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RECENT DEVELOPMENTS UK

HM Treasury News

First of its kind green Indian rupee bond launched in London

Issued on the London Stock Exchange ('LSE') by International Finance Corporation ('IFC') the bond, worth 3.15bn rupees (approximately £31m), is the first green Indian rupee bond to be issued outside of India.

The government welcomed the launch of the bond, the proceeds of which will be invested via Yes Bank, one of India's largest commercial banks, in projects that help to address climate change through renewable energy and energy efficiency in India.

The bond is the next stage in IFC's ongoing $3bn offshore rupee bond programme, much of which has been issued in London (including a 10-year rupee bond issued last November).

By issuing their debt in London, IFC are able to take advantage of the UK's world leading financial centre, harnessing the expertise available in the UK to further economic development around the world.

Having the first green rupee bond listed in the UK will further deepen integration between the UK and Indian financial sectors. Increasing trade and investment flows between the UK and India, the world's fastest growing major economy according to the IMF, is an important part of the government's economic plan. The bond also illustrates the important role the financial sector can play in raising capital to address the challenges of climate change.

The Economic Secretary to the Treasury, Harriett Baldwin, said:

> 'Cementing the UK's position as the leading global financial centre is an important part of this government's economic plan.

> That's why I am delighted that International Finance Corporation has decided to issue this landmark green rupee bond in London.
>
> As home to both a rapidly growing offshore rupee market, and a rapidly growing green bond market, our financial sector continues to be at the forefront of global trends. That's good for the UK, and for our trading partners all around the world.'

IFC is part of the World Bank Group and provides advice and investment to help the private sector find solutions to development issues.

IFC's new bond will be the 12th rupee denominated bond to be listed on the LSE, raising a combined total of approximately £1.9bn. The issuers of previous rupee bonds on the LSE are the IFC, the European Bank for Reconstruction and Development, and the Inter-American Development Bank.

HM Treasury 19.08.15

Lloyds share sales have now raised £14.5bn for the taxpayer

The government has sold a further 1% shareholding in Lloyds Banking Group through the trading plan launched in December, taking the total raised for the taxpayer to £14.5bn and reducing the government's shareholding to below 13%. All sales are used to reduce the national debt.

Chancellor of the Exchequer, George Osborne, said:

> 'It's fantastic news that we've sold more shares in Lloyds Bank, taking the total recovered to £14.5 billion.
>
> I am determined to build on this success, and to continue to return Lloyds to the private sector and reduce our national debt.'

A trading plan involves gradually selling shares in the market over time, in an orderly and measured way. The trading plan was launched on 17 December 2014 and will end no later than 31 December 2015.

As required by Financial Conduct Authority ('FCA') rules, Lloyds Banking Group announced today that the government's shareholding in the bank has crossed through a one percentage point threshold. This announcement therefore notifies the market that the government has reduced its shareholding in Lloyds to below 13%.

HM Treasury 24.08.15

Seven ways the government is making tax simpler for charities

Over the last five years the government has brought in a range of changes to the tax system to make it simpler for charities to make the most of tax reliefs, so that more money can go to good causes.

1. It is now easier for charities to receive gift aid

Charities online, an online system that helps charities to claim gift aid faster, was introduced in 2013. Now, instead of having to submit paper claims for tax reliefs through the post, charities can submit them online. 95% of charities now use charities online to claim gift aid. The majority of claims are now processed within five working days, down from around 15 days.

2. It is now simpler for charities to receive government support on small donations

If someone donates a small amount of money to a charity – for example, by giving it to a charity vendor in a high street – it is often not possible (or practical) for the donor to provide formal consent for gift aid to be claimed on that donation. Through the gift aid small donations scheme charities can now claim a gift aid-style top-up on these small donations, up to a limit of £5,000 per year. This limit will increase to £8,000 per year from April 2016.

3. An outreach team now helps charities claim tax relief

To date, HMRC's outreach team has delivered face-to-face presentations to over 650 represented charities to spread awareness, increase take-up, and help charities to successfully claim tax relief.

