



**Welcome** to the latest edition of Gem Compliance's monthly regulation newsletter. The aim of the newsletter is to present industry news in an easily digestible format. As such, not all sources of industry information and FCA publications (and no PRA publications unless specified) will be covered. Therefore clients and associates of Gem Compliance should periodically check the FCA's and PRA's websites for regulatory developments.

2017 has been off to an active start in terms of world politics, which undoubtedly will have an impact on regulation. Despite the UK Government losing its appeal at the Supreme Court, Brexit is still set to go ahead as planned. Gem will of course keep you updated on any developments, until then, it will be business as usual.

Gem will be issuing its briefing notes on MiFID II in Q1 of this year. In the meantime, please visit the FCA's dedicated webpage for the latest developments.

The FCA continues to warn about fake emails, which now also include emails sent by [webmaster@fca.org.uk](mailto:webmaster@fca.org.uk). Additionally, the FSCS has notified of an email phishing scam asking for personal details in return for a payment of over £4.5m.

The January edition of the FCA's Regulation Round-up was published and, among others, covers the following topics: asset management market study, firms' resilience to third party trading platform outages - highlights the need for firms' BCPs to include third party providers - and a system update including a list of compatible browsers for FCA services.

The FCA's Policy Development Update webpage was updated on 6 January 2017.

We hope you find this newsletter useful and should you have any compliance queries or require advice on any of these topics, please do not hesitate to contact us.

Email – [natalia@gemcompliance.com](mailto:natalia@gemcompliance.com)

Website – [www.gemcompliance.com](http://www.gemcompliance.com)

### Main features

- \* FCA Speech: Practical implications of US law on EU practice
- \* FCA Speech: Free trade in financial services and global regulatory standards: friends not rivals
- \* Financial Conduct Authority publishes general insurance value measures scorecard
- \* Industry News
- \* Enforcement Actions and Prosecutions
- \* Other FCA Publications, Press Releases and Speeches

### Industry News continued...

The Chief investment officer from Tilney Bestinvest has warned investors not to rely on a weak pound in 2017. Mr Lewis believes that sterling will strengthen based on interest rate rises and a halt to quantitative easing.

[Click here for article](#)

The HMRC has released its top 10 fraud and organised crimes from 2016, including tobacco, alcohol and film fraud.

[Click here for article](#)

Life insurance companies have come under fire for not allowing, or making it very difficult for, financial guardians to access the finances of vulnerable clients, who are unable to make decisions for themselves due to illness or disability.

[Click here for article](#)

FOS may be facing a legal challenge over 350 claims made by investors in Secured Energy Bonds PLC's mini-bonds.

[Click here for article](#)

The number of first-time buyers has hit its highest number since 2007, just before the financial crisis. 30-35 year mortgages are also on the increase, with those lasting 20-25 years dropping.

[Click here for article](#)

The Financial Services User Group (FSUG), which advises the European Commission has called for EU-wide regulations on financial advice and relevant terminology, as well as a ban on commission. The FSUG believes that this will combat miss-selling and scams.

[Click here for article](#)

HSBC is closing another 62 branches this year in an effort to move towards a more digital banking system, shortly after announcing that if the UK were to lose passporting rights after Brexit, the bank could move 1000 jobs to Paris.

[Click here for article](#)

FOS has ruled that a financial adviser should compensate a client for unsuitable advice despite a 45% increase in the value of their portfolio.

[Click here for article](#)

**This newsletter contains generic information and has been generated for professional clients and associates of Gem Compliance Consulting Limited only and should not be regarded as advice. We will not be liable for loss, however caused by parties acting on the information contained herein.**

## **FCA Speech: Free trade in financial services and global regulatory standards: friends not rivals**

Delivered by Andrew Bailey, Chief Executive of the FCA at the Economic Council Financial Markets Policy Conference in Berlin, Germany.

Mr Bailey noted that 2017 marks the 10th anniversary of the start of the global financial crisis and that the UK, which he used a case study in his speech, would have been worse off without monetary, micro – and macro - prudential policy and financial conduct regulation during and after the crisis.

