

This week at the UK regulators

Thirty second guide: The week in overview

This week saw the first enforcement action taken by the FCA under MAR in relation to delayed disclosure of inside information. The FCA issued a Final Notice imposing a fine of £70,000 on Tejoori Limited, an AIM listed company (since de-listed), for failure to disclose inside information between 12 July 2016 and 23 August 2016. The FCA has also secured convictions of six defendants for their roles in a series of boiler rooms which led to the loss of more than £2.7m of investors' funds.

FCA fines Tejoori Limited, an AIM listed company, for failure to disclose inside information as soon as possible

On 14 December the FCA issued a Final Notice imposing a fine of £70,000 on Tejoori Limited, an AIM listed company (since de-listed), for failure to disclose inside information between 12 July 2016 and 23 August 2016. This is the first fine imposed by the FCA under Article 17 Market Abuse Regulation (MAR).

Tejoori agreed to sell one of its investments, BEKON, as a consequence of major shareholders in BEKON exercising drag-along rights. Tejoori had ascribed value of USD 3.35m to its investment in BEKON. The consideration received by Tejoori as part of the drag-along transaction was considerably lower than USD3.35m. Tejoori did not make any announcement when entering into the transaction. BEKON and the buyer publicised the transaction, but were not required to disclose the terms. After the publicity, Tejoori's share price rose significantly on speculation in the market as to what consideration it had received. Tejoori later made an announcement explaining the terms of the transaction, following which its share price fell.

The FCA found that Tejoori had precise information from the time it received from BEKON a draft drag-along notice, draft SPA and a spreadsheet setting out the consideration Tejoori would receive. In the FCA's view this gave rise to a reasonable expectation that Tejoori would be required sell its BEKON shares for consideration significantly less than Tejoori's valuation of its investment in BEKON. It may be that there was some negotiation between Tejoori and the FCA before settlement as to when the information regarding the transaction was sufficiently precise. Tejoori was aware of the proposed terms from an earlier date. The FCA's findings on this issue may have been influenced by

the fact that MAR did not come into effect until 3 July 2016.

The FCA considered that this information was likely to have a significant effect on Tejoori's share price on the basis that "a substantial diminution in the value of a significant investment is information of a kind which a reasonable investor would be likely to use as part of the basis of their investment decisions due to the fact that it would likely cause a decrease in Tejoori's share price".

As is normal in disclosure cases, the FCA calculated the fine by taking a percentage of the firm's average market capitalisation during the period of the false market. The FCA considered the seriousness of this offence to be Level 2, the lowest level which can produce a financial penalty. The FCA considered that the figure this produced by reference to this level (£8,617) was too low to deter others from the same conduct and so increased the penalty to £100,000 which figure was then reduced to £70,000 on early settlement.

<https://www.fca.org.uk/publication/final-notice/tejoori-limited-2017.pdf>

The FCA publishes Market Watch 55

The latest edition of the FCA's newsletter on market conduct and transaction reporting issues was published on 12 December. This edition covers investment firms' transaction reporting obligations at the block or allocation level, a reminder that changes in applicable legislation under MiFID II relevant to transaction reporting, order record keeping and clock synchronisation will come into play on 3 January 2018, and a transitional arrangement reminder for investment firms with respect to making arrangements to fulfil transaction reporting obligations on T+1.

This edition also covers the application of MAR to emission

allowance market participants (EAMPs). From January 2018, EAMPs will be brought within the scope of the MAR by MiFID II. EAMPs who meet certain thresholds will need to disclose inside information on emission allowances that they hold, and will also need to file notifications of delayed disclosure of inside information. Persons discharging managerial responsibilities within EAMPs and within parties involved in relevant auctions must file notifications with the FCA when the reportable threshold in Article 19 of MAR is met. The FCA's expectations of EAMPs for these filing obligations are included in the newsletter.

<https://www.fca.org.uk/publication/newsletters/market-watch-55.pdf>

Six found guilty in relation to £2.7m boiler room scam

In a criminal prosecution brought by the FCA, six defendants have been found guilty for their roles in a series of boiler rooms which led to the loss of more than £2.7m of investors' funds. The convictions were for the following offences: conspiracy to defraud, fraud by abuse of position, perverting the course of public justice, communicating an invitation to engage in investment activity contrary to s21 Financial Services and Markets Act 2000, entering into or becoming concerned in a money laundering arrangement contrary to s328(1) of the Proceeds of Crime Act 2002.

