



Issue 45 - June 2018

Welcome to the latest edition of Midmar'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 Midmar Capital should periodically check the FCA's and PRA's websites for regulatory developments.

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.

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Highlights

In June the FCA published a new [webpage on SYSC 19F](#), which implements the requirements of MiFID II in the areas of remuneration and performance management of sales staff. The provisions in SYSC 19F largely affect staff whom would not otherwise be captured as 'Material Risk Takers' under other Codes in SYSC 19. Firms should note that they could fall under several Codes and/or remuneration requirements and that ESMA has provided [guidelines](#) on remuneration policies and practices under MiFID II. The FCA has also published a new [cyber security infographic](#) and launched its [2018/19 'Live and Local'](#) events programme for general insurance, mortgage and non-bank payments services firms.

Another little reminder that the FCA is moving offices over the summer from Canary Wharf to Stratford and its registered address will change on 1 July 2018. Therefore, all references to the old address should be updated by that

date.

Other Newsletters and Updates

[FCA Regulation Round-up for June '18](#)

[Policy Development Update page](#) (updated on 1st June '18)

[ICO newsletter - June '18](#)

[FOS newsletter](#) - latest edition is April 2018

Main Features

[FCA's Expectations on Automated Investment Services](#)

Following two reviews in the automated investment services space, the FCA has summarised its key findings from those reviews and confirmed its expectations in an updated page of its website.

A summary of the findings against the requirements by theme is as follows:

- **Service disclosures:** Firms are required to give appropriate information about their services, costs and associated charges in a way that is clear, fair, not misleading and transparent. The FCA found that services and fee-related disclosures in some firms were unclear and sometimes misleading.
- **Suitability assessments:** Firms offering discretionary and/or advisory services must undertake a suitability assessment to make sure that a personal recommendation or a decision to trade is suitable for each client (as set out in COBS 9A (MiFID II)). The FCA's assessment against COBS 9 (MiFID I) found many firms did not properly evaluate a client's knowledge and experience, investment objectives and capacity for loss. In some cases knowledge and experience were not considered at all because the firms felt their service was suitable for all individuals regardless of their investment knowledge and experience. The FCA also saw examples where clients could disregard advice given by the automated offering without any safeguards or risk warnings to prevent or challenge this.
- **Ongoing client relationship:** If a firm has an ongoing relationship with a client they need to maintain adequate and accurate client information.

Most firms reviewed were unable to demonstrate the adequacy and accuracy of their clients' information.

- **Filtering process:** Many firms operating automated models have tools to filter out clients who were unlikely to have their needs met by the service. These firms need to ensure they have appropriate systems and controls in place to make sure the tools produce the right results.
- **Vulnerable customers:** Firms should have processes in place to identify and provide appropriate follow-up support to vulnerable customers. The FCA found weaknesses in the identification and support of vulnerable customers, with some firms relying on self-identification by the customer.
- **Overall governance:** Firms should ensure their management information covers a sufficiently wide range of areas/sources of potential risk and that they consider how they review the outcomes produced by their services, including whether adequate stress testing has taken place and what action is taken where unsuitable recommendations are identified. The FCA found little consideration of auto advice-specific risks in firms' governance processes (e.g. cyber security) and confusion within some firms as to the nature of the auto-advice service being provided. Within some networks there was also confusion around how responsibilities were shared between the adviser and network.
- **Financial promotions** were not covered specifically in the reviews. However, the FCA highlights financial promotions as a regular discussion point. The FCA reminds firms that they *“must comply with rules on presentation of past performance information ([COBS 4.5A](#)) as well as making sure that financial promotions are fair, clear and not misleading ([COBS 4.2](#)). Firms also need to comply with the new rule, introduced by MiFID II, on presentation of future performance information in communications and financial promotions ([COBS 4.5A.14 \(d\)](#)).”*

The FCA provided feedback letters to firms involved in the reviews and it is reported that many firms have made significant changes as a result. The FCA states that it continues to encourage innovation in automated investment services. However, it confirms that its rules on suitability of advice apply regardless of the medium through which the service is offered.

Relevant firms are also expected to consider [FG17/8](#): streamlined advice and related consolidated guidance.

deal

The FCA has published its [interim report into the mortgage market](#). The regulator found that competition in the mortgage market is working well, with high rates of switches after initial lock-in periods and good customer outcomes.