4. Works of art donated to the nation now receive tax relief

The cultural gifts scheme was introduced in 2013 and allows taxpayers to pay a tax bill by donating eligible works of art to the nation.

5. People donating to charity in their will can now benefit from a lower rate of inheritance tax

If people leave at least 10% of the net value of their estate (its worth, minus any debt, other liabilities and reliefs) to charity, then 36% inheritance tax can be paid instead of 40%. This was introduced in 2012.

6. Local amateur sports clubs can now claim gift aid on donations too

The government has amended the law so that local sports clubs registered as community amateur sports clubs can receive corporate gift aid, to help these clubs to benefit their local communities.

7. A new tax relief has been created to encourage investment in social enterprises

The social investment tax relief scheme has been created to encourage people to invest in social enterprises, including charities. Individuals making an eligible investment will be able to deduct 30% of the cost of that investment from their income tax liability.

HM Treasury 24.08.15

Financial red tape targeted in new review

A review to improve the effectiveness of rules designed to prevent money laundering and terrorist financing has been launched:

- the government commits to improving the efficiency and effectiveness of the anti-money laundering regime;
- the new review will target the way regulation is implemented;

- businesses are encouraged to submit evidence of over-complicated and ineffective requirements.

A review to improve the effectiveness of rules designed to prevent money laundering and terrorist financing has been launched (28 August 2015) as part of the government's Cutting Red Tape review programme.

Businesses have expressed concerns that current guidance, rules and proof of identity requirements can be unnecessarily cumbersome and complicated. Inconsistency and confusion over how rules to stamp out money laundering are applied leads to a less effective regime, which disproportionately affects legitimate businesses.

The government wants these rules to protect the country and safeguard the UK's world leading financial services industry, without putting disproportionate burdens on legitimate businesses or those companies that use their services.

This review is one of six chosen for the first wave of the government's ambitious Cutting Red Tape programme, which will help towards saving businesses £10bn over the next five years.

Business Secretary, Sajid Javid, said:

> 'We are committed to saving businesses a further £10 billion in red tape to help create more jobs for working people, boost productivity and keep our economy growing.
>
> This new review is about making sure the rules we have to protect our strong financial services industry from abuse are not unintentionally holding back new and existing British business. I want firms to come forward and tell us where regulation is unclear or its enforcement ineffective.'

Economic Secretary to the Treasury, Harriett Baldwin, said:

> 'The UK is a global financial centre, and is home to some of the most successful international financial services firms in the world. But we are clear that in order to protect the integrity and stability of our world leading financial centre, we need an effective Anti-Money Laundering and Counter Terrorist Finance regime.
>
> That's why we are leading from the front in implementing robust global standards to tackle money laundering, and that's why we've launched a review today to improve the effectiveness of our Anti-Money Laundering regime.
>
> Ensuring that supervision and enforcement are focused on the criminals who launder funds, whilst taking a proportionate approach for legitimate business, will build Britain's strong reputation as a safe place to invest and do business.'

The review will look at the implementation of legislation and activity carried out under the Money Laundering Regulations 2007, by national supervisors including the FCA and HMRC. As well as identifying where more clarity is needed for businesses, it will look for evidence of where the activity of these regulators could be made more efficient and effective.

The review is seeking a wide range of evidence, including:

- whether current guidance meets businesses' needs;
- the effectiveness and proportionality of supervisors' approach to supervision and enforcement;
- where and how supervision and enforcement is not proportionate to the risks posed; and
- any examples of good practice that could help businesses meet their obligations and might be replicated elsewhere.

The call for evidence will run for eight weeks until 23 October 2015 and can be found on the Cutting Red Tape website. Five other sector reviews were launched on 16 July 2015 into: agriculture, care homes, energy, mineral extraction and waste.

HM Treasury 28.08.15

Economic Secretary to the Treasury announces next steps for Pension Wise

Following the successful launch of the government's Pension Wise guidance service in April this year the Economic Secretary to the Treasury, Harriett Baldwin, announced (16 Sept 2015) at an evidence session for the Work and Pensions Select Committee that responsibility for delivery of the service will move from the Treasury to the Department for Work and Pensions ('DWP') by the end of the financial year.