Further details of the investigation, including the identity of the defendants will be released by the FCA once the reporting restriction in place is lifted.

<https://www.fca.org.uk/news/press-releases/six-guilty-relation-2-7m-boiler-room-scam>

Creation of National Economic Crime Centre announced

On 11 December, Amber Rudd, Home Secretary, announced the creation of the National Economic Crime Centre within the NCA to tackle high level fraud and money laundering. The new centre will bring together representatives from the FCA and other regulatory bodies. The multi-agency centre is to plan, task and coordinate operational responses to economic crime across agencies, bringing together the UK's capabilities to tackle economic crime more effectively.

<http://nationalcrimeagency.gov.uk/news/1257-national-economic-crime-centre-announced>

FCA warnings

Name of firm	Date of warning	Details
Goldbridge Fund Management	11 December 2017	Clone https://www.fca.org.uk/news/warnings/goldbridge-fund-management-clone-eea-authorized-firm
Howland Law Firm	11 December 2017	Unauthorised https://www.fca.org.uk/news/warnings/howland-law-firm-

		howland-law-llp
Carus Solutions Ltd	11 December 2017	Unauthorised https://www.fca.org.uk/news/warnings/carus-solutions-ltd
Wee Lones	12 December 2017	Unauthorised https://www.fca.org.uk/news/warnings/wee-loans-clone
New York Law Specialists	14 December 2017	Unauthorised https://www.fca.org.uk/news/warnings/new-york-law-specialists
Revive Capital Group	14 December 2017	Unauthorised https://www.fca.org.uk/news/warnings/revive-capital-group
Bulwark Insurance	14 December 2017	Unauthorised https://www.fca.org.uk/news/warnings/bulwark-insurance
Giant Global Markets Limited	15 December 2017	Unauthorised https://www.fca.org.uk/news/warnings/giant-global-markets-limited
Morgan Consultancy Group	15 December 2017	Unauthorised https://www.fca.org.uk/news/warnings/morgan-consultancy-group

Policy developments

FCA				PRA			
Proposed developments							
			Deadline for responses				

Consultation papers	<p>On 11 December 2017, the FCA published its Approach to Authorisation and its Approach to Competition.</p> <p>These documents are published as part of the FCA's Mission, in which it committed to being more open and transparent about how it regulates and makes decisions.</p> <p>The FCA is seeking views on a number of questions about its approach to authorisation and its approach to competition to find out if it is being clear with its approaches and what else it could be doing.</p> <p>Following the consultation period, in summer 2018, the FCA will publish final versions of its Approach to Authorisation and Approach to Competition.</p> <p>https://www.fca.org.uk/publication/corporate/our-approach-authorisation.pdf</p> <p>https://www.fca.org.uk/publication/corporate/our-approach-competition.pdf</p> <p>https://www.fca.org.uk/publication/s/corporate-documents/our-approach-authorisation</p> <p>https://www.fca.org.uk/publication/s/corporate-documents/our-approach-competition</p>	12 March 2018		
	<p>On 13 December, the FCA published a package of proposals on how firms and individuals will move to the Senior Managers and Certification Regime. The aim of the new regime is to make individuals more accountable for their conduct and competence.</p> <p>The FCA welcomes feedback on the proposals and aims to finalise its approach in summer 2018. The date for the implementation of the</p>	21 February 2018		

	<p>new rules will be announced and set by HM Treasury in due course.</p> <p>In particular, the FCA is consulting on how FSMA authorised firms and individuals will move to the Senior Managers and Certification Regime (CP17/40), how insurers and individuals will move to the Senior Managers and Certification Regime (CP17/41), and how the FCA will apply the Duty of Responsibility to insurers and FCA solo-regulated firms (CP17/42).</p> <p>https://www.fca.org.uk/publication/consultation/cp17-40.pdf</p> <p>https://www.fca.org.uk/publication/consultation/cp17-41.pdfhttps://www.fca.org.uk/publication/consultation/cp17-41.pdf</p> <p>https://www.fca.org.uk/publication/consultation/cp17-42.pdf</p>			
	<p>On 14 December, the FCA published an updated consultation on rules to help customers in persistent credit card debt (CP17/43).</p> <p>The consultation includes a revised analysis of the costs to businesses of the proposed remedies, to take into account additional data the FCA has received and some data that was omitted from previous calculations.</p> <p>The FCA is seeking further views before finalising proposals, in line with their statutory and public law consultation duties.</p> <p>This follows an April 2017 consultation paper (CP17/10) on proposed remedies to help millions of people get out of expensive longer-term credit card</p>	25 January 2018		