The FCA also identified that certain areas are in need of improvement, including:

- Simplification of early stage identification of products consumers qualify for;
- Barriers to innovation in mortgage sales, including those imposed by FCA advice, rules and guidance;
- Difficulties in broker comparison; and
- Helping longstanding borrowers who cannot switch products.

The FCA is consulting on its interim findings, proposed solutions and intends to publish a final report around the end of the year. The FCA has already been [challenged](#) on the publication.

[FCA speech: “Turning technology against criminals”](#) by Megan Butler, FCA’s Executive Director of Supervision - Investment, Wholesale and Specialists at the AML TechSprint in London on 22/05/18

Points highlighted by the FCA:

- Data and technology can help detect and disrupt criminal activity.
- Staff in UK banks and other firms are playing a frontline role in combating financial crime.
- Phishing and identity theft are now cited by firms as the most widespread fraud risks they face.
- The next big step is to apply intelligent technologies like AI, robotics, natural language processing and machine learning.

Other noteworthy comments/statistics:

- The FCA is supportive of firms using technology to improve compliance but it recognises the reticence around innovation, especially when it’s judged to add regulatory risk.
- Technology is increasingly essential to combatting financial crime.
- According to the financial crime returns introduced by the FCA at the end

of 2016 and covering the period up to 31/12/17, just over 2000 firms of firms in scope of this return reported the following:

- Employees raised more than 920,000 internal suspicious activity reports to their MLROs;
 - Relevant firms also sent 2,117 terrorism related reports to the NCA;
 - 13,000 restraint orders were put in place to freeze customer accounts;
 - More than 1.1m prospective customers were refused services amid financial crime concerns; and
 - 370,000 existing customer relationships were exited for financial crime concerns.
- Cybercrime now accounts for more than 50% of all recorded crime in the UK.
 - There is no FCA expectation on firms to spend money (on technology to combat financial crime) just to ‘show willing’ or as a way of ‘virtue signalling’.
 - New technology might be able to significantly reduce firms’ risk exposure if its implementation involves proper testing, governance and management.
 - Australian Transaction and Analysis Centre was referenced as an organisation that is doing “extremely well” in the development of technology to combat financial crime.
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[FCA Transforming Culture Conference](#)

This event, attended by approximately 200 delegates from industry, academia, competent authorities and the professional field of culture and change, followed the publication in March 2018 of the discussion paper on [Transforming Culture in Financial Services](#).

The event comprised sessions focusing on the following four questions – some key discussions points from each session have been included alongside each question:

1. What constitutes a good, healthy culture for financial services?

- The ability to speak up within a safe environment;
- Leading by example; and
- Self-reflection.

2. **What role should regulators and regulation play in managing culture?**

- The importance of firm ownership of their cultures;
- The importance of supervision and not rules in supporting the management of cultures; and
- The perceived impact of regulatory intervention, compliance cultures and associated challenges such as fear of the regulatory environment.

3. **Remuneration and beyond – what are the most powerful motivators of behaviour?**

- Financial incentives as a central role;
- The link between reward and performance;
- The role of non-financial incentives; and
- Environmental motivators.

4. **How can we deliver real cultural change in financial services?**

- Diversity and inclusion in effecting culture change;
- The importance of purpose and values; and
- The importance of having the right workforce and enrolling middle management.

The FCA identified four key thematic lines of enquiry from dialogue and discussions at the event:

1. **Psychological safety over fear:**

- What role does psychological safety play in promoting healthy and inclusive cultures?
- How can this be promoted most effectively?

2. **Remuneration and incentives**

- What implicit behaviours are being driven by bonus cultures?
- Are there better approaches to compensation?
- What non-financial incentives can be used to motivate performance?

3. **Leadership and management capabilities**

- What is needed to support leaders, including middle management, to cultivate healthy cultures?
- How can these skills be better recognised as a management discipline?

4. **Assessing culture**

- What does effective assessment or measurement of cultural

indicators look like within firms?

- How should measurement be used?

Over the next year, the FCA plans to continue its engagement with the financial services community, explore the themes and questions listed above and share examples of practices across the four themes.

Firms/individuals interested in pursuing the questions listed above further, should contact the FCA at: cultureandgovernance@fca.org.uk.

