deposits. The SFC also found that, during steps to re-assess certain third-party deposits, the firm failed to maintain proper and accurate records of the assessments conducted by senior management and compliance officers.

<http://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=17PR32>

SFC sanctions BOCOM International for sponsor failures

On 15 March, the SFC reprimanded and fined BOCOM International (Asia) Limited HK\$15 million for failing to

discharge its sponsor duties in connection with a listing application by China Huinong Capital Group Company Limited on the Hong Kong Stock Exchange (HKSE). The SFC found that the firm failed to conduct all reasonable due diligence prior to submitting the listing application, ensure that all material information was included in the application proof submitted to the HKSE and ensure that all information provided to the regulators was correct and not misleading.

<http://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=17PR34>

SFC sanctions DBS Vickers for regulatory breaches and internal control failures

On 16 March, the SFC reprimanded and fined DBS Vickers (Hong Kong) Limited HK\$2 million for regulatory breaches and internal control failings relating to under-segregation of client money. The SFC found that, from June 2013 to September 2015, the firm used aggregated client monies in segregated client accounts to meet settlement obligations and, in so doing, effectively used excess margin deposits of some clients to fulfil the margin requirement of other clients with unmet margin calls. The SFC found that this was a breach of the Client Money Rules and the SFC's Code of Conduct.

<http://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=17PR36>

DOJ acting Assistant AG speaks about cross-border prosecution of white collar crime

On 10 March, Kenneth Blanco, acting Assistant Attorney General, spoke to the American Bar Association National Institute about cross-border developments in the US Department of Justice (DOJ) Criminal Division and multi-jurisdictional prosecutions. He spoke about the report of the Financial Action Task Force and the DOJ's view that compliance with Treasury Department customer due diligence rules about beneficial ownership will be critical to greater transparency and reporting of proceeds of crime in future. He cited the Odebrecht, 1MDB, Rolls Royce and VimpelCom matters as examples of increased levels of bilateral and multilateral cooperation, as well as the role of attachés in diplomatic postings, to investigate transborder

crime and reach global resolutions with penalties apportioned between relevant jurisdictions.

<https://www.justice.gov/opa/speech/acting-assistant-attorney-general-kenneth-blanco-speaks-american-bar-association-national>

SEC and National Bank of Belgium in Euroclear cooperation agreement

On 14 March, the US Securities and Exchange Commission (SEC) and the National Bank of Belgium announced that they had entered into an arrangement to enhance their cooperation and information sharing in connection with the expanded clearance and settlement services provided by Euroclear Bank to the US equity securities market.

<https://www.sec.gov/news/press-release/2017-67-2>

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

Michael Lyons
Partner

E: michael.lyons
@cliffordchance.com

Kelwin Nicholls
Partner

E: kelwin.nicholls
@cliffordchance.com

Judith Seddon
Partner

E: judith.seddon
@cliffordchance.com

Luke Tolaini
Partner

E: luke.tolaini
@cliffordchance.com

Editors

Chris Stott
Lawyer

E: chris.stott
@cliffordchance.com

Scott Girvin
Senior Associate

E: scott.girvin
@cliffordchance.com

This publication does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

www.cliffordchance.com

Clifford Chance, 10 Upper Bank Street, London, E14 5JJ

© Clifford Chance 2013

Clifford Chance LLP is a limited liability partnership registered in England and Wales under number OC323571

Registered office: 10 Upper Bank Street, London, E14 5JJ

We use the word 'partner' to refer to a member of Clifford Chance LLP, or an employee or consultant with equivalent standing and qualifications

If you do not wish to receive further information from Clifford Chance about events or legal developments which we believe may be of interest to you, please either send an email to nomorecontact@cliffordchance.com or by post at Clifford Chance LLP, 10 Upper Bank Street, Canary Wharf, London E14 5JJ

Abu Dhabi ■ Amsterdam ■ Bangkok ■ Barcelona ■ Beijing ■ Brussels ■ Bucharest ■ Casablanca ■ Doha ■ Dubai ■ Düsseldorf ■ Frankfurt ■ Hong Kong ■ Istanbul ■ Kyiv ■ London ■ Luxembourg ■ Madrid ■ Milan ■ Moscow ■ Munich ■ New York ■ Paris ■ Perth ■ Prague ■ Riyadh* ■ Rome ■ São Paulo ■ Seoul ■ Shanghai ■ Singapore ■ Sydney ■ Tokyo ■ Warsaw ■ Washington, D.C.

*Clifford Chance has a co-operation agreement with Al-Jadaan & Partners Law Firm in Riyadh.