	<p>debt.</p> <p>https://www.fca.org.uk/publication/consultation/cp17-43.pdf</p> <p>https://www.fca.org.uk/publication/consultation/cp17-10.pdf</p>			
	<p>On 15 December, the FCA published a consultation paper (CP17/44) concerning PSR regulatory fees. The FCA is seeking feedback on its proposed fees allocation methods.</p> <p>In this document, the FCA sets out its decision on the way it will collect its regulatory fees in 2018/19 and subsequent years, and is now seeking further feedback on other issues, including fees allocation methods.</p> <p>https://www.psr.org.uk/sites/default/files/media/PDF/CP-17-44-PSR-Fees-December-17.pdf</p>	26 January 2018		
			21 February 2018	<p>On 13 December, the PRA published a consultation paper (CP28/17), setting out proposed changes to forms and other consequential changes and minor administrative amendments related to the extension of the Senior Managers and Certification Regime to insurers.</p> <p>https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/consultation-paper/2017/cp2817.pdf?la=en&hash=F3D6E15342206132EB5A53A45025AE9344CFFBB1</p>
Feedback on Discussion papers	<p>On 15 December, the FCA published feedback on its Discussion Paper on Distributed Ledger Technology (DLT) (FS17/4).</p> <p>The FCA received 47 responses from a wide range of market</p>			

	<p>participants to its April 2017 discussion paper seeking stakeholder views on the potential for future development of DLT in the markets the FCA regulates (DP17/3).</p> <p>Respondents expressed particular support for the FCA maintaining a 'technology-neutral' approach to regulation and welcomed the FCA's open and proactive approach to new technology.</p> <p>https://www.fca.org.uk/publication/feedback/fs17-04.pdf</p> <p>https://www.fca.org.uk/publication/discussion/dp17-03.pdf</p>			
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Finalised Policy and guidance				
		Implementation/effective date		
Policy statements	<p>On 15 December, the FCA published a policy statement (PS17/27) setting out its response to the second of three consultation papers on the Insurance Distribution Directive (IDD).</p> <p>This policy statement concerns the implementation of most IDD Level 1 directive matters, including the remaining conduct requirements for life policies and information disclosure in relation to noninvestment insurance contracts.</p> <p>The policy statement includes the FCA's near final rules.</p> <p>https://www.fca.org.uk/publication/policy/ps17-27.pdf</p>	23 February 2018		
			30 June 2018 and 30 June	On 11 December, the PRA published a policy statement

			2019	<p>(PS29/17) providing feedback on responses to consultation paper (CP9/17) and setting out the PRA's final expectations on the content of recovery plans and on the approach to recovery planning for groups containing a ring-fenced body.</p> <p>The PRA received eight responses to CP9/17. Respondents were broadly supportive of the proposals.</p> <p>https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2017/ps2917.pdf?la=en&hash=982017827FDCED87FDC6A55F571DAA02C83B45AC</p>
			1 January 2018	<p>On 12 December, the PRA published a policy statement (PS30/17) providing feedback to consultation paper (CP12/17) 'Pillar 2A requirements and disclosure'. It is intended to provide additional clarity and transparency on the PRA's Pillar 2A framework.</p> <p>https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2017/ps3017.pdf?la=en&hash=7C40776D31BD27F034791CEE1880E8BA62E7942A</p> <p>https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/consultation-paper/2017/cp1217.pdf?la=en&hash=C4D004CC54AED3B36A66CD71005A004461F5BEC4</p>
			3 January 2018 (MiFID II), 23 February 2018 (IDD)	<p>On 15 December, the PRA published a policy statement (PS31/17) providing final policy as part of changes to the PRA Rulebook as outlined in Chapter 7 of Occasional Consultation Paper</p>

