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For more information,
please contact:

Andrew Wingfield

Partner

t: +44.20.7280.2021

awingfield@proskauer.com

Richard Bull

Partner

t: +44.20.7280.2060

rbull@proskauer.com

John Verwey

Special Regulatory Counsel

t: +44.20.7280.2033

jverwey@proskauer.com

Claudia Mercer

Special Counsel

t: +44.20.7280.2140

cmercer@proskauer.com

Amar Unadkat

Associate

t: +44.20.7280.2144

aunadkat@proskauer.com

This publication is a service to our clients and friends. It is designed only to give general information on the developments actually covered. It is not intended to be a comprehensive summary of recent developments in the law, treat exhaustively the subjects covered, provide legal advice, or render a legal opinion.

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Welcome to the Regulation Round Up, a regular bulletin highlighting the latest developments in UK and EU financial services regulation.

Key developments in May 2018:

30 April

BEIS published a [consultation paper](#) seeking views on proposals to reform the laws relating to all UK limited partnerships. The key proposals are:

- a requirement for all presenters to be registered with an anti-money laundering (“**AML**”) supervisory body;
- a requirement on all UK limited partnerships (“**UKLPs**”) to maintain a connection with the UK. In this respect, the government has set out two possibilities, being:
 - a requirement on the UKLP to maintain its principal place of business (“**PPoB**”) in the UK; or
 - permit the UKLP to move its PPoB outside the UK, but ensure that a service address is maintained in the UK;
- a potential increase in reporting requirements for UKLPs to mirror the requirements currently imposed on private limited companies; and
- proposals to provide the Registrar of Companies with powers to strike off UKLPs from the Register of Companies in certain circumstances.

1 May

The Insurance Distribution (Regulated Activities and Miscellaneous Amendments) Order 2018 (SI 2018/546) was [published](#). This legislation makes amendments to key financial services legislation to implement the Insurance Distribution Directive (EU/2016/97).

The Foreign and Commonwealth Office published a [policy note](#) setting out the government’s intended approach to exceptions and licences under the Sanctions and Anti-Money Laundering Bill 2017-19 when the UK becomes responsible for implementing its own sanctions regimes.

The Investment Association published a [report](#), which was produced jointly with KPMG, in relation to building cyber resilience in the asset management sector. The report provides guidance on practical steps firms can take to protect their businesses from cyber-attacks.

The Financial Conduct Authority (“**FCA**”) published its second “five conduct questions” [report](#) in which it set out wholesale banking industry feedback for 2017. The FCA also announced that it is extending the five conduct questions approach to other segments of the wholesale sector.

The High Court handed down a [judgement](#) (Carey v N M Rothschild & Sons Ltd [2018] EWHC 958) in relation to financial mis-selling. The bank had entered into various loan agreements with the claimants to provide them with funds to invest. The claimants argued that the bank misrepresented the level of risk in relation to the investment scheme and claimed this generated an 'unfair relationship'. The bank, meanwhile, argued that contractual terms defining the scope of its non-advisory relationship with the claimants and the absence of any representations made by it meant it was not liable. The judge ultimately held there was no unfair relationship.

2 May

UK Finance published a set of [FAQs](#) on the General Data Protection Regulation (EU/2016/679).

The European Central Bank ("ECB") [published](#) a speech by a member of its supervisory board, Ignazio Angelini, which promoted the European Union's position on Brexit.

The FCA published a [speech](#) "High-cost credit: what next?" in which Andrew Bailey, the FCA Chief Executive, explained the FCA's current focus on overdrafts, rent-to-own, home-collected credit and catalogue credit, because of the particular risks to consumers that the FCA has found in these areas.

4 May

UK Finance, the Financial Data and Technology Association (FDATA), the Electronic Money Association (EMA) and techUK jointly published their voluntary [guidelines](#) and encouraged market behaviours under the second Payment Services Directive (EU/2015/2366) ("PSD2").

7 May

The Financial Stability Board ("FSB") published a [consultation paper](#) on recommendations for compensation data reporting to address misconduct risk in the financial services industry. The recommendations aim to assist national supervisory authorities, from all financial sectors, by enhancing their capacity to consider and monitor the effectiveness of compensation tools and other mechanisms in promoting good conduct and addressing misconduct risk.

The European Securities and Markets Authority ("ESMA") [published](#) a new one-stop company portal, which enables investors to establish whether a financial service provider is authorised in the EU and provides certain information in relation to some firms.

8 May

The ECB published a [report](#) following its thematic review on effective risk data aggregation and risk reporting.

10 May

A [draft](#) of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2018 was published. The Order has expanded the criteria by which an alternative investment finance bond qualifies as a specified investment under the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 ("RAO").