The move to DWP will not mean a change to the service itself or to its delivery partners, the Citizens Advice Bureau and the Pensions Advisory Service.

Harriett Baldwin said:

> 'The government established Pension Wise to ensure that people who are able to access their pension flexibly have the information and guidance they need to make considered decisions regarding their pension pot. The launch of the service has been a success, with over 90% of customers who completed the exit survey reporting that they are satisfied or very satisfied following an appointment.
>
> I am pleased to announce that in line with the Committee's previous recommendation, Pension Wise will now be transferred from the Treasury to DWP. Pension Wise has a strong strategic fit with DWP and the current aim is for this transfer to be completed by 31 March 2016.'

Minister for Pensions, Baroness Ros Altmann, said:

> 'Our new pension reforms give people real flexibility over how and when they use their hard-earned savings in retirement and are providing the freedom and choice that people deserve.
>
> Pension Wise is playing a vital role in ensuring that people have the guidance and support to decide what to do with their pension and what important issues they should consider. I look forward to this excellent work continuing at the Department for Work and Pensions.'

The Economic Secretary to the Treasury also announced that the government will be making core data, including website visits and number of appointments, publicly available and update it regularly.

In April this year the government brought in ground-breaking pension reforms, giving around 320,000 individuals retiring each year with defined contribution pension savings the option to access them as they wish. To guide people through their options the Treasury set up the free and impartial Pension Wise guidance service, which is available online, over the phone and face to face. All of the guidance specialists are trained to rigorous FCA standards and the course is accredited by the Chartered Insurance Institute.

HM Treasury 16.09.15

Bank of England and Prudential Regulation Authority News

Next £20 note to be printed on polymer

The Bank of England announced (2 September 2015) that the next £20 banknote will be printed on polymer; a more secure, durable and cleaner material.

In December 2013, the Bank announced that the next £5 and £10 banknotes would be printed on polymer following a 10-week public consultation that found 87% of respondents were in favour of the change. The polymer £5 note featuring Winston Churchill will be issued in autumn 2016, the £10 polymer note featuring Jane Austen entering circulation a year later.

The Bank made the decision to move to polymer for the £20 note following extensive research into the developments in security features for notes printed on cotton-based paper and polymer since the 2013 decision was made. A competitive tender process for the supply of the polymer for the £20 note is expected to start in late 2015.

The note, which will feature a visual artist nominated during the public nominations period held earlier this year, will enter circulation in 3–5 years' time.

Bank of England 02.09.15

Strengthening accountability: insurers and UK branches of non-EEA banks

The Prudential Regulation Authority ('PRA') has set out (13 August 2015) how it will hold senior managers in insurance companies and UK branches of non-EEA banks accountable. This brings to fruition a package of accountability reforms that will allow all PRA-regulated firms to prepare for the introduction of the Senior Managers Regime and Senior Insurance Managers Regime.

Robust accountability for senior managers is crucial for the effective functioning of financial institutions, which is why it is important that the new rules are applied in an effective yet proportionate manner. The PRA is issuing its final policy and tailored final rules on how the accountability requirements will be applied to insurers and near-final rules to branches of overseas banks taking into account their specific characteristics. These publications provide firms with the clarity and certainty required to make the Senior Managers' Regime and Senior Insurance Managers' Regime operational.

The new accountability regime sets out the standard of behaviour expected by the PRA of those in positions of responsibility. Under the new regime, senior managers will be held individually accountable for the areas they are responsible for.

Insurers

The PRA intends to implement a parallel accountability regime for insurance companies (referred to as the Senior Insurance Managers' Regime). This regime is tailored to the differing business models and associated risks of insurers, compared with those of banks. This publication seeks to provide greater clarity by providing the final rules on most aspects of the new regime, as well as further proposals to introduce a streamlined approach for smaller insurers.

UK branches of overseas banks

The PRA has also published final and near final rules on the application of the Senior Managers Regime to UK branches of non-EEA banks. These rules are tailored to reflect the characteristics of non-EEA branches and are aligned with the PRA's approach to branch supervision.

