

FCA Enforcement Trends - 2014

Prior to legal cut-over in April 2013, the FSA signalled that its tough approach to enforcement and drive to achieve “credible deterrence” would continue unabated once the FCA took office. The past year’s enforcement activity is certainly consistent with that signalled intention, with 24 firms fined a total of £467.244m and 17 disciplinary actions brought against individuals. 2013 saw some significant decisions which, together with speeches and ongoing supervisory work, give an indication of the new regulator’s enforcement priorities. This note seeks to outline some of the key enforcement trends likely to emerge in the coming year, together with anticipated court and Upper Tribunal hearings and relevant legislative initiatives.

A copy of the 2013 Enforcement trends publication can be found [here](#), for those who wish to assess the events of last year against that note.

Firms

Culture

Culture was squarely at the top of the FCA’s agenda from almost the moment it took office in April 2013. Considerable time was devoted to the topic in speeches by both FCA CEO Martin Wheatley and others occupying senior positions within the regulator. The drive for significant change in the manner in which firms do business “from the top down” is clear, with the FCA demonstrating its increasing intolerance of organisations that fail to put consumers first. The FCA is increasingly seeking to draw links between conduct issues and the culture of firms, particularly in relation to retail firms where conduct issues have a direct impact on consumers. For example, in the context of the FCA’s decision last year to fine **Lloyds TSB Bank plc and Bank of Scotland plc** for failing to control sales incentive schemes, Tracey McDermott commented that “*Financial incentive schemes are an important indicator of what management values and a key influence on the culture of the organisation, so they must be designed with the customer at the heart*”. We expect to see the FCA pressing ahead with further, and possibly tougher, action against firms whose business practices operate against consumer’s best interests in 2014.

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Asset managers

Last year was a busy year for asset management firms, with the publication of the results of separate thematic reviews into both **outsourcing** and **anti-bribery/anti-money laundering systems and controls** to digest. Work on conflicts of interest within the sector and the use of dealing commissions is also ongoing. With both Martin Wheatley and FCA Director of Supervision Clive Adamson setting out their vision for the future of the industry, it is clear the FCA has asset managers firmly within its sights. As such, firms whose operations are found wanting, or who fail to respond appropriately to the FCA's supervisory work, can expect to find themselves the subject of enforcement action.

Principle 11 breaches

One notable feature of enforcement decisions in 2013 was the attention given to breaches of Principle 11 in FCA final notices. Of the £137.6m fine levied upon **JP Morgan Chase NA** in September 2013 in connection with trading losses on its synthetic credit portfolio, £60,375,000 related specifically to its breach of Principle 11 in failing to be open and co-operative with the regulator as the crisis unfolded. The FSA's imposition, shortly before it ceased operating, of a combined penalty of £30m on **Prudential Plc** and the **Prudential Assurance Company Limited** also arose from a breach of Principle 11 and the equivalent obligation for issuers under the Listing Rules, Listing Principle 6. In both cases, the FCA concluded that the firms in question failed to pass on key information of which the regulator should have been made aware, in circumstances where it concluded obvious opportunities for doing so existed. Precisely what the obligation to be open and co-operative requires of firms, particularly at the early stages of a potential issue where the full facts have yet to emerge, can be difficult to ascertain. The FCA also has the benefit of assessing compliance with the benefit of hindsight, ascribing meaning to events and information which may not have been obvious at the time. These decisions nevertheless serve to underline the importance of being able to demonstrate an open and cooperative relationship with the FCA, and this area remains one to watch as 2014 progresses.

LIBOR and forex market investigations

Some of the most high-profile enforcement cases during 2013 related to the FCA's ongoing investigation into the alleged manipulation of LIBOR. Three further fines were levied in 2013, and further enforcement investigations into firms are understood to be ongoing. The key development for 2014 is, however, likely to be the development of criminal and regulatory proceedings against individuals and the start of civil claims for losses occasioned by interest rate manipulation (see further **below**). Although the prosecution of individuals for fraud (and related) offences is largely outside the FCA's remit, regulatory action against approved persons involved in LIBOR manipulation remains a possibility.

In October the FCA also **confirmed** that it was investigating trading on the foreign exchange (forex) market, following widespread publicity regarding

suspected manipulation of forex trading and associated benchmarks. Although these investigations are inevitably likely to take a significant time to resolve, it is possible that further announcements may be made later this year.