The Financial Guidance and Claims Bill received [Royal Assent](#), becoming the Financial Guidance and Claims Act 2018, providing for the creation of a single financial guidance body ("SFBG") that will replace Pension Wise, the Pensions Advisory Service and the Money Advice Service.

11 May

The FCA published a [policy statement](#) (PS18/10) on retiring its finalised guidance relating to inducements and conflicts of interest and independent and restricted advice (FG14/1 and FG 12/15). As the FCA's new rules for inducements and description of advice services came into effect on 3 January 2018, firms should already be complying with the relevant requirements.

14 May

The European Parliament [adopted](#) the proposed Fifth Anti-Money Laundering Directive ("MLD5").

The European Insurance and Occupational Pensions Authority ("EIOPA") [published](#) a press release announcing the launch of the 2018 EU-wide stress test for the insurance sector. EIOPA explains that this is a regular exercise that aims to assess insurers' vulnerabilities to potential adverse market developments, and should not be interpreted as a "pass-or-fail" test.

The UK Government passed two orders, [2018 No. 593](#) and [2018 No. 578](#), that lower the thresholds for certain sectors at which the UK merger control regime is triggered. The Orders will come into force on 11 June 2018. The sectors to which the lower thresholds will apply are companies whose business involves: (i) developing or producing items for the military, or military and civilian, use; (ii) quantum technology; or (iii) the design and maintenance of computing hardware.

15 May

The International Swaps and Derivatives Association ("ISDA") published a [speech](#) on benchmark reform initiatives, providing an overview of ISDA's work to support a smooth transition from the interbank offered rates to risk-free rates.

16 May

The ECB published an [article](#) on the impact of a potential transition period in relation to Brexit, in which it set out how the transition period affects its expectations of banks' preparations for Brexit.

17 May

The FCA published a guidance [consultation](#) (GC 18/2) on fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015.

The Prudential Regulation Authority ("PRA") published a [policy statement](#) (PS10/28) and a supervisory statement on effective financial management and planning by insurance firms and groups.

The Joint Money Laundering Steering Group published a [webpage](#) announcing that it has finalised its revisions to two chapters in Part II of its anti-money laundering (AML) and counter-terrorist financing (CTF) guidance for the financial services sector.

18 May

EIOPA published an [opinion](#) on the solvency position of insurance and reinsurance undertakings in light of the UK's withdrawal from the EU. In the opinion, EIOPA considers the impact of the UK becoming a third country on the determination of technical provisions, own funds and capital requirements of EU insurance and reinsurance undertakings.

21 May

The FCA published a [webpage](#) setting out the findings of its reviews of firms offering automated investment services. The FCA reviewed the activities of seven firms offering automated online discretionary investment management services and three providing retail investment advice through automated channels only. The FCA highlighted specific rules in its rules that were relevant to its findings.

The FCA published a [memorandum of understanding](#) it has entered into with the Insolvency Service (dated January 2018).

22 May

The PRA published a [consultation paper](#) (CP12/18) in relation to Securitisation where it set out proposals to reflect the new EU securitisation framework.

23 May

The Data Protection Bill 2017-19 received Royal Assent to become the [Data Protection Act 2018](#).

The FCA published a new [webpage](#) with information on the provisions in chapter 19F of the Senior Management Arrangements, Systems and Controls sourcebook (“**SYSC**”), which relate to the remuneration and performance management of sales staff. SYSC 19F implements the requirements of the MiFID II Directive (2014/65/EU) in this area.

The Competition and Markets Authority (“**CMA**”) updated its [guidance](#) on ‘Good Practice in the design and presentation of consumer survey evidence in merger inquiries’.

24 May

ESMA published an updated version of its [Q&As](#) in relation to the implementation of the Benchmarks Regulation (EU/2016/1011) (“**BMR**”). One new Q&A has been added in relation to the updating of prospectuses under Article 29(2) of the BMR.

25 May

The General Data Protection Regulation (“GDPR”) (EU/2016/679) came into force. The GDPR forms part of the [data protection regime](#) in the UK, together with the new Data Protection Act 2018.

The FCA published a [document](#) outlining the next steps in its transforming culture work. The FCA sets out the four key thematic lines of enquiry it will now focus on:

- psychological safety over fear;
- remuneration and incentives;
- leadership and management capabilities; and
- assessing culture.

29 May

The FCA published its [finalised guidance](#) (FG18/4) on its approach to the review of insurance business transfers under Part VII of the Financial Services and Markets Act 2000.

31 May

The FCA has [published](#) its outcome of its high-cost credit review on its website. Following a review of the high-cost credit market, the FCA has announced various new proposals which are designed to protect consumers who use overdrafts and high-cost credit.