CP18/14: Quarterly Consultation Paper No 21

Amongst other things, this CP proposes:

1. Miscellaneous IDD-related changes to the following sections of the Handbook:

- SYSC – The FCA proposes to remove the 15-hour professional training and development requirements (for employees of an insurance intermediary or insurance undertaking) in SYSC 28.2 for APFs (authorised professional firms) doing non-mainstream regulated activities, so that the professional requirements for APFs and exempt professional firms (EPFs) are aligned. (Chapter 28 of SYSC is a new chapter in the Handbook for implementation of the IDD.) However, the requirements in SYSC 28.2.1R(1) – that all relevant employees within insurance distributors possess the necessary knowledge and ability to perform their roles – will continue to apply (once the IDD is in force). It should also be noted that SYSC 28 will continue to apply in its entirety to the mainstream regulated activities of an APF. The FCA proposes to update the guidance in PROF 5.3 to reflect this position.
- In addition, the FCA proposes to dis-apply a section of SYSC, which implements Article 17(3) of the IDD (a firm must not be remunerated, nor remunerate its employees, in a way that conflicts with the customer's best interests) for APFs that are subject to equivalent rules of their designated professional bodies.
- SUP – Although the proposal is meant to reflect the FCA's application of the IDD requirements in respect of ARs, the proposal will have a broader relevance because it involves a change to the AR appointment form. The FCA is proposing to amend the AR appointment form to include an additional statement in the declaration for principal firms to confirm that

they have complied with their regulatory obligations as principal including those under FSMA and especially under SUP 12. This is in line with what is required of firms already and is therefore not expected to impose any additional obligations on firms; it simply requires principal firms to confirm they have complied with their obligations including those under FCA rules.

- COBS – the FCA is proposing to include a note in COBS 10A.4 cross-referring to EIPOAs guidelines on the assessment of complex IBIPs (insurance based investment products). Firms are expected to consider these guidelines when assessing whether or not a product is non-complex and can therefore be sold without an appropriateness test. Firms are expected to adopt a cautious approach to the assessment of product complexity if there is any doubt about whether an IBIP is non-complex.

2. Changes to FEES – inter alia, the FCA is proposing changes to the tariff data used to calculate periodic fees for the following firm types:

- Firms in their first year (FEES 4.2.7ER): A firm that becomes authorised or registered, or whose permission and/or activities is extended, during a fee-year pays periodic fees based on its projected valuation for the first 12 months of its new business that is required to be provided in the course of its application. The FCA is changing this rule to make it clear that if the projected valuation is not provided in the course of its application, its periodic fee will be based on the projected valuation provided subsequently. This will cover situations where the projected valuation was not provided in the course of the firm's application.
- Firms in their second year, where the firm received permission between 1 January and 31 March in its first fee-year (FEES 4.2.7GR): The FCA is changing this rule so the firm would have the option of submitting annualised tariff data based on the period starting from the date when they were authorised (or obtained the extended permission) up to the firm's financial year end or 31 March (whichever is sooner), of its first fee-year. These firms would have to provide that annualised tariff data by the end of April of the following fee-year.
- All other firms in their second and subsequent years of authorisation where a full year of tariff data is not available (FEES 4.2.7HR-KR): The FCA is proposing to change FEES 4.2.7KR so that if trading has not commenced by the relevant valuation date it should use a figure of nil. This makes the treatment of non-cumulative tariff data the same as cumulative tariff data where trading has not commenced, as there would

be no tariff data available to annualise. The term ‘annual reporting date’ is not defined or used elsewhere in the Fees manual so for greater clarity the FCA is intending to replace it with ‘valuation date’ which is defined through FEES 4 Annex 1R Part 5.

- The above proposed FEES rules are mirrored in other sections of FEES for other levies (e.g. FOS, MAS, etc.) Therefore, if the changes set out above are implemented the changes will also be made to FEES 7, 10 and 7A and read across to FEES 5.8.

The consultation period for most of the proposals is one month. However, proposed changes to FEES have a 2-month consultation period.

[FCA Dear CEO letter](#) regarding Cryptoassets and Financial Crime

The FCA’s Jonathan Davidson (Executive Director of Supervision, Retail and Authorisations, and Megan Butler (Executive Director of Supervision, Investment, Wholesale and Specialists) have written to the CEOs of UK banks regarding good practice for handling the financial crime risks posed by cryptoassets.

The letter states that *“there are many non-criminal motives for using cryptoassets ...however, this class of product can also be abused because it offers potential anonymity and the ability to move money between countries.”*

Appropriate actions listed in the letter for relevant firms to consider in order to mitigate the risks relating to cryptoassets in client services include the following:

- Developing staff knowledge and expertise on cryptoassets to help them identify the clients or activities which pose a high risk of financial crime
- Ensuring that existing financial crime frameworks adequately reflect the crypto- related activities which the firm is involved in, and that they are capable of keeping pace with fast-moving developments
- Engaging with clients to understand the nature of their businesses and the risks they pose
- Carrying out due diligence on key individuals in the client business including consideration of any adverse intelligence.

