

This week at the UK regulators

Thirty second guide: The week in overview

The main UK regulatory activity this week consisted of speeches from senior FCA officials on the market abuse regime and cyber resilience. The FCA also provided information on its concerns relating to binary options and upcoming changes in their regulation, as well as making a Prohibition Order against an individual for causing false and misleading information to be provided to the FCA in an application for him to perform the CF1 function.

Further afield, the Hong Kong Securities and Futures Commission released consultation conclusions to enhance asset management regulation and point-of-sale transparency.

FCA makes Prohibition Order in relation to misleading CF1 application

With effect from 16 November 2017, the FCA made a Prohibition Order against Richard Telfryn Jones under s. 56 of FSMA 2000. The FCA found that Mr Jones had fabricated regulatory reference letters to be transmitted to the FCA by a firm applying for Mr Jones to perform the CF1 function.

<https://www.fca.org.uk/publication/final-notices/richard-telfryn-jones-2017.pdf>

FCA COO speech at the Cyber Security Summit and Expo

Nausicaa Delfas, FCA Chief Operating Officer, delivered a speech on 15 November 2017 at the Cyber Security Summit and Expo 2017 on cyber resilience and supplier risk. She emphasised that boards should identify their companies' critical information and data assets, receive regular updates on threats to these and ensure they have means to detect significant cyber breaches. She also discussed methods to reduce cyber risks from suppliers. Ms. Delfas questioned whether audits of key suppliers are a sustainable and cost-effective approach for large organisations, due to the number of their suppliers. She suggested that intermediaries, who perform audit assessments of suppliers on an ongoing basis to a

commonly accepted standard within the financial sector, and automated tools, which evaluate and measure the cyber security indicators of companies, might be more effective methods of combating supplier risk. Finally, Ms. Delfas mentioned the contribution which "nudge theory" can make; firms should make cyber security part of the routine conversation with suppliers.

<https://www.fca.org.uk/news/speeches/cyber-resilience-and-supplier-risk-moving-beyond-compliance>

FCA Director of Market Oversight speech at the "Recent Developments in the Market Abuse Regime" conference

Julia Hoggett, FCA Director of Market Oversight, delivered a speech at the "Recent Developments in the Market Abuse Regime" conference on 14 November 2017, in which she discussed the evolution of oversight and pursuit of compliance with the market abuse regime. Ms Hoggett discussed the increased ability that the FCA will have to detect market abuse with the increased volume of transaction and order data that it will receive following transition to MIFID II.

Ms. Hoggett also referred to the need for firms to recognise the broad definition of "financial crime" in the Handbook, which covers criminal market abuse as well as money laundering. If a firm has reasonable suspicion that insider dealing as defined by MAR may have occurred, such that

they have raised multiple STORs, then, in almost all circumstances that firm will have established reasonable suspicion that the criminal offence of insider dealing may have occurred, in which case the firm should properly consider its obligations (set out in SYSC6.1.1R) to counter the risk of financial crime.

<https://www.fca.org.uk/news/speeches/effective-compliance-market-abuse-regulation-a-state-of-mind>

FCA provides information on its concerns relating to binary options and upcoming changes in their regulation

On 14 November 2017, the FCA provided information on its concerns relating to binary options and on upcoming changes in their regulation. Binary options allow a consumer to bet that the price of a financial asset will be above or below a specified price at a certain time; if the bet

is correct, the consumer could "win" a fixed amount of money, but if it is incorrect, the consumer loses the entire stake. The FCA is concerned about binary options as consumers typically make losses, which can be significant. Since the value of binary options is based on the probability of the price prediction being correct, consumers need to "beat the odds" to make a profit, which the majority do not. Additionally, the short duration of trades can cause addictive behaviour typically associated with gambling. From 3 January 2018, the FCA is taking over regulation of binary options from the Gambling Commission. They will be considered as investment products, so firms offering them will have to be authorised and supervised by the FCA, with complaints resolved by the Financial Ombudsman Service and consumers having access to the Financial Compensation Scheme. The FCA also warned that UK consumers are increasingly being targeted by binary options scams.

<https://www.fca.org.uk/consumers/binary-options>

FCA warnings

Name of firm	Date of warning	Details
MG Finance Consulting (clone)	17 November 2017	Clone https://www.fca.org.uk/news/warnings/mg-finance-consulting-clone

Further Afield

The Hong Kong Securities and Futures Commission released consultation conclusions on proposals to enhance asset management regulation and point-of-sale transparency. The SFC will implement enhancements to the Fund Manager Code of Conduct in respect of securities lending and repurchase agreements, custody of fund assets, liquidity risk management and disclosure of leverage by fund management, as well as to the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission Code to address conflicts of interest in the sale of investment products and enhance disclosure at the point-of-sale. The SFC also launched a further consultation on disclosure requirements applicable to discretionary accounts.

<http://www.sfc.hk/edistributionWeb/gateway/EN/consultation/conclusion?refNo=16CP5>

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