

This week at the UK regulators

Thirty second guide: The week in overview

This week's enforcement activities by the FCA included issuing a Final Notice and fine of £4 million in respect of Bluefin Investment Services Limited, a large insurance broker, for having inadequate systems and controls and holding itself out to be "truly independent" in the advice it provided and the insurers it recommended to customers.

Megan Butler, Director of Supervision at the FCA, delivers speech on effective global regulation in capital markets

On 5 December 2017, Megan Butler, Director of Supervision – Investment, Wholesale and Specialists at the FCA, delivered a speech on global regulation in capital markets at the ICI Global Conference in London. The speech focussed on effective co-ordination between national regulators; cyber and financial crime in the capital markets; and preserving the open markets and enhancing close regulatory links with other nations.

<https://www.fca.org.uk/news/speeches/effective-global-regulation-capital-markets>

FCA fines Bluefin £4m for misleading customers

On 6 December 2017, the FCA issued a Final Notice in which it fined Bluefin Insurance Services Limited £4,023,800 for having inadequate systems and controls and failing to provide information to its customers about Bluefin's independence in a way that was clear, fair and not misleading. Between 9 March 2011 and 31 December 2014, Bluefin held itself out to be 'truly independent' despite

being wholly owned by AXA UK Plc during this time. Bluefin agreed to settle at an early stage of the investigation and received a 30% reduction in their overall fine which would otherwise have been £5,748,200.

<https://www.fca.org.uk/news/press-releases/fca-fines-bluefin-4m-misleading-customers>

Rob Gruppetta, Head of the Financial Crime Department at the FCA, delivers speech on using AI in the financial system

On 6 December 2017, Rob Gruppetta, Head of the Financial Crime Department at the FCA, delivered a speech on using artificial intelligence to keep criminal funds out of the financial system. The speech focussed on the efforts criminals take to launder dirty funds and whether software could trawl through a bank's transactions to detect suspicious activity or even be taught human intuition that senses abnormal trends.

<https://www.fca.org.uk/news/speeches/using-artificial-intelligence-keep-criminal-funds-out-financial-system>

FCA warnings

Name of firm	Date of warning	Details
Waybridge Financial	8 December 2017	Clone firm https://www.fca.org.uk/news/warnings/waybridge-financial-

		clone-authorized-firm
Herald Investment Trusts	7 December 2017	Clone firm https://www.fca.org.uk/news/warnings/herald-investment-trusts-clone-authorized-firm
Asset Link International	7 December 2017	Not authorised https://www.fca.org.uk/news/warnings/asset-link-international
Independence Loans	4 December 2017	Clone firm https://www.fca.org.uk/news/warnings/independence-loans-clone

Policy developments

FCA		PRA	
Proposed developments			
		Deadline for responses	
Consultation papers		6 March 2018	CP26/17: Model risk management principles for stress testing On 6 December 2017, the PRA published a consultation paper on proposals to support effective practices in model risk management for stress testing. The PRA proposes: a) that firms participating in the Bank of England's annual concurrent stress test should adopt the principles for all stress test models; and b) firms not participating in the Bank of England's annual concurrent stress testing should take into account their size, nature, scale, complexity of

				<p>business activities and use of stress test models when seeking to apply the principles. The PRA also proposes minimum principles for these firms.</p> <p>https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/consultation-paper/2017/cp2617.pdf?la=en&hash=EB9C5F98FB99F8A300A819CF5785F7D38B2A77B2</p>
			6 March 2018	<p>CP25/17: Pillar 2: Update to reporting requirements</p> <p>On 6 December 2017, the PRA published a consultation paper on proposals regarding supervisory risk and evaluation processes for firms. The proposals include:</p> <ul style="list-style-type: none"> a) a new data item to capture stress testing data currently included in firms' Internal Capital Adequacy Assessment Process documents; b) reduction in the frequency of reporting of the data items in the Reporting Pillar 2 Part of the PRA Rulebook for some forms; and c) consolidation of definitions in several reporting Parts of the PRA Rulebook into the Glossary. <p>https://www.bankofengland.co.uk/prudential-regulation/publication/2017/pillar-2-update-to-reporting-requirements</p>
Guidance consultation	<p>PS17/25: Consultation on retiring FG12/15 and FG14/1</p> <p>On 8 December 2017, the FCA published a policy statement summarising responses to consultation CP17/28 on FAMR implementation part II. Chapter 5 of that policy statement includes a consultation on retiring guidance</p>	19 January 2018		

