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COMPLIANCE UPDATER

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Starting 2021 with a Brexit 'no deal' on financial services.

The Brexit deal between the UK and the EU contained no provisions of note for financial services, so the UK now faces restrictions on accessing EU customers. Much of the trading in euro-denominated shares immediately shifted from London to EU centres, and international bankers' seamless access to their EU customer base awaits an 'equivalence' deal. Some firms are relying on 'reverse solicitation' in the interim. The EU's ambassador to Britain said Brussels was waiting for more information from the UK before determining whether the UK's rules on financial services were 'equivalent' to EU rules. He said, "there is no punishment" and that the EU simply wanted clarity on the UK's regulatory plans. Both the UK and the EU aim to agree a memorandum of understanding by March.

TP ICAP unable to use pandemic disruption as an excuse.

TP ICAP, the interdealer broker based in London, was one of those suffering from the Brexit changes. It has been forced to stop serving some customers in Europe despite its new office in Paris. TP ICAP had hoped to shift staff to Paris, but this was slowed down due to the pandemic. French regulators have warned that entities from the UK need their set ups in the EU to have sufficient staff.

Deutsche agrees $125m settlement over fraud and bribery allegations.

Deutsche Bank agreed to pay almost $125m to US authorities and entered into a three-year deferred prosecution agreement. The deal resolved allegations of bribery and fraud surrounding the use of a network of business development consultants to funnel kickbacks to clients. Deutsche will pay $80m to the US Department of Justice to settle one count of breaching the Foreign Corrupt Practices Act and a second count of conspiracy to commit fraud for activities in several countries including Saudi Arabia. Deutsche will also pay $43m to the SEC over business practices in China.

Thousands join group privacy claim against BA.

BA is facing a group claim for compensation over a data breach that saw four-hundred thousand of its customers details exposed. The airline has already been fined £20m by the UK data protection regulator and now faces the group claim for compensation that more than sixteen-thousand customers have already joined. The lawyers believe that victims could each be compensated up to £2,000.

Saudi targeting regional HQs.

Saudi Arabia is trying to attract the Gulf regional headquarters of multinationals away from Dubai to Riyadh. The incentives for switching include a fifty-year tax holiday, waived quotas on employing Saudi nationals and guaranteed protections against future regulations. The initiative has been dubbed ‘Programme HQ’.

FCA reveals details of final salary scheme ‘give ups’.

The Financial Conduct Authority (FCA) published details showing that, over the eighteen months to March 2020, thirty-nine thousand four-hundred and fourteen people were recommended to give up their final salary pension schemes by advisers working on a contingent charging basis. In October 2020, the FCA banned the use of contingent charging for transfers out of final salary pension schemes due to the inherent conflict of only being paid if a transfer is undertaken.

FCA urges caution over cryptoassets.

The UK’s FCA issued a warning to retail investors over cryptoassets such as Bitcoin. It said cryptoassets offer little protection for investors and that firms offering them often overstated the rewards and downplayed the risks. Bitcoin’s value has more than tripled since October 2020.

UK insurers lose the fight over business interruption policies.

In a case originally bought by the FCA on behalf of three-hundred and seventy thousand policyholders. The UK Supreme Court ruled that business interruption policies do provide cover against the Covid 19 pandemic lockdown measures.

Swiss regulator reprimands two executives over AML failings.

Finma, the Swiss regulator, formally reprimanded two former executives at Julius Baer for compliance failings over the bank’s dealings with Venezuela’s state oil company PDVSA. The probe focused on almost a decade of ‘serious shortcomings’ over dirty money from PDVSA.

Deutsche Bank investigating mis-selling allegations.

Deutsche Bank is investigating whether its staff mis-sold sophisticated investment banking products to customers who may not have understood them in breach of EU rules. The mis-selling appears to have originated in Spain and there is suspicion of collusion between Deutsche bankers and staff at the clients who bought the inappropriate products.

FCA and FRC warn investors about late accounts.

The UK's FCA and Financial Reporting Council (FRC) issued a joint statement warning investors not to assume late accounts are problematic. Special dispensations have been given for UK listed companies due to the coronavirus pandemic to issue annual accounts within six months, rather than the normal four months, and to issue interim reports within four months, rather than the usual three months.

Clearing house fined $36m for getting margin wrong.

Swedish regulators fined Nasdaq's Nordic clearing business SKr300m ($36m) over an incident in 2018 that wiped away €114m of the market stability fund. The losses stemmed from a single trader's inability to maintain his outsized positions. The clearer incorrectly calculated the margin requirement.

Head of Germany's financial watchdog lose job over Wirecard.

The German finance minister has removed Felix Hufeld from his role as head of the financial watchdog BaFin. BaFin, under Mr Hufeld, had repeatedly ignored warning signs over the payment processor Wirecard that collapsed into insolvency after revealing that €1.9bn of cash on its balance sheet did not exist. The finance minister said that the Wirecard failings revealed that Germany's system of financial regulation "needs to be reorganised, so that it can fulfil its supervisory role more effectively".

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