Mr Bailey also said that history has proven that “income and wealth distribution matter for the evolution of economic policy and that in this respect globalisation can plant the seeds of its own destruction.” He continued by noting that the openness of an economy can have an effect on income and wealth distribution.

Mr Bailey concluded by stating that he believes that regulation should not be regarded as an obstruction to growth and competitiveness of finance, but rather the regulatory system could and should do more to support free trade and capital mobility.

[Click here for the full speech](#)

## **FCA Speech: Practical implications of US law on EU practice**

Delivered by Mark Steward, Director of Enforcement and Market Oversight at the Practising Law Institute’s annual seminar on securities regulation in Europe.

Key points:

- FCA fines have reduced, but this does not signal a return of the ‘light touch’. Rather, more companies are choosing to settle early.
- The Senior Managers Regime (SMR) calls for a change in culture and for greater acceptance of responsibility.
- The SMR is also expected to change the dynamic of FCA investigations and bring about more contest and litigation, as the focus of enforcement shifts from firms to individuals.
- The FCA will continue its collaboration with US agencies, such as the SEC, CFTC and the US Department of Justice to achieve common mission.

[Click here for full speech](#)

## **Financial Conduct Authority publishes general insurance value measures scorecard**

Following the poor results of its insurance add-ons market study, the FCA set out in a feedback statement (FS16/1) that it would pilot the publication of value measures data which would include claims frequencies, claims acceptance rates and average claims pay-out by insurers for four general insurance products, including home insurance.

[The first scorecard](#) has now been published, based on data provided by 38 insurers for the year ending 31 August 2016.

The intention behind the publication is to incentivise firms to improve the value of the services and products they offer to their customers, rather than just price – based comparisons.

The FCA will publish another scorecard for the year ending 31 August 2017 and, depending on the feedback and results, also for 2018.

## **Industry News continued...**

A research firm found that financial advice firms are not providing clear indication of their charges to enable potential customers to shop around. In its research, only 2 out of 60 firms provided explicit charges with another 2 providing a general indication.

[Click here for article](#)

HM Revenue & Customs are currently running a consultation with lawyers and accountants in a bid to promote business investment relief as it is found to be underused.

[Click here for article](#)

A survey by Aviva has indicated that almost half of the UK’s advice firms are planning to recruit more staff in 2017 despite a turbulent political and economic environment.

[Click here for article](#)

The head of distribution at ETF Securities, Frank Spiteri, has warned that currency swings could be the next financial services scandal. Compared to this time last year, the pound has fallen 12 per cent versus the dollar, and there are concerns that investors and financial advisers are failing to take this into account when assessing portfolios. Despite the benefits to the UK’s FTSE 100 companies, many of which have overseas earnings, Mr Spiteri warns that investors and advisers are still focusing too much on the underlying assets. The currency exchange risk is exacerbated by an increasing take-up of investments in globally diversified funds.

[Click here for article](#)

It seems large banks are considering entry into the robo-advice market. The FCA has revealed that half of the companies it is working with in its dedicated advice unit are banks.

[Click here for article](#)

## **Enforcement Actions and Prosecutions**

A financial advisor, who was also an estate agent, has been jailed for 8.5 years over a Cyprus property investment fraud. Ms Morris advised clients to invest in off plan properties which they then would be able to sell before payments were due.

[Click here for article](#)

A Logica employee and his neighbour have been given suspended prison sentences and ordered to undertake community service for insider dealing. The employee shared inside information about a takeover by CGI Holdings with his neighbour and one other person. The neighbour proceeded to trade in shares and options relating to the company and made more than £100,000 in profits.

[Click here for article](#)

LV has been instructed to compensate a customer who was misinformed that their SIPP provider would not speak to them directly.

[Click here for article](#)

The Pensions Regulator fined two trustees for non-compliance with its new rules on chair’s statements.

[Click here for article](#)

## Industry News

The total value of reported financial fraud in Britain has dropped by 62%, says accountancy firm BDO. The largest fall in fraud was noted in the insurance sector. In financial services, the biggest decrease was in money laundering.

[Click here for article](#)

Industry leaders have appeared before HM Treasury to call for a delay in Brexit to allow companies to adjust to new arrangements.

