

Update

Weekly Financial Services Regulatory Update

Week to 15.03.13

This weekly update from Clyde & Co's Financial Services Regulatory Team summarises new developments as reported by the FSA, the UKLA, the Upper Tribunal, the Financial Ombudsman Service and the London Stock Exchange over the past week, with links to the full documents where these are available.

We hope that you will find this update useful. If you have any queries about any of the information in this update or financial services regulatory matters generally, please contact one of the individuals listed in the 'Contacts' section of this publication.

If you have any comments on the content or format of the update or if you no longer wish to receive it, or have a colleague who would like to receive it, please email publications@clydeco.com.

Consultation papers:

No new developments this week.

Discussion papers:

No new developments this week.

Policy statements:

No new developments this week.

Press releases:

11 March: Individual sentenced to four years for insider dealing.

In a prosecution brought by the FSA, Richard Joseph, a former futures trader, has been found guilty of 6 counts of conspiracy to deal as an insider. He has been sentenced to 4 years on each count, which will be served concurrently. Mr Joseph was provided with confidential price-sensitive information concerning proposed or forthcoming takeover bids, from Ersin Mustafa, a print room manager at JP Morgan Cazenove, to

whom he transferred a substantial amount of money. Ersin Mustafa, who is believed to be in north Cyprus, was also a source of inside information in the prosecution of Ali Mustafa, Pardip Saini, Paresh Shah, Neten Shah, Bijal Shah and Truptesh Patel who were convicted and sentenced in July 2012.

<http://www.fsa.gov.uk/library/communication/pr/2013/023.shtml>

Speeches:

12 March: The institutionalisation of customer service.

The FSA has published a speech by Martin Wheatley, Managing Director of the Conduct Business Unit at the Chartered Institute for Securities & Investment. The speech focused on how financial regulators can encourage better customer service, why this is so important, and how firms should be treating their customers fairly in the new regulatory environment. The speech also addressed the changing face of the FSA, commenting that FCA supervision will be more forward-looking, more focused and more willing to step in if needed. Amongst other things, Martin Wheatley noted that there will be a new Policy, Risk and Research Division and a dedicated wealth management department within the FCA supervision area. On a more general level, he discussed

how the FCA will take a broader approach to regulation, replacing the current “obsession” with literal compliance with a focus on the spirit of rules, which will place customers at the heart of everything the FCA does. In conclusion, he emphasised that he wanted to see banks focus on and prioritise concerns over suitability, noting that great customer service is the key driver for future growth.

<http://www.fsa.gov.uk/library/communication/speeches/2013/0312-mw.shtml>

Bulletins and newsletters:

No new developments this week.

Final notices:

No new developments this week.

Application refusals:

No new developments this week.

Approved person refusals:

No new developments this week.

Research publications:

No new developments this week.

Consumer research:

No new developments this week.

Other FSA publications:

14 March: New FSA webpage on FCA firm classification.

The FSA has published a new webpage on the classification of firms by the FCA. The website states that during March 2013, the FSA will be issuing a letter to each firm providing information on the FCA's approach to supervision, the conduct and prudential categories the firm has been assigned, and the next steps. The webpage also includes links to a draft of the letter, a supporting factsheet on how the FCA will supervise firms and FAQs for small firms.

<http://www.fsa.gov.uk/doing/regulated/fca-firm-classification>

11 March: Handbook Release 135. The FSA has published its handbook release 135. The release includes changes to chapter 20 of the Conduct of Business Sourcebook, effective from 6 March, and chapter 16 of the Supervision manual, effective from 28 February.

<http://www.fsa.gov.uk/library/policy/handbook/releases/2013/135>

11 March: Guides to using the FCA and PRA Handbooks.

The FSA has published a reader's guide to the new FCA and PRA Handbooks. The guide provides an introduction to the structure and contents of the FCA Handbook and its related materials, explaining how the different modules fit together, and how to interpret and use the FCA Handbook. The guide also sets out useful information to assist users of the PRA Handbook, including information on the types of provisions that appear.

http://www.fsa.gov.uk/static/pages/handbook/readers_guide.pdf

UKLA publications:

No new developments this week.

Upper Tribunal (Tax and Chancery Chamber) (formerly Financial Services and Markets Tribunal (FSMT)):

No new developments this week.

Financial Ombudsman Service (FOS):

No new developments this week.

London Stock Exchange (LSE):

No new developments this week.

Legislative updates:

14 March: Financial Services and Markets Act 2000 (Financial Services Compensation Scheme) Order 2013.

The government has published the Financial Services and Markets Act 2000 (Financial Services Compensation Scheme) Order 2013 (SI 2013/598) together with an explanatory memorandum. The Order, which was made on 11 March 2013, allocates rulemaking responsibility for the Financial Services Compensation Scheme (FSCS) between the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), broadly reflecting the overall split in their regulatory responsibilities in the financial services sector. The Order comes into force on 1 April.

Order: http://www.legislation.gov.uk/uksi/2013/598/pdfs/uksi_20130598_en.pdf

Explanatory Memorandum: http://www.legislation.gov.uk/uksi/2013/598/pdfs/uksiem_20130598_en.pdf

13 March: Financial Services and Markets Act 2000 (PRA-regulated Activities) Order 2013. The government has published the Financial Services and Markets Act 2000 (PRA-regulated Activities) Order 2013. The Order specifies which regulated activities are subject to prudential regulation by the Prudential Regulation Authority. These are:

- Accepting Deposits
- Effecting or carrying out contracts of insurance
- Acting as a managing agent at Lloyd's
- The arranging by the Society of Lloyd's of insurance contracts written at Lloyd's

The Order also sets out provisions relating to the PRA-regulated designation of persons dealing in investments as a principal.

http://www.legislation.gov.uk/uksi/2013/556/pdfs/uksi_20130556_en.pdf

13 March: Financial Services and Markets Act 2000 (Threshold Conditions) Order 2013.

The government has published the Financial Services and Markets Act 2000 (Threshold Conditions) Order 2013, together with an explanatory memorandum. The Order amends Schedule 6 to the Financial Services and Markets Act 2000 to set the threshold conditions that financial services firms must meet to become authorised under that Act by the PRA or the FCA. Failure by an authorised person to comply with the threshold conditions enables the relevant regulator to take certain action in relation to that firm. The Order comes into force on 1 April.

Order: http://www.legislation.gov.uk/uksi/2013/555/pdfs/uksi_20130555_en.pdf

Explanatory Memorandum: http://www.legislation.gov.uk/uksi/2013/555/pdfs/uksiem_20130555_en.pdf

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