The resourcing constraints presented by these large investigations have had an impact on the overall number of cases being brought by the FCA. This has, however, largely been outweighed by the high profile nature of the cases that it is pursuing, the high level of penalties imposed and the continuing focus on the conduct and culpability of individuals, particularly senior management (as to which see further [below](#)).

Client money

Penalties for breaches of the various client money rules continue to feature prominently in the FCA's enforcement work. Fines totalling £8.2m were imposed upon [Xcap Securities plc](#), [Aberdeen Asset Managers Limited](#) and [Aberdeen Fund Management Limited](#) and [SEI Investments \(Europe\) Limited](#) in 2013 for breaches of Principle 10 and related CASS rules. The Xcap decision was the first in which the fine was calculated in accordance with the FCA's new five-step penalty policy, introduced in March 2010. This involved the use of the average client money balances held by the firm over the relevant period as the starting point for the calculation, with a percentage figure being applied to that average balance to reflect the seriousness of the breach. We expect to see further use of the new fining methodology in client money cases as 2014 progresses. This will almost certainly result in higher penalties for firm's whose systems and control are judged to be inadequate by the regulator.

Financial crime

Although 2013 was a slightly quieter year in terms of fines for failings in financial crime systems and controls, this remains a key concern for the FCA. The regulator held its first Financial Crime Conference in July and published the results of thematic reviews into the management of financial crime risks in both the [asset management](#) and [trade finance](#) sectors. Fines were also imposed upon [EFG Private Bank Ltd](#) and [Guaranty Trust Bank \(UK\) Limited](#) for AML systems and controls breaches and [JLT Speciality Ltd](#) in respect of bribery and corruption risk. These demonstrate the FCA's continuing desire to minimise the extent to which firms can be used as conduits for financial crime and its impatience with firms that fail to manage this risk appropriately. We have seen further evidence of this desire this year, with the recent announcement that a financial penalty of £7.6m has been imposed on [Standard Bank plc](#) for poor AML systems and controls in relation to corporate customers linked to politically exposed persons. This is the first financial crime case brought by either the FSA or FCA which focuses on commercial banking activity, and the first to use the revised penalty regime applicable to conduct after March 2010.

Cyber crime and data protection risk

Cyber crime and cyber privacy issues could begin to take on greater significance in 2014. In December 2013 the PRA wrote to firms asking them

to outline their approach to cyber risk. Reports in October suggested that the Bank of England, FCA and HM Treasury were to undertake an industry-wide exercise to test banks' resilience to cyber attacks. The results, expected in the first half of this year, may ultimately lead to a further revision of the FCA's *Financial Crime: A guide for firms* publication. Given the potential implications for consumers should a regulated firm fall victim to such an attack, the FCA is likely to impose high standards on firms, with enforcement action for systems and controls breaches for organisations whose procedures are found wanting a real possibility.

Data security is not a new area for the FCA, indeed it was one of the FSA's key financial crime issues before it handed over to the FCA in April 2013. It was concerned that firms with poor systems and controls were vulnerable to data theft, with that data subsequently at risk of being used to commit or facilitate crimes. More recently, proposals by the European Commission to reform European data protection requirements, and the potential the proposals raise for international conflicts (particularly with the US authorities), mean that firms should continue to consider carefully any discussion by the FCA of this topic.

Fining policy

As the number of cases in which penalties are being determined under the FCA's new fining policy (introduced in March 2010) has increased, we have seen the regulator make several changes to the standard five-step procedure, particularly in respect of the step two calculation of a figure reflecting the nature, impact and seriousness of the breach. DEPP 6.5A.2G indicates that the step two figure will generally be based on a percentage of the firm's revenue from the relevant product or business areas, but allows the use of alternatives where revenue is not regarded as an appropriate indicator of harm. 2013 saw the use of figures other than revenue at step two established (sometimes explicitly as precedent) in decisions concerning client assets, transaction reporting, breaches of the Listing Rules and Principle 11 breaches. Unlike the FCA's fining policy as a whole, the alternatives chosen have not been the subject of any consultation or discussion with the market as to their suitability. Firms must, however, be aware of these variations when considering penalties. Given the breadth of the FCA's powers here, we may also see alternatives to revenue being used in further cases during 2014.

