

Compliance & Risk

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- No summer party for British Bankers, p.20

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Stricter rules on information offered to private investors

The European Commission is to introduce new rules to protect private investors.

The Commission has adopted a proposal for a Regulation which will require a new Key Information Document (KID) to be produced by investment product manufacturers and provided to retail customers when they are considering buying investment products.

The rules are being introduced in order to combat the problem caused by consumers repeatedly having been sold financial products they do not

properly understand, putting savers at risk of “devastating” losses.

The KID, said the Commission, would be in a standard form, so customers could easily compare the investments they were looking at. The new requirement would apply to “private pensions, all types of investment funds, insurance-based investments and retail structured products”, including those marketed by banks as well as investment funds and insurers.

Large chunks of the proposal have already been met with opposition from

the investments and life insurance industries. Both industries warned that the additional costs resulting from compliance with the proposed rules could put consumers off long-term savings altogether.

Maggie Craig, Director of financial conduct regulation at the Association of British Insurers, said “Consumers should be free to decide whether or not they require financial advice. Requiring consumers to purchase advice when buying insurance “will restrict their access to financial invest-

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Barclays slammed with a record £290m

Barclays has been hit with a record fine for attempting to manipulate the London interbank offered rate (‘Libor’), a benchmark interest rate that is used globally to set the price of various financial products, including credit cards and corporate loans.

The fine was part of a settlement reached between the bank and the UK Financial Services Authority (‘FSA’), the US Commodity Futures Trading Commission (‘CFTC’) and the US Department of

Justice. It is the first bank to be penalised as a result of a sprawling probe that was launched by the CFTC, and now spans nearly a dozen regulators and more than 20 banks. The investigations are continuing and the record fines from the FSA and CFTC are expected to set a basis for settlement negotiations with individuals and other institutions.

Libor, the reference rate for \$360tn in contracts worldwide, is set by

banks submitting rates at which they believe they can borrow in a reasonable market.

According to statements made by the authorities, they discovered email exchanges in which Barclays’ submitters agreed to requests from traders to adjust their rates, sending responses including “always happy to help” and “done ... for you big boy”.

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