In respect of source of funds and source of wealth due diligence, relevant firms are expected to apply the same criteria to wealth and funds derived from

cryptoasset-related activities as they would apply to other sources of wealth or funds. However, firms need to be aware that the evidential trail behind crypto-related transactions tends to be weaker but the FCA states that this doesn't justify the application of a different evidential test.

The letter also refers firms to the [FSA's 2012 review](#) of how banks handle the risk of investment fraud.

FCA Speeches

[“Technology and global ties: turning the tide on financial crime”](#) by Christopher Woolard, FCA's Executive Director of Strategy and Competition

[“Building Societies and the Future of Retail Banking”](#) by Jonathan Davidson, FCA's Director of Supervision, Retail and Authorisations

[“A helping hand for the invisible hand: the FCA's approach to competition and innovation”](#) by Christopher Woolard, FCA's Executive Director of Strategy and Competition

[“Has the industry improved ten years on?”](#) by Mark Steward, FCA's Director of Enforcement and Market Oversight

FCA Press Releases

[FCA](#) publishes information for customers of Beaufort Securities Limited and Beaufort Asset Clearing Services

[FCA](#) publishes outcome of high-cost credit review and proposes changes to the millions of people who use overdrafts and high-cost credit in two consultation papers, [CP18/12](#) and [CP18/13](#).

[FCA](#) finalises rules creating a new category within its premium listing regime to cater for companies controlled by a shareholder that is a sovereign country.

[FCA](#) publishes the latest analysis from its Financial Lives survey, putting the spotlight on the financial situation of people across the UK and highlighting where in the UK people may be more vulnerable.

Other publications

[Memorandum of Understanding](#) between FCA and Insolvency Service

[Memorandum of Understanding](#) between FCA and Financial Reporting Council

[Handbook Notice 55](#)

[FG18/4](#): The FCA's approach to the review of Part VII insurance business transfers

[Correspondence](#) between the FCA's Andrew Bailey and SME Alliance

[CP18/12](#): High-cost Credit Review: Consultation on rent-to-own, home-collected credit, catalogue credit and store cards, and alternatives to high-cost credit. Discussion on rent-to-own pricing

[CP18/13](#): High-cost Credit Review: Overdrafts

[CP18/15](#): Claims management: how we [the FCA] propose to regulate claims management companies

[PPI response update](#)

[FCA Board Minutes](#) from 25th and 26th April.

[PS18/11](#): Sovereign controlled companies - Feedback to CP17/21 and Final Rules

[Final joint response](#) (with Department for Work and Pensions) to Law Commission recommendations on Pension Funds and Social Investment

[GC18/3](#): Primary Market Bulletin No. 19

[APPG's response](#) to FCA consultation (18/3) proposing SME access to the FOS

[List of supervisory authorities](#) in third countries with which the FCA has cooperation agreements that meet the requirements set out at Article 32(2) of the MiFID Org Regulation.

[FCA's response](#) to the Complaints Commissioner's Report FCA00431

[FCA's response](#) to the Complaints Commissioner's Report FCA00425

[Updated FCA webpage](#) on the use of fake FCA emails, letters and phone calls by fraudsters

[Meeting Summary](#) for IDWG (Institutional Disclosure Working Group) meeting of 24th May '18

Enforcement Actions and Prosecutions

[FCA](#) issues decision notice to ban Darren Lee Newton from working in any regulated activity in the financial services sector after he allowed client money from his firm to be used to purchase debt management firm, First Step Finance Limited from Christine and Adrian Whitehurst. (Mr and Mrs Whitehurst were banned by the FCA in October 2017 for dishonestly misappropriating money from First Step.) Mr Newton has referred the decision to the Upper Tribunal.

[Crown](#) Court dismisses charges brought by the SFO against Barclays regarding a series of fundraisings conducted in 2008. The SFO had concluded the dealings were fraudulent and in June 2017 charged the bank and four former executives accordingly. Additional charges were added by the SFO in February 2018 in respect of a £2.3bn loan to Qatar Holding in October and November 2008, which the SFO alleges was used to buy shares in Barclays and was therefore “unlawful financial assistance”. Barclays was fined £50m by the FCA in 2013 for these fundraising activities, which it appealed but the appeal was put on hold pending the outcome of the SFO's criminal case. Barclays has said the SFO is likely to apply to the High Court to reinstate the charges. The dismissal will not affect criminal charges against the former executives whose trial is due to start next year.

