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TRAINING THAT MAKES A DIFFERENCE

COMPLIANCE UPDATER

Regulatory and compliance news in brief Issue: October 2019

Burford Capital launches a legal action against the LSE.

Burford Capital, the listed litigation funding business that saw its shares collapse by 50% over 2 days after an attack by short selling hedge fund Muddy Waters, has launched a legal action in the UK courts against the London Stock Exchange (LSE). It wants the LSE to disclose the identities of the traders that it alleges were 'spoofing' and 'layering' to manipulate Burford's share price.

Prudential fined £24m by the FCA over annuity sales.

UK insurer Prudential was fined almost £24m by the Financial Conduct Authority (FCA) for failing to ensure customers looking to turn their pension pots into income by buying an annuity were made aware of the possibility of better deals from rivals. Prudential is reviewing one hundred and eighty thousand annuity sales where the risks to many customers were increased by large sales-linked incentives. The incentives including bonuses of up to 40% of salary, overseas holidays and spa breaks for achieving high sales. The FCA estimates that redress will cost the Prudential around £250m.

Ex-trader claims Citi framed him.

A former currency dealer at Citigroup is suing for at least $112m alleging the bank 'framed him'. Rohan Ramchandani presented a legal suit to New York City prosecutors saying that the bank singled him out and knowingly encouraged the Department of Justice to pursue an antitrust case against him. He was acquitted of a market manipulation charge in 2018 which could have seen him face a potential ten-year jail sentence.

SEC preparing new limits on shareholders agitating for change.

The US Securities and Exchange Commission (SEC) is considering rule changes that would increase the proportions needed to force change in companies. Currently proposals for change, such as executive remuneration reductions and increased climate change disclosure, need to win 3% support in the first year, rising to 6% and then 10% in the second and third years. The change being considered would see the thresholds rise to 6%, 15% and 30% over three years.

Woodford fired from flagship fund.

Neil Woodford was dismissed from his troubled Woodford Equity Income Fund by its authorised corporate director Link Fund Solutions. The fund was already suspended and will now be liquidated by a combination of BlackRock and investment boutique PJT. Mr Woodford then chose to resign from his Woodford Patient Capital Trust and his Income Focus Fund.

Non-financial misconduct in the US and the UK?

Three incidents of so-called non-financial misconduct appeared in the press. The first arose in fund management where a California-based, African American female lawyer at Pimco filed a gender and racial discrimination lawsuit against her employer. She alleges that ‘senior male officers encourage drinking and fraternisation at strip clubs, golf outings and poker nights’ and their culture influences personnel decisions. She claims to have been passed over for promotion ‘in favour of less-qualified males’.

The second incident saw the conclusion of a Solicitors Disciplinary Tribunal case in the UK regarding a sexual encounter between a partner at law firm Freshfields and a junior colleague who was intoxicated at the time - ‘to the extent that her judgement was impaired’. The Freshfields partner was found to have breached the legal profession’s rules by acting without integrity and was ordered to pay a £35,000 fine plus £200,000 in costs. He resigned from Freshfields.

The third related to fund management firm M&G just ahead of its demerger from Prudential. M&G suffered reputational damage from an allegation of sexual harassment by a senior fund manager. It is alleged that the male fund manager has sexually harassed women in junior positions at the firm with sexually explicit text messages, inappropriate comments and unwanted physical contact. M&G has hired law firm Baker McKenzie to assist in an investigation into the allegations.

Facebook finally agrees to data protection penalty.

Facebook finally dropped its year-long appeal against a £500,000 fine from the UK’s data protection regulator. The Information Commissioner’s Office fined Facebook for allowing app developers including Cambridge Analytica to access users’ personal information without ‘sufficiently clear and informed consent’. The resulting fine was the maximum under the UK’s old privacy law and would have been a lot larger under the recently introduced EU-wide General Data Protection Regulation (GDPR).

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