Andrew Bailey, Deputy Governor, Prudential Regulation, Bank of England and CEO of the PRA said:

> 'The simple principle that you can delegate tasks and work, but you cannot delegate responsibility for the safety and soundness and conduct of your firm must become embedded at all levels of banks and insurers. Today's publications provide the certainty for firms to implement all necessary changes to achieve this objective.'

PRA 13.08.15

PRA censures Co-operative Bank for serious risk management and transparency failings

Following an enforcement investigation into the Co-operative Bank Plc ('Co-op Bank') the PRA, supported by a team of investigators at the FCA, has found that there were serious and wide-ranging failings in Co-op Bank's control and risk management framework during the period from 22 July 2009 to 31 December 2013. The PRA has also found that the firm failed to deal with its regulators in an open and co-operative manner in that period.

The PRA found Co-op Bank's control framework to be flawed both in design and operation, and found inadequacies in the firm's risk management framework policies and in its capital management and corporate lending policies and procedures. This meant that the firm did not adequately consider the level of risk it assumed and therefore did not have the capability to manage that risk. This in turn had the potential to weaken the firm and reduce its resilience. The PRA also found deficiencies in the management information which the firm produced. These deficiencies led to the Co-op Bank's Board not being appropriately apprised of key issues, which hampered its ability to manage the business effectively.

The PRA found that Co-op Bank had a culture which encouraged prioritising the short-term financial position of the firm at the cost of taking prudent and sustainable actions for the longer-term.

Co-op Bank also failed to deal with its regulators (the Financial Services Authority and subsequently the PRA) in an open and cooperative manner. Specifically, Co-op Bank failed to notify the regulators without delay of two intended personnel changes in senior positions.

The PRA considers these breaches by Co-op Bank to be sufficiently serious to warrant a substantial financial penalty. However the PRA has concluded that imposing a financial penalty on Co-op Bank would not advance the PRA's statutory objective to promote the safety and soundness of the firms it regulates. The PRA would otherwise have imposed a financial penalty of around £120m on Co-op Bank.

Towards the end of 2013, following changes to its Board and senior management, Co-op Bank began properly to address the concerns around its risk management framework structures and policies and procedures around corporate lending and capital management. The PRA expects firms to remediate any weaknesses such as those identified in this investigation as a matter of course, without delay.

Andrew Bailey, Deputy Governor, Prudential Regulation, Bank of England and CEO of the PRA said:

> 'Firms must have in place strong controls and sound risk management as operating without them undermines safety and soundness. Co-op Bank's failings stand out both for the duration and seriousness of the risk management and control deficiencies uncovered. This was compounded by a lack of openness with their regulator. These were serious

> transgressions. The PRA has not levied a fine in this instance but, if any future enforcement investigation into Co-op Bank found serious and wide-ranging failings, this censure will be a relevant factor in determining the outcome.'

The PRA's consideration of, and investigations into, the role of former senior individuals in events at Co-op Bank are continuing. No further information will be provided on this until investigations are concluded.

PRA 11.08.15

PRA Consultation Papers

Consultation Paper 25/15: 'Solvency II: reporting and public disclosure – options provided to supervisory authorities'

This consultation paper seeks feedback on a draft supervisory statement that sets out the PRA's expectations of firms where it has an option to specify a different approach to that published in the Implementing Technical Standards ('ITS') for the Solvency II reporting templates and the Solvency II public disclosure templates.

CP25/15 will be of interest to all UK insurance firms and groups within the scope of Solvency II, the Society of Lloyd's, and to third country branches where applicable.

Summary of proposals

The ITS, in specific circumstances, give supervisory authorities options to specify different approaches to the default set out in the standards, or requires supervisory authorities to issue instructions.

The draft supervisory statement sets out the PRA's expectation of how firms are to comply with the standards when options are provided to supervisory authorities in the following areas:

(1) Solvency II reporting currency;

(2) exchange rates;

(3) accident or underwriting year reporting;

(4) claim size brackets for loss distribution risk profile;

(5) sum insured size brackets for non-life distribution of underwriting risks by sum insured;

(6) lines of business to be reported for non-life distribution of underwriting risks by sum insured;

(7) reporting of annuities stemming from non-life obligations by currency;

(8) development of the distribution of reported but not settled ('RBNS') claims – reporting number of claims;

(9) reporting external credit ratings;

(10) group reporting where the PRA is the group supervisor and there are no consolidated financial statements at the head of the insurance or reinsurance group.