[Jonathan](#) Denton, former partner at law firm Locke Lord, has been struck off and ordered to pay a £70,000 fine for breaching rules set by the Solicitors Regulation Authority (SRA) causing the profession “immeasurable” harm. Mr Denton is also now facing criminal charges. This follows a £500k fine from the US Solicitors Disciplinary Tribunal against the firm in November 2017 over its failure to stop Mr Denton from involving himself – and holding out the firm as being involved – in transactions that “bore the hallmarks of dubious financial arrangements and investment schemes”. The firm also failed to prevent the

partner from using its client account for arranging payments of more than £40m and for lacking appropriate systems and control relating to conflicts of interest and supervision. Mr Denton apparently had numerous opportunities to withdraw from the investment schemes, including being contacted by the FBI and Metropolitan Police, but “instead he offered false assurances as to the progress of the transactions and paid non-existent ‘profits’ to some of the investors. He continued to receive monies in and monies out of the trusts despite the red flags.”

[Accountant](#) and former partner at EY, Terence Potter, who was jailed for 8 years in 2015 for his role in a film tax scheme, has been banned by the FCA despite not holding a controlled function for more than 14 years. Mr Potter apparently used his chartered accountant and former approved persons statuses to bolster his credibility and plausibility.

[Financial](#) advice firm, Infinity Financial Solutions, has its regulatory permission cancelled by the FCA for failing to submit its regulatory returns. The firm failed to respond to the FCA’s repeated requests and was therefore deemed to be in breach of Principle 11 (being open and co-operative with the FCA).

[Société Générale S.A.](#) required to pay \$1.3bn in total to US regulators for bribing “Gaddafi-era” Libyan officials and manipulating Libor rates. \$585 million is due to the US Department of Justice in settlement of the bribery probe, and \$475m and \$275m are to be paid to the Commodity Futures Trading Commission and the US Justice Department, respectively for Libor-related liabilities. The US Department reports that the fines follow admission by the institution that it made over \$90m in corrupt payments and “promulgated falsely deflated U.S. Dollar LIBOR submissions to make it look as though it was able to borrow money at more favourable interest rates than it was actually able to do.”

[A former](#) police officer, financial adviser and a city trader have been jailed for a total of eight years for a £2.4m tax scam after an investigation by HM Revenue & Customs (HMRC).

Simon York, director of fraud investigation at HMRC, said: "These men tried to cheat the system by claiming tax relief on a non-existent film and were thwarted by HMRC investigators who work tirelessly to stamp out fraudulent activity.”

[FCA](#) is to investigate Lloyds TSB for IT issues following the introduction of a

new IT system that left 1.9m customers without access to online banking services and exposed them to fraudsters. The FCA's chief executive Andrew Bailey said: "We do not normally make this information [the investigation] public, but, given the level of public interest, I want to be clear that we will be conducting this work." Mr Bailey stated in a letter to the Treasury Committee: "The FCA has been dissatisfied with TSB's communications with its customers and we have had concerns that TSB was not being open and transparent about the issues experienced." It is reported that 14 supervisors in total from the PRA and FCA were deployed when the crisis unfolded. In the last major IT failure investigated by the regulators RBS was fined £56m.

[FCA](#) fines Canara Bank (UK subsidiary of an Indian state-owned bank) £896k and imposes a 147-day restriction on acceptance of deposits from new customers for AML systems failings and breach of principle 3 (taking reasonable steps to organise its affairs responsibly and effectively, with adequate risk management systems). The FCA reports the "failures were systemic and affected almost all levels of its business and governance structure including: (1) Senior Management; (2) Governance / Oversight; (3) three Lines of Defence; (4) Money laundering reporting function; and (5) AML systems and controls. Mark Steward, Executive Director of Enforcement and Market Oversight at the FCA, said: "Financial crime and money-laundering failures are areas of focussed priority for us. Canara was warned its money laundering controls were inadequate and so its failure to remediate them properly is at the more serious end of the range of sanctions."

[FCA](#) secures increased confiscation order against Benjamin Wilson who was given a 7-year prison sentence in 2014 after pleading guilty to offences of fraud, forgery and operating a collective investment scheme without authorisation. The new amount of the increased confiscation order represents monies currently held in a Santander bank account in Mr Wilson's name. Most of the monies are as a result of a payment of £31,825.18 by the John Lewis Partnership following the death of Mr Wilson's mother who worked for the Waitrose supermarket chain.