Publicity for warning notices

The Financial Services Act 2012 introduced a new s.391(1)(c) FSMA, which allows the FCA to publish "*such information about the matter to which a warning notice relates as it considers appropriate*". This was done in order to promote a new regulatory principle, also enshrined in the 2012 Act, that regulators should exercise their functions as transparently as possible. The FCA published its final policy on the publication of information about warning notices in October 2013. The final policy was largely unchanged from that set out in a consultation paper issued by the FSA shortly before legal cut-over, save that the FCA conceded that the impact of early publication of details of enforcement action upon individuals could be disproportionate. The final

policy therefore indicates that it will normally be considered appropriate to identify a firm, but that the potential harm caused to individuals from publication at this stage in the enforcement process will normally exceed to benefits of early transparency. The final policy also recognises that the impact of publication on a small firm is likely to be greater than it would be on a large firm. Consequently, it will be correspondingly harder for the latter to prove that the publication of information about a warning notice which concerns them would be unfair.

Whilst it remains too early to predict the exact effect of the publication of information about warning notices on the enforcement process, the reputational risk to both firms and individuals is clear. The impact of the policy upon settlement negotiations will also be interesting to observe. Whilst early settlement may become more attractive, given the risk of unfavourable publicity posed by early publication of details of a warning notice, it is equally likely that parties may become less inclined to settle at an early stage. Once the public is aware of alleged misconduct a firm or individual may consider that they have little left to lose (in terms of their reputation at least) and may consequently be more inclined to pursue cases up to the Tribunal and beyond. We may begin to see early publicity in respect of warning notices appearing on the FCA's website as 2014 progresses.

Individuals

Recent enforcement action

The FCA continues to prioritise the pursuit of senior individuals as part of its enforcement work. 2013 saw action taken against [Christopher Willford](#) in respect of what the FCA considered to be failings during a four day period at the height of the financial crisis. In a decision which reflects the FCA's increased willingness to consider senior management liability in tandem with that of a firm, the CEO of Prudential was also censured for being "knowingly concerned" in Prudential's breach of Principle 11 by failing to inform the then FSA of a potentially transformational M&A transaction. We have also seen conduct outside of an approved person's field of employment assume increased significance in assessments for fitness and propriety. The [Court of Appeal](#) confirmed in July that conduct by an individual during an FCA investigation was relevant to any application of the FIT criteria even if, as was the case in that matter, the Upper Tribunal had found that the individual concerned had not committed the misconduct giving rise to the initial investigation. 2014 has also already seen the FCA ban [Anthony Verrier](#) on the ground that it had concerns about his integrity following proceedings in the High Court, which concluded both that he had participated in an unlawful means conspiracy and that his evidence had not always been entirely truthful.

Attestations

The regulators' use of attestations also increased on both an industry-wide basis and in response to concerns at individual firms. Although we have yet to see any enforcement action against an individual founded on giving an incorrect or negligent attestation, a number of recent final notices have cited,

both in the context of findings of breach of Principle 2 and in the context of penalty-setting, the fact that attestations which subsequently proved incorrect had been given to the regulators. The final notices in respect of breaches connected with LIBOR manipulation for both **Rabobank** and **RBS** in 2013 both made reference to the fact that attestations had been given by senior managers confirming that their respective firms' systems for determining and producing LIBOR submissions were fit for purpose. The regulators consider attestations to be a useful tool for "focusing the mind" of senior individuals, and they certainly appear to have had this effect at many firms. Given the significant increase in the use of attestations by the regulators (without any consultation or any legislative provision or Handbook rule to support such increase), it is unlikely to be long before the FCA seeks to rely on the contents of an attestation to facilitate enforcement action against the individual who provided it. Firms and individuals should therefore take appropriate steps to manage and mitigate these risks at the time attestations are being requested and provided.

Financial Services (Banking Reform) Act 2013

The **Financial Services (Banking Reform) Act 2013**, which received royal assent on 18 December 2013, is likely to assist the FCA's attempts to hold senior managers to account for failings within their organisations. Part 4 of the Act introduces significant amendments to Part V of the Financial Services and Markets Act 2000 in relation to the conduct of individuals working in financial services firms. We will publishing a more detailed briefing note on these changes shortly, but the principal changes include:

- the introduction of a new "senior management" function to replace the current significant influence function (SIF) regime;
- the introduction of an enhanced "Senior Persons Regime" for UK banks, building societies, credit unions and PRA-regulated investment firms which have permission to deal as principal (known as "relevant authorised firms"). Under this enhanced regime, statements of responsibility will need to be prepared and updated regularly for all senior management function holders, and enhanced vetting and review processes implemented;
- the creation of a new certification regime which requires relevant authorised firms to certify annually the fitness and propriety of individuals who are not approved persons whose actions could cause "significant harm";
- the ability of the FCA and PRA to specify rules of conduct which will be applicable not only to approved or certified persons but any employee of a "relevant authorised firm";
- new obligations on relevant authorised firms to train all employees on the conduct rules applicable to them and enhanced notification obligations to the regulators;