This consultation closed on Monday 21 September 2015.

PRA 10.08.15

Consultation Paper 33/15: 'The implementation of ring-fencing: the PRA's approach to ring-fencing transfer schemes'

In this consultation the PRA seeks views on a draft statement of policy setting out its approach to ring-fencing transfer schemes ('RFTS').

Part VII of the Financial Services and Markets Act 2000 ('FSMA 2000') provides for a process leading to a court order to facilitate transfers of insurance or banking business. The Financial Services (Banking Reform) Act 2013 legislated for an additional process for transfer of business known as an RFTS. Its purpose is to enable firms to restructure their businesses in order to comply with the ring-fencing requirements that will apply from 1 January 2019. This consultation paper focuses on the PRA's functions relating to this particular transfer of business.

The consultation will be of interest to banks which will be required by FSMA 2000, as amended by the Financial Services (Banking Reform) Act 2013, to ring-fence their activities. It will be of relevance to skilled persons commissioned to author the scheme report submitted to the court as part of the RFTS application. It may also be of interest to other financial institutions and customers who have dealings with ring-fenced bodies.

Summary of proposals

The Financial Services (Banking Reform) Act 2013 gave the PRA new powers in respect of RFTS. The purpose of the draft statement of policy is to set out the approach of the PRA in relation to these matters, which are:

(1) nomination or approval of the author of the scheme report (FSMA 2000, s 109A(2));

(2) approval of the form of the scheme report (FSMA 2000, s 109A(3)); and

(3) consent to an application to the court for an order sanctioning an RFTS (FSMA 2000, s 107(2A)).

This consultation closes on Friday 30 October 2015.

PRA 18.09.15

Consultation Paper 34/15: 'Implementing audit committee requirements under the revised Statutory Audit Directive'

This consultation sets out the PRA's proposed rules to implement the audit committee requirements of article 39 of the Statutory Audit Directive as amended by Directive 2014/56/EU ('Amending Directive').

The consultation is relevant to banks, building societies and UK Solvency II insurance and reinsurance firms (for the purposes of this consultation paper, 'Solvency II insurers'). It is proposed to apply the requirements of article 39 to the Lloyd's market by applying the requirements to the Society of Lloyd's and managing agents. The PRA also proposes to extend the scope of the requirements to UK designated investment firms.

The proposed requirements will apply to financial years commencing on or after 17 June 2016.

Summary of proposals

Article 39's provisions can be grouped into four distinct themes: scope, structure, membership and functions. The PRA's proposals are summarised below.

1) Scope

Audit committees will generally be required for: CRD credit institutions; Solvency II insurers, the Society of Lloyd's and managing agents; and UK designated investment firms.

Subsidiaries of EEA parents that have an audit committee in accordance with article 39 do not need to have an audit committee, unless those subsidiaries are significant. If the non-executive directors ('NEDs') of the significant subsidiary are the same as those of the parent, then the significant subsidiary does not need to have an audit committee.

2) Structure

The audit committee must be a sub-committee of the board.

3) Membership

The audit committee of a significant firm should consist entirely of independent non-executive directors ('independent NEDs'). For other firms (lower impact firms) audit committees must consist entirely of NEDs provided that a majority, and the chairman, are independent NEDs.

4) Functions

The audit committee must carry out the responsibilities prescribed by article 39. In addition, the audit committee of a lower impact firm is allowed to be combined with, and carry out the functions of, the risk committee.

This consultation closes on 18 December 2015.

PRA 18.09.15

FCA News

Consumer redress scheme opens – card security product holders have until March 2016 to claim compensation

Approximately two million people who bought card security products with one of the product names listed below can start claiming compensation from late-August, the FCA announced.