[FCA](#) drops its probe into Scottish Widows' treatment of longstanding customers because "there is insufficient basis for taking enforcement action" but its probe into Prudential, Countrywide Assured, Old Mutual and Abbey Life continues.

[Northern](#) Ireland based investment adviser, Darren Cummings, has been fined

almost £30k and banned from the financial services industry for: using false and misleading statements concerning his qualifications and experience to the FCA; fabricating two CII Statements of Professional Standing (SPS) Documents; and knowingly providing these, and organising for another to provide one of these, documents to the FCA.

[High Court](#) closes down pension firm, Fast Pensions, four companies into which the pension scheme funds were invested, and the trustee of the schemes, FP Scheme Trustees, after it was found they were “used to abuse millions of pounds of people’s savings.” The six entities were put into provisional liquidation in March following complaints to the Insolvency Service about the management and operation of the companies.

[Former](#) finance director of RSM Tenon, Russell McBurnie, has been fined £57k, ordered to pay costs, and has been banned from the accountancy profession by the Financial Reporting Council after admitting extensive misconduct in preparing financial statements. Mr McBurnie admitted nine allegations that his conduct fell significantly short of the standards reasonably to be expected of a member of the ICAEW.

[Law](#) firm Clifford Chance is “likely” to be investigated by the Solicitors Regulation Authority over allegations that it overlooked a claim of fraud during its review of the lending practices of RBS’s Global Restructuring Group.

Industry News

[OFSI](#) releases updated version of its monetary penalties guidance for breaches of financial sanctions.

[The Pensions](#) Ombudsman and The Pensions Regulator have signed an information-sharing agreement with the aim “to protect pension scheme members, endorse and support the achievement of higher standards across the industry, and ensure a safe pensions saving environment”.

[Fee-free](#) investment app, Freetrade, secures record-level of crowdfunding in 28 hours.

[The FCA’s](#) Director of retail banking supervision, Karine McTeague, said in speech that the GDPR has ended the argument over who owns customer data. Ms McTeague said: “data belongs to the customer, not to the firm, so

owning the customer is an outdated concept and this means that your firm can only use your customers' data if your firm has the customers' trust and confidence." Ms McTeague went on to say: "our expectation at the FCA is that firms comply with the spirit as well as the letter of data protection laws. This means making enough information available to customers to make an informed decision."

[House](#) of Commons updates its webpage relating to its digital currency enquiry following written evidence it has received, which includes responses from the [FCA](#) and the [Bank of England](#) (BoE) in which they outline their work in this area.

[EC](#) publishes the City of London Law Society's (CLLS) [response](#) (dated 10 May 2018) to the March 2018 legislative proposals on cross-border distribution of investment funds, in which the CLLS does not agree that the regulation of the distribution of alternative investment funds (AIFs) and that of UCITS should be fully aligned.

[Financial](#) adviser issues response about his free pension transfer seminars after being reported to the FCA.

[House](#) of Lords Committee has announced the appointment of a committee to consider the working of the Bribery Act 2010. The Committee has now issued its [Call for Evidence](#) and welcomes submissions from any person or organisation with experience of the Act by the deadline of 31st July. A report on the Committee's findings is expected to be published in 2019.

[Joint](#) report by the FCA, HMT and BoE outlining progress on the Fair and Effective Markets Review published.

[DWP](#) announces it is to consult on an authorisation regime for organisations seeking to consolidate defined benefit pension funds later this year.

[FSCS](#) CEO gives further support to risk-based levies on which the FCA has committed to undertake further work.

[After](#) buying 1 share in Lloyds Banking Group for 67p, Noel Edmonds attended the company's AGM and engaged in a heated discussion with the Lloyds Chair Lord Blackwell. Mr Edmonds is seeking compensation from Lloyds in relation to his claim that he was a victim of HBOS fraudsters.

[ICO](#) launches GDPR campaign after the Regulation comes into force.

[BoE](#) Governor suggests “disorderly” Brexit could reduce interest rates further.

[EC](#) publishes factsheet on new E-Privacy Regulation, which is intended to repeal and replace the Privacy and Electronic Communications Regulations 2011.

[2018 Thomson Reuters Global Survey](#) reports that out of more than 2,300 senior business leaders that were surveyed, almost 50% of large global organisations have been victims of financial crime.