- an extension of the limitation period for taking action against individuals (not just those holding the senior management function) from three to six years;
- a reversal of the burden of proof in disciplinary cases against senior managers of relevant authorised firms, such that where the firm has breached relevant requirements in relation to an area for which the relevant manager had responsibility, the burden will be on the manager to show that they took such steps that they could reasonably be expected to take to avoid the breach occurring or continuing; and
- the creation of a new criminal offence in respect of decisions which cause a financial institution to fail, punishable on indictment by up to seven years in jail. This new offence only applies to senior managers of UK banks and building societies and PRA regulated firms with permission to deal as principal. Although the offence has attracted much publicity, it is very narrowly framed and is unlikely to be regularly used. It is only engaged where the firm has failed as a result of the decision in question. The burden is on the prosecution to demonstrate not only this, but also that the manager was aware of a risk that implementation of the relevant decision might cause the failure of the group institution and that his conduct was wholly unreasonable.

2014 will see both the FCA and PRA undertake a wide ranging consultation exercise in order to determine the rules required to implement these changes before they come into force (probably in late 2015). These rules will contain much of the detail and an indication of how the new scheme might operate in practice. It is also possible that elements of the thinking behind the new regime will find their way into the interpretation of sections of the Approved Persons Regime, which will continue to apply to firms that are not relevant authorised firms. The assessment criteria for those wishing to take up senior positions within firms, and the extent to which their actions are scrutinised when things go wrong, will continue to increase in 2014. The cost and administrative impact of the changes being introduced, particularly for human resources and compliance staff within firms, are also likely to be very significant.

Market abuse and insider dealing

Market abuse

Action against individuals who fail to prevent market abuse

The FCA's decision to fine the **broker** and **senior partner** of the broking firm used by Rameshkumar Goenka (who was fined US\$9.6m for market manipulation in October 2011) is indicative of a growing trend towards enforcement action against not only those guilty of market abuse, but also those approved persons who could or should (in the regulator's opinion) have prevented this. This builds on a precedent set in the Einhorn case in 2012, when not only those found to have committed market abuse, but also the

corporate broker who passed on the inside information, the firm's compliance officer and the trader who executed the trade were fined in respect of their involvement in the relevant trading. The FCA is clear that it expects approved persons, in particular, to work with it in preventing or reporting abusive conduct, scrutinising the activities of their clients and colleagues and putting their loyalty to the regulator first. The trend also complements the FCA's focus on individual liability and culture and we expect it to continue into 2014 and beyond.

Transaction reporting

The FCA's £5.6m fine against **Royal Bank of Scotland plc and the Royal Bank of Scotland N.V.** last year served as a reminder of the importance it attaches to accurate and timely transaction reporting. The regulator has regularly emphasised the importance of transaction reports as a means of tackling market abuse and insider dealing. As a consequence, and notwithstanding the inherent complexity of many firms' trading, settlement and reporting systems infrastructure, the FCA is demonstrating little sympathy for firms who fall short of its expectations. In addition, the application of the FCA's new fining policy in transaction reporting cases, which takes as its starting point a figure of £1 per misreported or unreported transaction, looks set to result in an increase in the overall level of fines being imposed for transaction reporting failures.

Ian Hannam v FSA

Mr Hannam referred to the Upper Tribunal the FSA's **decision** in February 2012 to fine him £450,000 for allegedly engaging in two instances of market abuse by improper disclosure under s.118(3) of FSMA. The substantive hearing took place in July 2013. The case relates to the alleged disclosure by Mr Hannam of inside information relating to Heritage Oil plc. Given the lack of clarity in the FSA's original decision and the uncertainty it generated regarding the acceptable bounds of discussions between M&A market participants regarding potential transactions, the Tribunal's decision is likely to attract significant interest.

Market Abuse Regulation ("MAR") and Directive on Criminal Sanctions for Insider Dealing and Market Manipulation ("CSMAD")

The Council and the European Parliament reached a political agreement on MAR in June 2013, with the European Parliament formally endorsing the agreement in a plenary vote in September. However, because aspects of MAR and in particular its scope depend on the final text of MiFID II, final adoption of MAR has to await finalisation of the MiFID II text. Political agreement was reached on MiFID II earlier this month, but work on finalising the text of the new regulation continues. The finalised text of MAR is likely to be published at some point in April 2014, however, ESMA has already begun the process of consulting on the implementing measures that it will be issuing to give effect to MAR.

