

The Compliance Bulletin

14th December 2009
(as at 12th December)



Introduction

We will be taking a Christmas & New Year break and the next issue of The Compliance Bulletin will be made up to 4 January 2010. Season's greetings and a happy new year to all our readers.

The Compliance Bulletin is a digest of material drawn from the FSA, FSCS and FOS and other carefully selected sources (including HM Revenue and Customs; HM Treasury; Department of Business and Department of Work and Pensions) plus a round-up of relevant market news.

Ordinarily, readers should be able to obtain all of the basic information they need on these publications from our Bulletins. However, access to original source material is provided by way of a link at the end of each article. Where we feel that benefit will be gained from reading the source material we will say so.

We strongly recommend that The Compliance Bulletins are retained for future reference. They should also be used as the basis of the Compliance Implications section of the Compliance Officer's Report.

Index

The purpose of this index is to enable readers to readily identify those articles in The Compliance Bulletin that are most likely to be of interest to them. We do however suggest that this bulletin should be read in its entirety.

- 1 FSA Issues Handbook Notice No 95
- 2 FSA issues Policy Statement PS09/20 'Stress and Scenario Testing - feedback on CP08/24 and final rules' to strengthen stress testing regime
- 3 FSA publishes Feedback Statement FS09/5: 'Reforming Remuneration Practices in Financial Services - Feedback on Chapter 6 of CP09/10' on remuneration
- 4 FSA consults on strengthening firms' capital standards in Consultation Paper CP09/29: Strengthening Capital Standards 3
- 5 FSA issues Consultation Paper CP09/30: Capital planning buffers
- 6 Insurance broker brothers banned for concealing criminal record from FSA
- 7 FSA bans broker for high pressure sales techniques and widespread systems and controls failings
- 8 Corporate broker intern and his father receive 12 and 24 month prison sentences respectively for insider dealing
- 9 FSCS issues Outlook – December 09
- 10 JMLSG issues latest money laundering guidance
- 11 Pre-Budget Report 2009
- 12 FSA publishes Mortgage lenders' Round-up - Issue 2
- 13 Delivering better regulatory outcomes – December 2009 update

FSA – RULE CHANGES & POLICY STATEMENTS

1 FSA Issues Handbook Notice No 95

Who does this affect? All authorised firms.

Our Comment: Consequential liquidity changes and stress testing the main points

The FSA has issued its latest monthly Handbook Notice (No. 95) containing eight instruments, which are as follows:

Treaty of Lisbon (Consequential Handbook Amendments) Instrument 2009 [FSA 2009/67]

In force date: 1 December 2009

Updates the Handbook to take into account the changes in terminology that have resulted from the Treaty of Lisbon

Prudential Sourcebook For Banks, Building Societies And Investment Firms (Liquidity) (Consequential Amendments) Instrument 2009 [FSA 2009/68]

In force date: 1 December 2009; 1 June 2010

Amends several modules of the Handbook from 1 December 2009, in line with the liquidity BIPRU 12 rules, as well as the phased approach of the other elements of the regime that switch on between June and November 2010

Handbook Administration (No 16) Instrument 2009 [FSA 2009/69]

In force date: 1 December 2009; 6 January 2010; 31 December 2011

Makes minor administrative corrections to the Handbook, none of which represents any change in FSA policy

Fees (Miscellaneous Amendments No 2) Instrument 2009 [FSA 2009/70]

In force date: 11 December 2009

Corrects an omission to rules on application fees

Fees (Building Societies) Instrument 2009 [FSA 2009/71]

In force date: 11 December 2009

Corrects an anomaly in the rules for calculating Modified Eligible Liabilities in fees

Prudential Requirements (Stress Testing) Instrument 2009 [FSA 2009/72]

In force date: 14 December 2009; 14 December 2010

Introduces a new chapter in the Handbook (SYSC 20) that will require firms to test their business model to failure (reverse stress testing), clarify FSA existing requirements on stress testing and scenario analysis in Pillar 2 and clarify that firms must consider in their stress tests an appropriate range of adverse scenarios of varying nature, severity and duration
[and see PS09/20 article below]

Prudential Sourcebook For Banks, Building Societies And Investment Firms (Short-Term Trade Finance Transactions) Instrument 2009 [FSA 2009/73]

In force date: 31 December 2009

Lowers the capital requirements for some short-term trade finance transactions carried out by large UK banks

Collective Investment Schemes Sourcebook (Amendment No 5) Instrument 2009 [FSA 2009/74]

In force date: 6 January 2010

Strengthens controls over the investment activities of retail authorised funds

http://www.fsa.gov.uk/pubs/handbook/hb_notice95.pdf

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