				<p>18/17. These changes relate to MiFID II, Insurance Distribution Directive forms, and European Union Benchmark Regulation.</p> <p>This policy statement provides the majority of rules and form changes associated with MiFID II and IDD.</p> <p>https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2017/ps3117.pdf?la=en&hash=2C48E97A920AEA56B688072771267CC5E5CEBA60</p> <p>https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/consultation-paper/2017/cp1817.pdf?la=en&hash=7DDF31CA5B78322B5F6591CE656E13B354E22B33</p>
			1 January 2019	<p>The PRA supervisory statement (SS8/16) aimed at ring-fenced bodies – which sets out the PRA's expectations of a ring-fenced body and members of its group in relation to ring-fencing of core activities and services – was updated following the publication of PS29/17.</p> <p>https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2017/ss816update2.pdf?la=en&hash=F9F6316C98FC686683F558F45FFBC88D0FA71715</p>
			30 June 2018 and 30 June 2019	<p>On 11 December, the PRA published a supervisory statement (SS9/17) setting out its expectations on the content of recovery plans and group recovery plans.</p> <p>https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2017/ss917.pdf?la=en&hash=7DDF31CA5B78322B5F6591CE656E13B354E22B33</p>

				statement/2017/ss917.pdf?la=en&hash=D5317FDD3B9858CF1ADA8FD6B6BB69E459762D03
			1 January 2022 (for end state requirements)	<p>On 11 December, the PRA published the final SS16/16 'The minimum requirement for own funds and eligible liabilities (MREL)-buffers' incorporating updates proposed in CP15/17.</p> <p>This statement sets out the PRA's expectations on the relationship between the MREL and both capital and leverage ratio buffers, as well as the implications that a breach of MREL would have for the PRA's consideration of whether a firm is failing, or likely to fail, to satisfy the Threshold Conditions.</p> <p>https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2017/ss1616update.pdf?la=en&hash=EE48E560E732C247821BBD03CE3B5BFD03465060</p> <p>https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/consultation-paper/2017/cp1517.pdf?la=en&hash=2410BDC71F1EF044EF8D0486ECD0CFBC9D3217710</p>
			1 January 2018	<p>On 12 December, following updates to PS30/17, the PRA updated supervisory statement, SS31/5. This supervisory statement is aimed at firms to which CRDIV applies. It provides detail on the high level expectations outlined in 'The Prudential Authority's approach to banking supervision'.</p> <p>https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2017/ss315.pdf?la=en&hash=2410BDC71F1EF044EF8D0486ECD0CFBC9D3217710</p>

				statement/2017/ss3115-icaap-and-srep.pdf?la=en&hash=8EF92F173C5B51C6592928197E4081FC9E38DAC6
Final Rules	<p>On 12 December, the FCA published final rules in its policy statement (PS17/26) which will require providers of personal current accounts and business current accounts to publish information that will help customers to compare the service they could receive from different providers.</p> <p>The new information will help customers, comparison websites and the media to make meaningful comparisons of the services different current account providers offer. By encouraging competition it is expected that the new rules will mean providers will improve their service and performance.</p> <p>https://www.fca.org.uk/publication/policy/ps17-26.pdf</p>	15 August 2018 and February 2019		

Further Afield

Hong Kong Securities & Future Commission (SFC) issues guidance note on "benefits of cooperation"

The SFC has issued a guidance note highlighting the benefits of cooperating with the SFC in its investigations and enforcement proceedings. The note replaces the previous guidance note from March 2006 and clarifies the SFC's approach to cooperation in disciplinary, civil court and MMT proceedings. It does not apply to criminal cases.

The note introduces new measures to encourage the types of cooperation which the SFC says will help it investigate more serious legal or regulatory breaches and achieve timely and desirable enforcement outcomes, and outlines the factors the SFC will take into account when assessing

cooperation. The note says that, for civil and MMT matters, cooperation may lead to a reduced proposed sanction.

<http://www.sfc.hk/web/EN/assets/components/codes/files-current/web/guidelines/guidance-note-on-cooperation-with-the-sfc/guidance-note-on-cooperation-with-the-sfc.pdf>

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

Oliver Pegden
Senior Associate

E: oliver.pegden
@cliffordchance.com

Anne Collins
Lawyer

E: anne.collins
@cliffordchance.com

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www.cliffordchance.com

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

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