- Card Protection;
- Sentinel;
- Sentinel Gold;
- Sentinel Protection;
- Sentinel Excel;
- Safe and Secure Plus.

The card security product costs about £25 a year. The amount of compensation paid will depend on the length of time the customer had the product. The first compensation payments are expected to be made from late September 2015.

The consumer redress scheme covers sales and renewals of the card security products since January 2005. A separate company 'AI Scheme Limited' has been set up to deliver the consumer redress scheme on behalf of Affinion International Limited and the banks and card providers.

FCA 18.08.15

FCA and Payment Systems Regulator Boards appoint new members to decision-making committees, including new chair and two deputy chairs

The FCA and Payment Systems Regulator ('PSR') Boards have appointed new members to four decision-making committees: the FCA's Regulatory Decisions Committee ('RDC') and Competition Decisions Committee ('CDC') and the PSR's Enforcement Decisions Committee ('EDC') and Competition Decisions Committee.

These four committees are responsible for taking certain regulatory decisions on behalf of the FCA and the PSR. They are set up by the FCA and the PSR, with members drawn from across a spectrum of business, consumer and industry experience.

In future changes, Andrew Long and David Ashton, two of the longest serving members of the RDC will leave the committee when they have completed their respective terms of office. Andrew Long was Chair (formerly Acting Chair) of the RDC between 2012–2014. David Ashton has been an Acting Deputy Chair since January 2015.

John Griffith-Jones, chairman of the FCA and PSR, commented:

> 'These committees play an extremely important role and I am delighted we have been able to attract members of such experience and quality. Their expertise will be central to helping both FCA and PSR achieve their respective objectives and raising standards.
>
> I would also like to thank Andrew and David for the invaluable contribution they have given to the RDC over recent years.'

The new appointments:

Chair

- Tim Parkes will become Chair of the RDC and EDC in January 2016.

Deputy Chair

- Elizabeth France has been appointed as a Deputy Chair of the RDC and EDC.
- John Hull will become a Deputy Chair of the RDC in January 2016.

Committee Members

- Kevin Brown has been appointed as a member of the RDC and EDC.
- Chris Cummings has been appointed as a member of the RDC and EDC.
- Jonathan Haskel has been appointed as a member of the EDC and the FCA and PSR CDCs.
- Stuart McIntosh has been appointed as a member of the EDC and the FCA and PSR CDCs.
- Professor Robin Mason has been appointed as a member of the EDC and the FCA and PSR CDCs. Malcolm Nicholson has been appointed as a member of the EDC and the FCA and PSR CDCs.

Caroline Ramsay has been appointed as a member of the RDC and EDC.

FCA 21.09.15

FCA Consultation Papers

Consultation Paper 15/27: 'UCITS V implementation and other changes to the Handbook affecting investment funds'

This consultation paper contains three sets of proposals relating to the regulation of authorised investment funds.

In Part I the FCA consults on rules and guidance to transpose the most recent changes to the Undertakings for Collective Investment in Transferable Securities ('UCITS') Directive (UCITS V). The FCA is required to transpose these changes by 18 March 2016.

In Part II of this paper the FCA consults on a set of changes to the Handbook to ensure the EU Regulation introducing European long-term investment funds ('ELTIFs') will operate effectively. The ELTIF Regulation will apply from 9 December 2015.

In Part III the FCA takes the opportunity to consult on a number of changes to the Handbook to keep its rules and guidance for authorised investment funds up to date. The FCA also seeks stakeholders' feedback on some discussion points that it will consider consulting on in future if there is a case for changing our rules.

This paper will interest:

- UCITS management companies, alternative investment funds managers ('AIFMs') and depositaries of UCITS and AIFs (including ELTIFs);
- representative trade bodies;
- business advisers and consultants;
- other advisers and distributors involved in or linked to the fund management industry in the UK; and
- investors in authorised funds and their representatives.

The FCA is asking for comments on:

Part I of this consultation paper by Monday 9 November 2015.

Part II of the paper by Monday 5 October 2015.

Part III of the paper by Monday 7 December 2015.

