

The following Compliance articles are for the week ending 4 September 2009.

COMMENTARY

FSA PUBLISHES INDUSTRY-LEVEL COMPLAINTS DATA

The Financial Services Authority (FSA) on 3 September has for the first time published aggregate figures showing how many complaints regulated firms have received and how they have dealt with them.

As part of the FSA's wider commitment to publishing more information about firms and industry sectors, this data covers:

- The volume of complaints firms have received, by product type and cause of the complaint, e.g. delays and misleading advice.
- How firms have handled complaints, including the speed of complaints-handling and the proportion of complaints that have been upheld by firms.
- The data published today covers 2006-2008 and indicates that the overall number of complaints has increased by 5.7% over this period.

The speed of firms' complaints handling and the proportion of complaints upheld by firms remained fairly stable over the period - at the end of 2008, 10% of complaints took longer than eight weeks to resolve and 40% of complaints were decided in customers' favour.

The FSA plans to publish aggregate data covering the first half of 2009 in October, and will then publish updates every six months after that.

This industry-level information complements the FSA's proposals to publish firm-specific complaints data, set out in July, which would enable people to see how individual firms are handling complaints.

Source: FSA Website

FSA EFFECTS OF LIFE EVENTS ON CONSUMER CAPABILITY

The FSA has published Consumer Research Paper 70 on the effect of life events such as divorce, retirement and marriage on financial capability.

This report arises from a project which focuses on the characteristics of individuals and the households in which they live that determine their ability to manage and take control of their finances (their 'financial capability').

In this work FSA use data from the British Household Panel Survey (BHPS) to construct indices of financial capability based on the hypothesis that there is some underlying factor (financial capability) which is better captured by reviewing a range of indicators of a person's current financial situation than by any of the specific items of information.

The report describes how financial capability varies according to individual and household characteristics, and then examines in detail which factors determine financial capability using multivariate statistical models.

Source: FSA Website

FSA FINES CF10 FOR FAILURE TO PREVENT INSIDER DEALING

The FSA has fined the Compliance Office and former Trading Desk Manager at a retail stock broking firm, £20,000 for failing to observe proper standards of market conduct.

He failed to identify and act on a suspicious client order that allowed the firm to be used to facilitate insider dealing. As a result of his failings, the firm failed to identify the trade as suspicious and report it to the FSA.

His misconduct related to his dealings with a client who sold shares in oil and gas exploration company Amerisur on 23 May 2007 - ahead of an announcement by the company of a placing of shares the next day.

The client has been subject to separate FSA enforcement action for market abuse in relation to Amerisur shares.

The Compliance Officer, who was also the MLRO of the firm, failed to identify that the transaction was being conducted on the basis of inside information, despite his own knowledge of the impending transaction and clear warning signals from the client. He failed to prevent the trade or alert his firm to the possibility that the trade was being conducted on the basis of inside information.

As a result, no Suspicious Transaction Report (STR) was submitted to the FSA and the trading only came to light because of a report submitted by another broker.

Margaret Cole, FSA Director of Enforcement Division, said: "This fine emphasizes the importance of the Suspicious Transaction Reporting regime. Tackling market abuse and insider dealing is not just an issue for the regulator. Broking firms are the front line of defence against people who seek to misuse and profit from their possession of privileged information. STRs are a key tool for the FSA in detecting market abuse. Lockwood's failure could have meant that this incident went undetected and unpunished. Approved persons should be in no doubt as to their responsibilities in this area and the FSA will not hesitate to take action where they fall down on these."

[Source: FSA Website](#)

FSA APPOINTS JULIAN ADAMS AS DIRECTOR OF RETAIL FIRMS DIVISION

The FSA has announced the appointment of Julian Adams as the Director of the FSA's Retail Firms Division (RFD).

RFD supervises around 900 firms operating in the retail market, including fund managers, building societies and smaller banks, medium sized insurance companies and intermediaries.

Julian first joined the FSA in 1998 from the Bank of England. He has held a variety of roles within the organization, including head of wholesale insurance firms.

He currently heads up the department that supervises the major retail UK banks where he has played a key role in the response to the financial crisis and the recapitalization of the banking sector.

He was also responsible for the implementation of the supervisory enhancement programme (SEP) within his department.

Julian is a representative on the international Senior Supervisors' Group (SSG) and the Basel Committee Standards Implementation Group.

