

This week at the UK regulators

26 February 2018

Thirty second guide: The week in overview

Crypto-currencies and Fintech dominated the regulatory agenda this week. The FCA signed a cooperation arrangement with the US Commodities and Futures Trading Commission on Fintech innovation, the FCA launched a call for input on the use of technology to achieve smarter regulatory reporting, and the Treasury Committee announced an inquiry into digital currencies and distributed ledger technology. The FCA also published its 2017 performance statement in relation to the memorandum of understanding in place with the Bank of England and Payment Systems Regulator on financial markets infrastructure. In policy developments, the FCA published finalised guidance on perimeter guidance on personal recommendations on retail investments, whilst the PRA published finalised guidance on Pillar 2 liquidity and updated various guidance to reflect a delayed implementation date for the EU Insurance Distribution Directive and various technical changes to reporting arrangements.

FCA finalises US Fintech innovation collaboration arrangements

On 19 February, the FCA and US Commodity Futures Trading Commission (CFTC) signed a Cooperation Arrangement committing them to collaborating and supporting innovative firms through each other's Fintech initiatives – LabCFTC and FCA Innovate. As part of the Arrangement, the FCA and the CFTC will be hosting a joint event in London to demonstrate how firms can engage with both regulators. The arrangement focuses on information-sharing regarding Fintech market trends and developments. It also facilitates referrals of Fintech companies interested in entering the others' market, and sharing information and insight derived from each authority's relevant sandbox, proof of concept, or innovation competitions.

<https://www.fca.org.uk/news/press-releases/fca-and-us-cftc-sign-arrangement-collaborate-fintech-innovation>

FCA invites views on changes to regulatory reporting

On 20 February, the FCA announced that it is seeking views on how technology can make it easier for firms to meet their regulatory reporting requirements and improve the quality of the information they provide. The FCA holds 'TechSprints' that bring together financial services providers, technology companies and subject matter experts. At a previous TechSprint, participants successfully developed a 'proof of concept' which could make regulatory reporting requirements machine-readable and executable. The Call for Input asks for views on how the FCA can improve this process. The

paper also seeks feedback on some of the broader issues surrounding the role technology can play in regulatory reporting. The Call for Input will close on 20 June 2018.

<https://www.fca.org.uk/news/press-releases/fca-launches-call-input-use-technology-achieve-smarter-regulatory-reporting>

Treasury Committee publishes terms of reference for SME Finance inquiry...

On 19 February, the Treasury Committee published the terms of reference for the SME Finance enquiry. This inquiry will consider the state of the SME finance market in relation to three overarching themes: (1) funding options available to SMEs, including the availability and uptake of different sources of funding for SMEs, including banks, peer-to-peer lenders and crowdfunding, (2) the ability of SMEs to resolve disputes and access fair and reasonable compensation when they borrow money, including the effectiveness of existing arrangements for dispute arbitration and settlement, and (3) the regulation of SME lending, including the level of protection currently afforded to SMEs when they borrow money. The deadline for submissions is Friday 30 March 2018.

<http://www.parliament.uk/business/committees/committees-a-z/commons-select/treasury-committee/news-parliament-2017/sme-finance-tor-17-19/>

...and launches a new digital currencies inquiry

On 22 February, the Treasury Committee announced that it was launching a new inquiry into digital currencies and distributed ledger technology. The inquiry will cover the role of digital currencies in the UK, including the opportunities and risks that digital currencies may bring to consumers, businesses, and the Government. It will examine the potential impact of distributed ledger technology on financial institutions, including the central bank, and financial infrastructure. It will also scrutinise the regulatory response to digital currencies from the UK Government, the FCA, and the Bank of England, and how regulation could be balanced to provide adequate protection for consumers and businesses without stifling innovation.

<http://www.parliament.uk/business/committees/committees-a-z/commons-select/treasury-committee/news-parliament-2017/digital-currencies-17-19/>

FCA reports on collaboration with other UK regulators on market infrastructure

On 20 February, the FCA published the 2017 performance statement regarding its memorandum of understanding with the Bank of England and the Payment Systems Regulator in relation to supervising market infrastructure and payment systems. The statement is based on consultation by the FCA and the Bank of England with supervised Financial Markets Infrastructures (FMIs) reviewing their co-operation regarding market infrastructure in 2017. The authorities concluded that the MoU's arrangements for co-operation remain effective, with appropriate co-ordination and no material duplication. Industry respondents acknowledged the efforts made on co-operation and emphasised its growing importance given the changing environment.

<https://www.fca.org.uk/news/news-stories/operation-mou-bank-england-market-infrastructure-2017-performance-statement>

CBL Insurance Europe dac ceases writing new business

On 19 February, the FCA indicated that it had been informed by the Central Bank of Ireland (CBI) the same day that the CBI had issued a direction to CBL Insurance Europe dac (CBLIE) instructing CBLIE to cease writing new business with immediate effect, until further notice. The brief statement on the FCA's website confirms that CBLIE continues to otherwise operate normally and existing policies continue to remain in force, that CBLIE is an insurance firm authorised and regulated by the Central Bank of Ireland and that it operates in the UK on a freedom of services basis.