[According](#) to FTAdviser, Court documents in the Berkeley Burke judicial review case reveal the FCA is to argue that “acquiring assets in a SIPP forms part of operating the SIPP under s22 of FSMA and therefore Principles 2 and 6 apply.”

[Office](#) for Tax Simplification publishes paper exploring ways of simplifying the taxation of individuals' savings income. This report provides a comprehensive picture of the taxation of: interest and dividend income; ISAs; pension withdrawals; life insurance bonds; and collective investment vehicles such as unit and investment trusts. The report identifies nine areas where further work would be beneficial.

[The Sanctions](#) and Anti-Money Laundering Act has received Royal Assent. The Act, which is the first of the Brexit preparation bills to complete its passage through Parliament, will give the UK full control over sanctions post-Brexit.

[ESMA](#) updates Q&As on the application of the UCITS Directive.

[ESMA](#) publishes update to MiFID II and MiFIR Q&As on investor protection and intermediaries' topics.

[A law firm](#) is reported to have obtained figures showing a 33% year on year increase in interviews with the FCA as part of applications for significant influence functions. The figure for 2017 also represents a five-year high in SIF interviews conducted by the regulator.

[TPR's](#) quarterly bulletin reveals it issued almost 14,000 penalty notices (over 2,000 of which were escalating penalty notices) to firms in the first 3 months of

2018 for various failings.

[The House](#) of Commons Work and Pensions Committee, has issued a letter to FCA requesting information on SIPPs. In the letter it states, inter alia, that although the FCA has previously “warned operators about the risk of exposure to increasingly sophisticated scams if due diligence processes were not robust...it is not clear what repercussions a provider faces if these expectations are not met.”

[ESMA](#) publishes final report on MiFID II suitability requirements.

[FOS](#) publishes annual review for 2017/18.

[Data](#) on complaints from the FOS reportedly casts doubt about the introduction of a 15-year ‘long stop’ on liability for advice given. However, some industry members argue the declining complaint numbers and upheld rates are a reason to introduce a time limit for complaints. The FCA is due to consider the ‘long stop’ on complaints in 2019.

[ESMA](#) updates Q&As on EMIR implementation.

[The CEO](#) of The Pensions Regulator, Lesley Titcomb, has resigned and will leave her role in February next year.

[Companies](#) House warns of scam emails from email addresses complaints@companies-house.gov.uk or noreply@cpgov.uk, neither of which are affiliated with the organisation. The emails, which feature the Companies House logo, tell the receiver a complaint has been submitted about their business.

[Professor](#) Jonathan Haskel, the head of the economics department at Imperial College's business school, will replace Ian McCafferty on the Bank of England's Monetary Policy Committee. Mr McCafferty, who steps down after 6 years, is one of two MPC members who most frequently voted to put interest rates up over the past year, voting for a rise in six of the past eight meetings.

[ESMA](#) confirms that rules prohibiting the distribution, sale and marketing of certain high-risk speculative financial products (e.g. binary options) to retail investors across Europe will come into effect on 2nd July 2018. A month later, restrictions (rather than an outright ban) on marketing, selling and distributing

contracts for difference (CFDs) to retail investors will come into effect across the European Union.

[DWP](#) announces former FSA CEO, Hector Sants, as chair of the Single Financial Guidance Body (SFGGB).

[MPs](#) have asked the FCA to issue guidance on climate change financial risk for contract-based pensions schemes to address what they call a “worrying disparity” between publications issued by the FCA and The Pensions Regulator (TPR). Whilst TPR has issued guidance on trust-based pensions schemes it is reported that the FCA is “reluctant to act on the Law Commission’s recommendations on clarifying the duty of contract-based schemes in relation to environmental, social and governance factors”.

[Although](#) FCA investigation numbers are up, fines imposed have come down.

[Citywire](#) has published the 5th edition of its compliance e-magazine. Amongst other things, this edition includes an article entitled, “5 ways financial services firms can prevent a data breach”.

[In response](#) to a request by the Supreme Court in Sweden concerning a dispute comprising two cases involving the loss of sums invested in products in the context of life assurance taken out through insurance mediation companies, the Court of Justice of the EU has clarified certain aspects of the concept of insurance mediation under IMD:

- “The definition of the concept of ‘insurance mediation’ must be interpreted as meaning that the concept includes work preparatory to the conclusion of an insurance contract, even in the absence of any intention on the part of the insurance intermediary concerned to conclude a genuine insurance contract.”
- “Financial advice relating to the placement of capital in the context of ‘insurance mediation’ relating to the conclusion of a capital life assurance contract falls within the scope of the IMD and not the MiFID. It must be held that advice on the investment of the capital used in that product is provided incidentally, since it is provided in the context of mediation on the conclusion of an insurance contract, an activity which is subject to legislative provisions, namely those in the IMD.”