FCA 03.09.15

Consultation Paper 15/29: 'Amendments to various forms'

The FCA and the PRA set out proposed amendments to four forms used by firms and individuals relating to regulatory approval for certain roles.

This publication also details changes being made to other forms with immediate effect. These forms are made under the regulators' powers of direction, meaning there is no requirement to consult on these changes.

The FCA and the PRA are introducing a new accountability regime for deposit-takers, insurers and PRA-designated investment firms. As part of implementing the new regime, the regulators have consulted on amendments to a series of forms used by firms and individuals relating to regulatory approval for certain roles.

During this exercise, the regulators received feedback regarding the necessity of some of the questions asked in these forms. Reflecting on that feedback, this paper sets out proposed amendments to two forms for the new regime and to two forms used in the current Approved Persons Regimes.

The consultation closes on 19 October.

FCA 18.09.15

FCA Bans and Fines

Keydata Investment Services Ltd ('Keydata') designed and sold investment products to retail investors via independent financial advisors ('IFAs'). The products were underpinned by Keydata's investment in bonds issued by Luxembourg special purpose vehicles, including one called SLS Capital SA ('SLS'). In turn, SLS invested in portfolios of life settlement policies. After Keydata was put into administration in June 2009, Keydata's administrators discovered that SLS had failed to make certain payments that were due to Keydata in respect of the products since early 2008 and that Keydata had instead funded £4.2m in income payments to investors from its own company resources. This had the effect of masking problems with SLS and the performance of the SLS portfolio. The FCA has fined Mr McNeil, in his role as Keydata's finance director, £350,000 and prohibited him from performing any significant influence function for failing to comply with Statements of Principle 4 and 6 of the FCA's Statements of Principle and Code of Practice for Approved Persons.

22.09.15

The FCA found Robert Shaw, former director of advisory firm TailorMade Independent Ltd ('TMI'), failed to ensure that TMI assessed the suitability of investments made through self-invested personal pensions ('SIPPs') for its customers, and failed to ensure that TMI identified and managed its conflicts of interests. The FCA found that Mr Shaw benefitted financially from being the director and shareholder of TailorMade Alternative Investments ('TMAI'), an unregulated introducer, which referred clients to TMI. He has been banned from senior positions in financial services and fined £165,900 by the FCA.

13.08.15

The High Court held that the FCA is entitled to permanent injunctions and penalties totalling £7,570,000 against Da Vinci Invest Ltd, Mineworld Ltd, Mr Szabolcs Banya, Mr Gyorgy Szabolcs Brad and Mr Tamas Pornye for committing market abuse. The defendants were found to have committed market abuse in relation to 186 UK-listed shares using a manipulative trading strategy known as 'layering'.

17.08.15

EU AND INTERNATIONAL

European Central Bank publishes Guideline amending the General Documentation on Monetary Policy Implementation

The European Central Bank ('ECB') has published (31 August 2015) a new Guideline (ECB/2015/27) amending the General Documentation ('GD') on the implementation of the Eurosystem's monetary policy.

The new Guideline introduces some changes to the monetary policy implementation framework:

First, the provisions on counterparty eligibility have been revised in light of recent legislative developments in the implementation of the Banking Union. In particular, the provisions now state that the Eurosystem may take into account in its eligibility assessment information on capital, leverage and liquidity ratios of individual institutions.

Second, a new class of eligible assets, namely the '*nonmarketable debt instruments backed by eligible credit claims* ('*DECCs*')', has been introduced in the Eurosystem collateral framework. DECCs are debt instruments that:

(a) are backed by credit claims that are also eligible as collateral with the Eurosystem on an individual basis; and

(b) that have a dual recourse feature, namely to

  (i) the credit institution that is the originator of the underlying credit claims, and to

  (ii) the underlying credit claims themselves. It should be noted that, in the initial stage, only the domestic use of DECCs is envisaged. This restriction will remain in place until the Eurosystem fully develops the procedures for the cross-border use of DECCs.

Guideline ECB/2015/27 is published on the ECB's website for information purposes. The Guideline in 23 official EU languages is expected to be published in October 2015 in the Official Journal of the European Union.