[Click here for article](#)

Consumer research group Which? conducted a sting operation and found 10 out of 14 firms would sell them lists of customers' pension details. Which? posed as a fake pensions early release firm, which was unlisted and unregulated and was offered, amongst other things, a list of names, National Insurance numbers, pension provider details, pensions sizes and policy numbers for 26,000 people. The details were on sale for between 4p and 66p per person.

[Click here for article](#)

A law firm has warned that the FCA could be broadening its attention to smaller firms. Fox Williams noted that FCA fines had dropped to their lowest levels in 9 years in 2016, but that new rules and the widened focus could see fines rising again. Peter Wright, partner at the law firm, said that a shift was taking place from Libor and other gross offences to financial crime. It is believed the FCA would also start to address concerns regarding the sharing of responsibilities with junior managers in the Senior Manager's Regime, which is to apply to all authorised firms from 2018.

[Click here for article](#)

The Financial Services Compensation Scheme has paid out more than £26m to thirty thousand policy holders after professional indemnity insurer Enterprise Insurance Company went into default.

[Click here for article](#)

A firm said that the FCA's plans to potentially introduce mandatory terms for professional indemnity insurance could lead to more insurers leaving an already small market.

[Click here for article](#)

Law firm Norton Rose Fulbright warns that the UK may have significant gaps in its regulation for the financial services industry when it comes to applying for an equivalence deal once it leaves the EU.

[Click here for article](#)

The Financial Services Compensation Scheme (FSCS) has announced that its total cost to life, pensions, mortgage and investment advisers will be £270 million for this year, as claims are on the increase. Claims in the life and pensions class are expected to exceed the class threshold and funding assistance from the retail pool will be needed. However, the FSCS predicts that there will be a decrease in claims next year following the spike although the cost may still be high due to the complexity of life and pensions cases.

[Click here for article](#)

The Financial Ombudsman Service (FOS) only upholds 40 per cent of all cases against advisers, the chief ombudsman disclosed. Ms Wayman used the figure to stress that FOS does not always side with the customer, rather it upholds what is fair and reasonable.

[Click here for article](#)

Last year's High Court case Hughes versus Royal London saw Ms Hughes' right to transfer her pension being upheld, despite Royal London's and the Pensions Ombudsman's concerns about the small self-administered scheme Ms Hughes wanted to transfer her pension to. On the back of this case, many of the 200 similar 'suspect' pension transfers have now gone through.

[Click here for article](#)

## Enforcement Actions and Prosecutions continued...

A broker from the firm Charles Stanley has been jailed for six years after duping his friends out of £1.2m in a six year Ponzi scheme. Stephen Greig forged paperwork and even paid dividends.

[Click here for article](#)

A pensioner has been sentenced to a suspended 10 months in prison for committing fraud. Mrs Hill has been claiming her deceased partner's annuity for almost a decade by forging his signature. Over the years, Mrs Hill has claimed over £80,000.

[Click here for article](#)

HSBC has voluntarily agreed to provide redress in the amount of £4m for unfair debt collection practises between 2003 and 2009.

[Click here for the press release](#)

The FCA has taken its first criminal action in a case of unlicensed consumer credit lending. Mr Gopee acted as a last resort lender without authorisation and is believed to have lent more than £1m in the last four years.

[Click here for the press release](#)

## Other FCA Publications

In our November newsletter, we wrote about the FCA's Future Mission. The FCA has now published the key themes it has received feedback on and highlighted questions it would like more input on.

[Click here for more information](#)

[CP1/17 - Financial Services Compensation Scheme – Management Expenses Levy Limit 2017/18](#): The FCA is consulting on the management expenses levy for 2017/18, with comments or questions to be submitted by 13 February.

The FCA has issued guidance on what it expects from advisers advising on pension transfers following concerns that consumers are receiving unsuitable investment advice or are being scammed.

[Click here for more information](#)

The FCA warns that scams targeting pension scheme operators are becoming more sophisticated and it has published some of the risks and pitfalls that should be taken into account when conducting due diligence on investments.

[Click here for more information](#)

## FCA Speeches

Beyond economics? - Peter Andrews, Chief Economist, FCA

[Click here for the speech](#)