The Council and the European Parliament reached a political agreement on CSMAD on 20 December 2013 and it is expected to be endorsed in a plenary vote in the European Parliament on 4 February 2014. Given the existing UK

criminal regime for insider dealing covers much of what was proposed in CSMAD, the UK did not originally opt into the directive, relying on relevant exemptions under the Lisbon Treaty. However, the Government did not rule out considering amendments to the UK regime once the text of CSMAD had been agreed.

To make the market abuse regime more consistent with the scope of MiFID, MAR will expand the regime so as to capture behaviour in relation to financial instruments traded on MTFs and OTFs, and to related OTC financial instruments. MAR also extends the market abuse framework to encompass abusive behaviour with respect to spot commodity contracts having an impact on other financial instruments (or vice versa). It includes particular provisions regarding the potential for market manipulation through algorithmic or high frequency trading, an activity which has already been the subject of regulatory scrutiny, as the fines imposed by the FCA on **Michael Coscia** and **Swift Trade** demonstrate. In response to the LIBOR investigations, MAR also includes provisions relating to the manipulation of benchmarks. As well as expanding the scope of the instruments caught by the regime, MAR also extends the regime to cover attempts to commit market abuse (e.g. orders as well as transactions).

As a regulation, MAR will have direct effect in the UK, and so will not need to be implemented by way of domestic legislation. It is anticipated that the new rules will apply from 2016.

Criminal prosecutions

Operation Tabernula

The FCA has now charged nine individuals in connection with this lengthy investigation into alleged front-running of block trades which has been pursued (in conjunction with the Serious Organised Crime Agency) since late 2007. One of the men charged, **Paul Milsom**, entered a guilty plea and in March 2013 was sentenced to two years imprisonment for disclosing inside information, the penalty reflecting credit given to him for pleading guilty at the earliest opportunity and entering into a plea agreement with the FSA. A trial in relation to several of the other charged individuals is expected to begin in September 2014 at the earliest.

Operation Tabernula is understood to be the FCA's most complex insider dealing investigation to date. Those charged include some of the most high-profile individuals ever targeted by the regulator. The trial will be an important barometer of the FCA's ability to investigate and prosecute complex criminal market abuse cases against market professionals successfully.

Tribunal cases

The increased focus of the FSA (and its successor) on senior managers has generated a clutch of references to the Upper Tribunal; individuals are generally more likely to contest a regulator's decision than firms, as the impact of an adverse decision on their future livelihood will generally outweigh

any desire to secure a discount for early settlement. Tribunal judgments also offer the possibility for greater clarification of FSMA and associated rules.

Cases listed for hearings in 2014 include that of **Alberto Micalizzi**, who the FCA wishes to fine £3m and ban for alleged breaches of Principle 1 APER, including repeatedly lying to investors and entering into a number of fictitious contracts in order to conceal the catastrophic losses suffered by his firm's master fund in the wake of the collapse of Lehman Brothers in September 2008; **Angela Burns**, a non-executive director whom the FSA decided in 2012 to prohibit and fine for breaches of Principle 1 arising out of alleged reckless non-disclosure of conflicts of interest (the decision was only published last year, following an unsuccessful **privacy application** to the Upper Tribunal); a decision against **Arch Financial Products LLP** (together with its CEO and senior partner) in connection with its role as investment manager for the Arch Cru funds and the Guernsey cells in which they invested; and **Tariq Carimjee**, who is challenging the FCA's conclusion that he failed to act with integrity when he "recklessly assisted" Rameshkumar Goenka's plan to manipulate the closing price of Global Depository Receipts traded on the London Stock Exchange.

Court hearings

Criminal trials for the manipulation of benchmarks

In June 2013, following an investigation which began a year earlier, the SFO announced that it had charged Tom Hayes, a former trader at UBS and Citigroup, with offences of conspiracy to defraud in connection with the manipulation of LIBOR. The following month, it was announced that two former brokers at RP Martin Holdings Ltd, Terry Farr and James Gilmour, had also been charged with conspiracy to defraud by City of London Police. The SFO's LIBOR investigation remains ongoing and there are likely to be more developments as 2014 progresses.

