

This week at the UK regulators

Thirty second guide: The week in overview

In a week without significant concluded enforcement cases, the main development was the release of reports by the FCA accompanying its main annual report and accounts summarising enforcement activity during 2016/17 and setting out activity in relation to its anti-money laundering and competition remits. Its Enforcement Annual Report shows a marked downward trend in terms of number and total amount of financial penalties imposed, but a sharp increase in the number of enforcement cases open, of which a sizeable majority related to insider dealing.

In other developments, the PRA issued a statement on consumer credit, pointing to the diminishing resilience of portfolios and some shortcomings and variations in the practices adopted by firms in this area.

In policy developments, the FCA issued a consultation paper setting out proposed new rules and guidance on remuneration and incentives in the consumer credit sector, policy statements on aspects of MiFID II implementation and fees and levies and finalised guidance on how firms should their obligations in relation to politically exposes persons under relevant anti-money laundering legislation.

Enforcement Notices

In 3 separate final notices published on 3 July 2017, the FCA cancelled the Part 4A permission of Yo Yo Vending Limited, Stephen Duffy and Parm Milap. In all three cases, the cancellation was based on failure to be open and cooperative.

<https://www.fca.org.uk/publication/final-notices/yo-yo-vending-limited.pdf>

<https://www.fca.org.uk/publication/final-notices/stephen-duffy.pdf>

<https://www.fca.org.uk/publication/final-notices/parm-milap.pdf>

FCA releases Enforcement Annual Report

On 5 July, the FCA released its Enforcement Annual Report for 2016/17. The report shows a downward trend in both the number of financial penalties imposed and the total value of those financial penalties, with 15 fines (six against firms and nine against individuals) totalling £181 million (of which £163 million was accounted for by one fine). This is a marked differed from the 34 fines (17 against firms and 17 against individuals) totalling £880.4 million imposed in 2015/16 and the 43 fines (23 against firms and 20 against individuals) totalling £1.41 billion imposed in 2014/15.

The total number of open enforcement cases nearly doubled during the year from 247 open cases at 1 April 2016 to 414 open cases at 31 March 2017. Of these, there were nearly twice as many insider dealing cases opened as cases relating to any other issue.

Cases opened rank as follows:

Insider Dealing	78
Financial Crime	43
Unauthorised business	40
Retail Conduct	30
Market Manipulation	29
Wholesale conduct	13
Listing Rules	13
Culture / governance	9
Financial promotions	7
Mis-selling	6
Misleading statements	5
CASS	2

A similar number of cases were closed during the year compared to the previous two years (115 cases closed compared to 98 and 115 in the two previous years) but, of these, a much higher percentage were closed with no

action compared to the previous two years (with 62% closed with no action compared to 24% and 33% in the previous two years). The report shows that 13 cases were concluded by settlement compared to 40 and 39 in the two previous years.

FCA feeds back on anti-money laundering and competition activity

Also on 5 July, as part of the suite of documents accompanying the release of its main annual report and accounts, the FCA published separate annual reports in relation to anti-money laundering ("AML") and competition.

Its AML report, comments on notable policy developments including its FCA's new responsibility, beginning towards the end of 2017, for monitoring the AML supervision carried out by bodies including the Institute of Chartered Accountants in England and Wales and the Association of Taxation Technicians. In the report, the FCA also refers to its willingness to embrace new technology to lessen compliance burdens on firms and to continue close cooperation with the industry to improve the AML framework and addresses concerns that AML is denying access to financial services to legitimate customers.

The competition report, summarises the work done during the year, including the completion of market studies on credit cards and investment and corporate banking, the publication of interim findings on asset management and the launch of a study on mortgages. It also refers, without giving details, to ongoing measures being taken to increase awareness of and compliance with competition law and summarised the steps being taken to encourage innovation and smooth the path for new entrants to the market,

reporting that 17 firms from the Innovation Hub have now progressed to become fully authorised firms.