ECB 31.08.15

New Report Examines Payment Aspects of Financial Inclusion

The Committee on Payments and Market Infrastructures ('CPMI') and the World Bank Group issued (9 September 2015) a consultative report on *Payment aspects of financial inclusion*. The report examines demand and supply-side factors affecting financial inclusion in the context of payment systems and services, and suggests measures to address these issues.

Financial inclusion efforts – from a payment perspective – should aim at achieving a number of objectives. Ideally, all individuals and businesses should have access to and be able to use at least one transaction account operated by a regulated payment service provider, to:

(i) perform most, if not all, of their payment needs;

(ii) safely store some value; and

(iii) serve as a gateway to other financial services.

Benoît Cœuré, member of the Executive Board of the ECB and CPMI Chairman, says that:

> 'With this report, the Committee on Payments and Market Infrastructures and the World Bank Group make an important contribution to improving financial inclusion. Financial inclusion efforts are beneficial not only for those that have no access to financial services, but also for the national payments infrastructure and, ultimately, the economy.'

Gloria M Grandolini, Senior Director, Finance and Markets Global Practice of the World Bank Group, comments that:

> 'This report will help us better understand how payment systems and services promote access to and effective usage of financial services. It provides an essential tool to meeting our ambitious goal of universal financial access for working-age adults by 2020.'

The report outlines seven guiding principles designed to assist countries that want to advance financial inclusion in their markets through payments:

(i) commitment from public and private sector organisations;

(ii) a robust legal and regulatory framework underpinning financial inclusion;

(iii) safe, efficient and widely reachable financial and ICT infrastructures;

(iv) transaction accounts and payment product offerings that effectively meet a broad range of transaction needs;

(v) availability of a broad network of access points and interoperable access channels;

(vi) effective financial literacy efforts; and

(vii) the leveraging of large-volume and recurrent payment streams, including remittances, to advance financial inclusion.

Bank for International Settlements 09.09.15

Harmonisation of Key Over-The-Counter Derivatives Data Elements (other than UTI and UPI) – First Batch, Consultative Report issued by Committee on Payments and Market Infrastructures-International Organization of Securities Commissions

The Committee on Payments and Market Infrastructures ('CPMI') and the International Organization of Securities Commissions ('IOSCO') have published (02 September 2015) for public comment a consultative report entitled *Harmonisation of a first batch of key OTC derivatives data elements* (other than Unique Transaction Identifier ('UTI'), and Unique Product Identifier ('UPI')). G20 Leaders agreed in 2009 that all over-the-counter ('OTC') derivatives contracts should be reported to trade repositories ('TRs') as part of their commitment to reform OTC derivatives markets with the aim of improving transparency, mitigating systemic risk and preventing market abuse. Aggregation of the data reported across TRs will help ensure that authorities can obtain a comprehensive view of the OTC derivatives market and its activity.

The 2012 CPSS-IOSCO Report on *OTC derivatives data reporting and aggregation requirements*, the 2013 CPSS-IOSCO report on *Authorities' access to trade repository data* and the 2014 Financial Stability Board ('FSB') *Feasibility study on approaches to aggregate OTC derivatives data* provided the starting point for the harmonisation work on key OTC derivatives data elements for meaningful aggregation on a global basis.

Following the 2014 feasibility study, the FSB asked the CPMI and the IOSCO to develop global guidance on the harmonisation of data elements reported to TRs and important for the aggregation of data by authorities including the UTIs and UPIs. This consultative report is one part of the

CPMI-IOSCO Harmonisation Group's response to its mandate. It focuses on a first batch of key data elements (other than UTI and UPI) that are considered important for consistent and meaningful aggregation on a global basis. The report seeks comments on these proposals as well as responses to the general and specific questions by 9 October 2015, to be sent to both the CPMI secretariat (cpmi@bis.org) and the IOSCO secretariat (ode@iosco.org).

Besides this consultative report, the CPMI and IOSCO have already issued a consultative report on Harmonisation of the Unique Transaction Identifier, and plan to issue consultative reports on global UPIs and on further batches of key data elements (other than UTI and UPI) in the coming months.

IOSCO 02.09.15

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