Jon Pain, FSA Retail Managing Director, said: "I am delighted to announce this appointment today. Julian has been outstanding in dealing with some of the issues that the banking sector has faced in the last couple of years and has played a key role in implementing our more intensive supervision model for major firms. He will be a valuable asset to my senior leadership team."

Julian Adams succeeds Sheila Nicoll who will be moving to become Director of Conduct Policy. Both take up their new roles on 1 October.

[Source: FSA Website](#)

ABI ANNOUNCES NEW MONEY MARKET SECTOR

The Association of British Insurers (ABI) has announced the creation of a new investment fund sector, called the Deposit & Treasury sector. The new sector will have stricter limits on the type of instruments funds can invest in and their maturity than the existing Money Market sector, which will continue to exist.

The new sector, available on 1 November 2009, is a response to extensive consultation, including from the FSA, which showed demand for a sector whose principal and overriding objective is the stability of capital. The new Deposit & Treasury sector will therefore contain money market funds that are only allowed to invest in relatively simple instruments, such as time deposits or Government bonds. All instruments held by funds in the new sector must be denominated in Sterling and have a maximum duration of 12 months.

Maggie Craig, the ABI's Director of Life and Savings, said: "This move is good news for consumers. It will make it easier for people seeking stability during the current volatility. Whilst no fund is risk free, the new sector will only contain the simplest funds available."

The ABI Life and Pension Sectors are a system for the classification of investment funds. Each sector has clear criteria that must be followed by funds wishing to belong to it. There are currently 34 different ABI Sectors, with over 7,000 funds classified within them. The Sectors aim to help consumers, and advisers, find investment funds with similar investment strategies so they can choose the best funds for their needs.

[Source: ABI Website](#)

ABI COMPLAINTS DATA MUST BE USEFUL TO CONSUMERS

Commenting on publication of aggregate financial services complaints data by the FSA, Maggie Craig, the ABI's Director of Consumer Strategy, said: "The ABI's member companies understand that consumers need meaningful information to help them make effective financial choices. How complaints are handled is part of this.

But we need to show this in context, and in a way that gives meaningful information to consumers. It's important that any published data is clear, fair and not misleading.

The FSA's aggregate data does not reflect the fact that there are 160 million general insurance and 82 million life insurance policies in force – overall, that's just 1 complaint for every 1,200 policies during the second half of 2008. However, the insurance industry acknowledges that more work needs to be done to improve performance, and the ABI is leading the way on initiatives to achieve this.

The current format to be used by the Financial Ombudsman Service (FOS), and later the FSA, for publishing company-specific data, will not help consumers because it doesn't allow them to compare the performance of different companies for specific products, such as motor or home insurance, on a like for like basis.

Without this level of detail, the published data will be of no real help to consumers and, without the right context; we remain very concerned that it might even be misleading.”

Source: ABI Website

CML COMMENT ON BANK OF ENGLAND JULY LENDING DATA

The latest approvals data from the Bank of England shows the number of loans for house purchase rose 5% from June to 50,123. This was a 50% increase from a year ago when the housing and mortgage market was in a sharp downturn, but compares to a monthly average of 104,000 in the 10 years to the end of 2007.

The negative net lending figure in July (-£418 million) is in line with our forecast for -£5 billion in net lending in 2009. We are also forecasting gross lending to total £145 billion in 2009.

Commenting on today's lending data from the Bank of England, The Council of Mortgage Lenders (CML) economist Paul Samter observed: “Activity still remains weak, but has improved from the historic low levels of turnover at the beginning of the year. We expect volatility in net lending levels over the rest of the year and there may be other months in which negative net lending occurs as the recovery is likely to be sporadic and shaky at first. Overall however, the figures are consistent with our view of a slowly improving house purchase market, yet still constrained by a lack of available funding and the fragile economic backdrop.”

Source: CML Website

FOS -WILL ALSO PUBLISH COMPLAINTS DATA

The Ombudsman’s details will feature individual named businesses as predicted on their policy statement in spring 2009.

Source: FOS Website

Dates & Deadlines

22 September 2009	PAYE/NIC/student loan payment
30 September 2009	Intrastat
	VAT Date
	VAT Return Date
	CT61 date
	Small business rate relief date
	Company accounts filing deadline
	Corporation tax return date
	Corporation tax returns
01 October 2009	Corporation tax

Source: www.horsfield-smith.co.uk/

George Bylett
Corporate Governance Assurance Services Ltd
www.cgas.co.uk

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