[During](#) a speech at a Pimfa (Personal Investment Management and Financial

Advice Association) event, Treasury select committee chair Nicky Morgan said the committee would put the question of gender diversity to any firm appearing before it. Ms Morgan also said that she wanted the gender pay reporting gap requirements to be widened to all firms.

[Former](#) Scotland and Rangers football manager, Walter Smith, is reportedly suing two former directors of now dissolved ProVision Financial Consultants over unpaid sums relating to a pension fund set up in the 1990s and commission not being rebated as agreed.

[TPR's](#) pension transfer template – to be used by pension administrators when asked for a defined benefit (DB) transfer value – is expected to be ready this summer.

[EU](#) agrees new EU-wide penalties for money laundering.

[ICO](#) publishes updated guidance on the GDPR definition of personal data.

[Steve](#) Wood, the ICO's Deputy Commissioner for Policy, has written a myth-busting blog about consent under the GDPR. Regarding refreshing content Mr Wood says: "You do not need to automatically refresh all existing consents in preparation for the new law. But the GDPR sets the bar high for consent, so it's important to check your processes and records to be sure existing consents meet the GDPR standard...For processing to be lawful under the GDPR, you need to identify a lawful basis before you start. There are [six lawful bases](#) [including consent] available for you to choose from. No single basis is 'better' or more important than the others – which one is most appropriate will depend on your purpose and relationship with the individual."

[The FCA](#) has contacted the board of Invesco Perpetual Enhanced Income investment trust, a Jersey-based, London-listed fund, regarding the ongoing dispute with the FCA regulated fund manager, Invesco Perpetual. The dispute relates to the performance fee payable to Invesco Perpetual under a revised fee agreement between the two entities. The fund issued a statement to the Stock Exchange on 11/06/18 stating Invesco Perpetual resigned when a revised fee structure could not be agreed. In a separate statement issued the same morning a spokesperson for Invesco denied the fund management business had resigned as manager of the trust for the fee issue but rather the "behaviour of the chairman". In addition, it is reported that the manager and another shareholder in the trust have requested the chairman of the board and

another director be removed from the trust's board.

[Money](#) Market Fund Regulations 2018 published.

[Andrew](#) Bailey comments on concerns relating to PRIIPs and MiFID II at the FCA's asset management conference.

[The FCA's](#) asset management conference also saw Christopher Woolard commenting on the value of whistleblowers to enforcement and diversity in the asset management sector.

[Supreme](#) Court rules that a plumber, whose contract labelled him as an independent contractor, was a 'worker' for the purposes of the Employment Rights Act 1996 and the Working Time Regulations 1998, and an 'employee' within the extended meaning of that term in the Equality Act 2010.

[BoE](#) speech on resilience and continuity in an interconnected and changing world by Lyndon Nelson, Deputy CEO and Executive Director.

Council of the EU publishes Presidency compromise proposals (for a [directive](#) and a [regulation](#)) relating to the European Commission's legislative proposals on cross-border distribution of collective investment funds.

[ESMA](#) annual report on supervisory measures and penalties under EMIR.

[EU](#) agrees general approach for enhancing cyber resilience by setting up an EU-wide certification framework for information and communication technology (ICT) products, services and processes. In addition, the proposal, also known as the Cybersecurity Act, will upgrade the current European Union Agency for Network and Information Security (ENISA) into a permanent EU agency for cybersecurity.

[Government](#) launches consultation on the role and objectives of a new Centre for Data Ethics and Innovation, which will: address ethical and economic issues arising from the use of data and artificial intelligence (AI); develop best practice around the use of data in this context; and advise the government on relevant gaps in regulation and policy.

[The 5th](#) Money Laundering Directive (MLD5) was published in Official Journal on 19th June '18 and will come into force on 9th July '18. Member states will

then have until 10th January '20 to implement and comply with it. Inter alia, MLD5 will bring virtual currency exchange platforms and custodian wallet providers (gatekeepers that control access to virtual currencies) into scope of the regulation.

[In a Libor](#) manipulation case, the Court has raised concerns regarding the FCA's focus on a lower level UBS employee and the FCA's comments about pursuing senior management.

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