Claims for loss due to LIBOR manipulation

Late last year the Court of Appeal allowed two companies to amend their particulars of claim to include allegations of breaches relating to recent findings of LIBOR manipulation by the defendant banks, including breaches of implied representations as to the accuracy of each bank's LIBOR submissions. The point arose in connection with two mis-selling cases, *Griseley Properties Ltd and Ors v Barclays Bank and Deutsche Bank AG and Ors v Unitech Global Limited and Ors*. The fact that the Court of Appeal has now allowed these amendments is, however, only the first hurdle those making the allegations will have to overcome. The claims will face a number of obstacles at trial, not least substantiating allegations of fraudulent misrepresentation in relation to LIBOR (including establishing any relevant implied representations and the requisite degree of knowledge on the part of senior management); the fact that some of the allegations concern the conduct of other panel banks, not just those involved in these proceedings; and a number of difficulties relating to establishing the causative impact of the relevant conduct. Given the significant potential implications for all banks

caught up in allegations of LIBOR manipulation, however, progress in the case is likely to be observed keenly by both potential litigants and banks.

Results of Market Studies and impact of the new mandate to promote competition

The Financial Services Act 2012, which established the current tripartite regulatory regime, explicitly charged the new FCA with a new objective, namely that of promoting effective competition in the market for financial services. Consequently, the FCA spent much of its first few months building up a competition unit in order to fulfil this new mandate. Work in this area began in April, with the publication of an occasional paper entitled “[Applying behavioural economics at the Financial Conduct Authority](#)”, which considered how behavioural biases impact upon consumer conduct and the role this may play in improving financial regulation. In July 2013 it launched its first market study into competition in the market for general insurance add-on products. This was followed in October by the announcement of a study into competition in the cash savings market, and the intention to conduct further work in relation to retirement products. The FCA has also indicated that it will this year be undertaking a broader strategic review of competition in the wholesale markets, with a view to identifying particular areas of that market on which it may then focus.

The FCA's guidance on how it intends to carry out market studies indicates that, as well as the issuance of guidance or exercise of rule-making powers, responses to the findings of its competition work may also include more aggressive action, including firm-specific enforcement action and the use of temporary product intervention powers. The results of these first market studies, expected later this year, will, therefore, be watched with interest. Observers will be hoping that, together with the other work noted above, they will provide a clearer indication of how the FCA will go about pursuing its competition remit going forward. The impact of the FCA's work on behavioural economics is also yet to be felt, not only in a competition context but also in respect of enforcement. We may, for example, see the regulator taking action where it finds evidence of firms designing products in order to take advantage of the types of behavioural biases identified in its initial study. Behavioural economics is also likely to play a more prominent role in the design of consumer redress schemes, ensuring that these are constructed in a way which maximises uptake by those entitled to compensation.

In addition to its powers under FSMA, the Financial Services (Banking Reform) Act 2013 also gives the FCA the power to exercise competition enforcement powers concurrently with the Office of Fair Trading, soon itself to be replaced by the Competition and Markets Authority. These new powers, which will take effect from April 2015, will give the FCA the same capacity to investigate suspected breaches of competition law in the financial services sector as that currently possessed by other sector regulators (such as those in the utilities sector).

Consumer credit

Responsibility for regulating consumer credit will pass from the OFT to the FCA in April 2014. This will result in the FCA taking responsibility for a further 35,000 firms, in addition to the 26,000 it currently regulates. From an enforcement perspective this will enable the FCA to administer the sections of the Consumer Credit Act which are carried forward to the new regime. It will have at its disposal both the powers contained in the Act itself and its full enforcement toolkit as set out in FSMA. A new enforcement strategy for the consumer credit sector will be devised and relevant changes made to the Enforcement Guide and DEPP to accommodate the FCA's new responsibilities.

Consumer credit firms are likely to notice a significant increase in regulatory expectations. Speaking at the FCA's Financial Crime conference in July 2013, FCA Director of Enforcement Tracey McDermott suggested that even Consumer credit firms are likely to notice a significant increase in regulatory expectations. Speaking at the FCA's Financial Crime conference in July 2013, FCA Director of Enforcement Tracey McDermott suggested that even legitimate operators may have poor controls around data security and customer due diligence and indicated that there is likely to be some criminal involvement at the fringes of the sector. The FCA imposes high standards on regulated firms and there is no reason to think it will not apply these equally to those that it regulates in the consumer credit sector.

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