<https://www.fca.org.uk/publication/annual-reports/annual-report-2016-17.pdf>

<https://www.fca.org.uk/publication/annual-reports/annual-anti-money-laundering-report-2016-17.pdf>

<https://www.fca.org.uk/publication/annual-reports/annual-competition-report-2016-17.pdf>

PRA issues statement on consumer credit

On 4 July, the PRA published a statement regarding its review of consumer credit lending. Broadly, the PRA found that the resilience of consumer credit portfolios is diminishing due to the combination of continued growth, lower pricing, falling average risk weights (for firms using internal-ratings based models), and some increased lending into higher risk segments. It also reported that firms' assessment and pricing for risk appeared to be overly influenced by the currently favourable macroeconomic environment and historically low arrears rates and that increased consumer debt and its potential impact on borrowers' ability to service their debt in the future is not always fully considered in firms' risk assessment. The PRA also found that risk management and controls for consumer credit products varied considerably between firms.

<http://www.bankofengland.co.uk/pr/Pages/publications/statement040717.aspx>

FCA warnings

Name of firm	Date of warning	Details
53 Capital Trade	7 July 2017	Not authorised https://www.fca.org.uk/news/warnings/53-capital-trade
Panda Payday Loans	5 July 2017	Not authorised https://www.fca.org.uk/news/warnings/panda-payday-loans

Dixon Associated	5 July 2017	Not authorised https://www.fca.org.uk/news/warnings/dixon-associates-ltd
TraderVC	4 July 2017	Not authorised https://www.fca.org.uk/news/warnings/tradervc
OneTrade	3 July 2017	Clone firm https://www.fca.org.uk/news/warnings/onetrade-clone
Horizon Management Advisors	3 July 2017	Clone firm https://www.fca.org.uk/news/warnings/horizon-management-advisors-clone
Markets Capital Limited (trading as FX Markets Capital)	3 July 2017	Not authorised https://www.fca.org.uk/news/warnings/markets-capital-limited-trading-fx-markets-capital

Policy developments

FCA		PRA		
Proposed developments				
		Deadline for responses		
Consultation papers	On 4 July, the FCA published a consultation paper (CP17/20) encapsulating findings from its thematic review and proposed new rule and guidance in relation to staff incentives, remuneration and performance management in consumer credit. https://www.fca.org.uk/publication/consultation/cp17-20.pdf	4 October 2017		
	On 3 July, the FCA published a consultation paper (CP17/19) on its sixth set of implementation	7 September 2017		

	<p>proposals for MiFID II and seeking views on the proposed changes to the FCA Handbook.</p> <p>https://www.fca.org.uk/publication/consultation/cp17-19.pdf</p>			
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Finalised Policy and guidance				
		Implementation/effective date		
Policy statements	<p>On 3 July, the FCA published its final policy statement II (PS17/14) on the implementation of MiFID II.</p> <p>https://www.fca.org.uk/publication/policy/ps17-14.pdf</p>			
	<p>On 3 July, the FCA published a policy statement (PS17/15) on regulated fees and levies for 2017/2018 including feedback on CP17/12 and "made rules".</p> <p>https://www.fca.org.uk/publication/policy/ps17-15.pdf</p> <p>https://www.fca.org.uk/publication/consultation/cp17-12.pdf</p>			
Finalised guidance	<p>On 6 July, the FCA published finalised guidance (FG17/5) in connection with how financial services firms should treat customers who are politically exposed persons when meeting their AML obligations. The guidance provides clarity on how firms should apply the definitions of a politically exposed person under applicable UK anti-money laundering legislation.</p> <p>https://www.fca.org.uk/publication/finalised-guidance/fg17-05.pdf</p>			

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

Matthew Newick
Partner

E: matthew.newick
@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

Hannah Ovaisi
Lawyer

E: hannah.ovaisi
@cliffordchance.com

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www.cliffordchance.com

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

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