<https://www.fca.org.uk/news/news-stories/cbl-insurance-europe-dac-ceases-writing-new-business>

FCA warnings

| Name of firm | Date of warning | Details |
|-----------------------------|------------------|---|
| Chemmi Holdings t/a Max CFD | 20 February 2018 | Unauthorised https://www.fca.org.uk/news/warnings/chemmi-holdings-max-cfd |

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| TDC Property Development | 22 February 2018 | Unauthorised https://www.fca.org.uk/news/warnings/tdc-property-development |
| Neo Finance Limited | 22 February 2018 | Unauthorised https://www.fca.org.uk/news/warnings/neo-finance-limited |
| Teramusu | 23 February 2018 | Unauthorised https://www.fca.org.uk/news/warnings/teramusu |
| Solidcfd.com | 23 February 2018 | Unauthorised https://www.fca.org.uk/news/warnings/solidcfdcom |

| Finalised Policy and guidance | | | | |
|-------------------------------|---|-------------------------------|---|--|
| | | Implementation/effective date | | |
| Policy statements | <p>PS 18/3: Perimeter guidance on personal recommendations on retail investments</p> <p>On 23 February, the FCA published a policy statement (PS 18/3) setting out its response to feedback on what constitutes a personal recommendation. It follows consultation in summer 2017 in CP 17/28 on FAMR Implementation Part II and insistent clients.</p> <p>https://www.fca.org.uk/publication/policy/ps18-03.pdf</p> <p>https://www.fca.org.uk/publication/consultation/cp17-28.pdf</p> | | <p>Appendices 1, 2 and 5 of the policy statement will take effect from Friday 23 February 2018.</p> <p>Appendices 3 and 4 will take effect from Monday 1 July 2019.</p> | <p>Pillar 2 liquidity</p> <p>The PRA has published a policy statement responding to an earlier consultation relating to liquidity assessments, cashflow mismatch risk framework (CFMR), and survival guidance on the granular Liquidity Coverage Requirement stress within the CFMR framework. contains a final Statement of Policy ‘Pillar 2 liquidity’ (Appendix 1); an updated Supervisory Statement 24/15 ‘The PRA’s approach to supervising liquidity and funding risks’ (Appendix 2); a final PRA110 template and reporting instructions (Appendix 3); a final amendment to the Reporting Part of the PRA Rulebook (Appendix 4); and an updated SS34/15, ‘Guidelines for completing regulatory reports’ (Appendix 5).</p> |

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| | | | | https://www.bankofengland.co.uk/prudential-regulation/publication/2016/pillar-2-liquidity |
| | | | <p>Update effective from 22 February 2018.</p> | <p>Update to PS 31/17 to reflect delays to Insurance Distribution Directive</p> <p>On 22 February 2018, Policy Statement 31/17 was updated following CP4/18 'Insurance Distribution Directive: change to commencement date' to reflect the European Commission's proposal for a delay to the application date of the Insurance Distribution Directive to 1 October 2018 (from the original intended implementation date of 23 February 2018). This proposal is currently under consideration by the European Parliament and European Council.</p> <p>https://www.bankofengland.co.uk/prudential-regulation/publication/2017/responses-to-cp-18-17-chapters-7-and-8</p> |
| Finalised Guidance | | | <p>Update effective from 23 February 2018</p> | <p>Guidelines for completing regulatory reports</p> <p>On 23 February, following publication of PS2/18, SS34/15 was updated to reflect various changes to technical reporting mechanisms, namely to include the PRA110 implementation date from 1 July 2019 and the FSA047 and FSA048 end date from 30 June 2019. A new appendix (Appendix 11) has been included with links to the PRA110 template and reporting instructions. Appendix 9 of SS 34/15 has been updated with links to the latest versions of the instructions for</p> |

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| | | | | <p>reporting requirements for ring-fenced bodies. The 'Units' section in each set of reporting instructions has been updated to clarify the precision required for reporting.</p> <p>https://www.bankofengland.co.uk/prudential-regulation/publication/2015/guidelines-for-completing-regulatory-reports-ss</p> |
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Further Afield

US Securities and Exchange Commission finalises its position on public company cybersecurity disclosures

On 20 February 2018, the US Securities and Exchange Commission ("SEC") voted to approve a statement and interpretive guidance to assist public companies in preparing disclosures about cybersecurity risks and incidents. The guidance provides the Commission's views about public companies' disclosure obligations under existing law with respect to matters involving cybersecurity risk and incidents. It also addresses the importance of cybersecurity policies and procedures and the application of disclosure controls and procedures, insider trading prohibitions, and selective disclosure prohibitions in the cybersecurity context.

<https://www.sec.gov/news/press-release/2018-22>

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