	<p>which will be superseded by MiFIDII. The FCA proposes to retire FG12/15 and FG14/1 and does not propose to introduce new guidance. The FCA welcomes any views from stakeholders on this proposal.</p> <p>https://www.fca.org.uk/publication/policy-statements/ps17-25-famr-implementation-part-ii</p>			
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Finalised Policy and guidance				
		Implementation/effective date		
Policy statements	<p>PS17/25: FAMR implementation part II and consultation on retiring FG12/15 and FG14/1</p> <p>On 8 December 2017, the FCA published a policy statement summarising the responses to consultation CP17/28 on FAMR implementation Part II and insistent clients. In general, respondents to CP17/28 were supportive of the proposals and the FCA will be proceeding largely on the basis on which it consulted, including implementing Handbook changes arising from recent amendments to the definition of advice on investments in the Regulated Activities Order and guidance arising from experiences of the FCA's Advice Unit.</p> <p>https://www.fca.org.uk/publication/policy-statements/ps17-25-famr-implementation-part-ii</p>	3 January 2018	<p>18 December 2017 for changes to periodic fees and changes to Policyholder Protection Annex B (including FSCS levies).</p> <p>1 March 2018 for changes relating to model transaction fees, fees for insurers and designated investments firms.</p> <p>1 April 2018 for changes relating to Policyholder Protection Annex A</p>	<p>PRA publishes Policy Statement 28/17 on PRA fees and levies</p> <p>On 8 December 2017, the PRA published Policy Statement 28/17 which provides feedback to Consultation Paper 16/17, 'PRA fees and levies: model transaction fees, fees and FSCS levies for insurers and fees for designated investment firms'. The Policy Statement sets out final rules intended to introduce, among others, new approaches for determining periodic fees and Financial Services Compensation Scheme (FSCS) levies.</p> <p>https://www.bankofengland.co.uk/prudential-regulation/publication/2017/prafees-and-levies</p>

			(including FSCS levies).	
Finalised guidance	<p>FCA Handbook Notice No. 50</p> <p>On 7 December 2017, the FCA made changes to the Handbook through a number of statutory instruments. Handbook Notice No. 50 describes the changes as well as summarising feedback for a number of consultations which will not have a separate Policy Statement published by the FCA.</p> <p>Key changes to the Handbook include new guidance on various conduct obligations for firms dealing with insistent clients and clarification of the requirements for employees of firms who provide non-personal recommendation advice.</p> <p>https://www.fca.org.uk/publication/handbook/handbook-notice-50.pdf</p>	<p>Changes to be introduced in stages with the first becoming effective on 8 December 2017.</p> <p>Chapter 1 of the Handbook provides a table of the relevant implementation dates.</p>		

Further Afield

SEC emergency action halts ICO scam

On 4 December 2017, the Securities and Exchange Commission announced it obtained an emergency asset freeze to halt an Initial Coin Offering (ICO) fraud that raised up to \$15 million from thousands of investors by falsely promising a 13-fold profit in less than a month. The SEC filed charges against Dominic Lacroix and his company, PlexCorps. The Commission's complaint alleges that Lacroix and PlexCorps marketed and sold securities called PlexCoin on the internet to investors in the U.S. and elsewhere, claiming that investments would yield a 1,354 percent profit in less than 29 days. The complaint charges Lacroix and PlexCorps with violating anti-fraud and registration provisions of U.S. federal securities laws.

<https://www.sec.gov/news/press-release/2017-219>

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