

Regulatory Update

January 2008

What's new?

2007 was a busy year, culminating on 1st November with the introduction of the Markets in Financial Instruments Directive (MiFID). 2008 promises to be just as busy with the implementation of new procedures, proposed thematic reviews by the regulator and changes to the way firms report on their capital resources and submit financial data. Looking ahead, here are a number of important themes for 2008.

→ Internal Capital Adequacy Assessment Process (ICAAP)

During 2008 the FSA will ask a selection of firms to submit their ICAAP report for review by the regulator. If you have not yet completed your ICAAP report please contact us to see how we can assist.

→ MiFID Firms

In Q1 2008 the FSA proposes to carry out supervisory visits to monitor how firms have implemented MiFID requirements, reviewing such areas as disclosure, inducements and best execution. Firms should ensure that they have fully reviewed and implemented all new policies and procedures set out in the new Compliance and Procedures manual.

→ Market Abuse

Tackling market abuse continues to be a priority for the regulator. It is possible that the FSA will conduct thematic visits to understand firms' approach to the subject of market abuse and discuss internal procedures and training for staff. If you have not done so already, we suggest that you take some time in Q1 '08 to review your firm's focus on Market Abuse.

→ Recording of Voice and Electronic Communications

CP07/09 set out proposals for firms to make and retain recordings of certain telephone and electronic communications, a move which further underlined the FSA's commitment to the prevention, detection and deterrence of market abuse. The FSA are currently considering points raised in the consultation process and a further statement is expected in March 2008.

→ Hedge Fund Working Group

The HFWG's final report on Hedge Fund Standards is now available. You can request a copy of the report at www.hfwg.co.uk. MMS Regulatory Solutions are available to provide advice and recommendations on the interpretation and implementation of these best practice standards.

→ FSA focus on Hedge Funds

The FSA will be continuing to focus on the hedge fund industry and review of their supervision of hedge fund managers is ongoing. Firms should note that the FSA intends to increase resources devoted to the supervision of smaller wholesale firms.

→ Financial Reporting

From 2008 the FSA proposes to introduce its new electronic reporting facility MER. The current format financial returns will be replaced by a new suite of online reporting forms. Details and advice on the new forms will follow. Another area is the change to large exposure reporting; although there are changes, these may be yet amended by CEBS.

→ Non-MiFID Firms

Proposals to extend the common platform requirements for organisational systems and controls for Non-MiFID firms are included in the FSA's consultation paper CP07/23. The consultation period closes on 19th March 2008 with a view to implementing the proposals in October 2008.

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