

Compliance & Risk

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- US regulators give go ahead to 'chip in pill' application, p.18
- Health and safety exemption for self-employed workers, p.19

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Regulator investigation highlights possible abuse in energy markets

The Office of Gas and Electricity Markets ('Ofgem'), the UK energy regulator, has issued an open letter of guidance on its website to wholesale energy providers detailing instances of market behaviour which it says will constitute market abuse.

The regulator is currently pursuing an investigation into the wholesale energy markets using new enforcement powers, granted in 2013, which enable Ofgem to levy unlimited fines on organisations which breach the regulations.

Ofgem is said to have received training in the exercise of its new powers from the Financial Conduct Authority ('FCA') - the two regulators combine to oversee the wholesale energy markets with Ofgem regulating energy suppliers and the trading market, and the FCA taking responsibility for the derivatives market.

Ofgem's letter describes a number of potential market abuses, including 'layering' where traders rapidly enter fake bids or offers in an attempt to manipulate prices, and 'marking the close' involving market players buying

or selling products after the closing price is set in an effort to drive the price up or down (a practice that was said to have occurred in the recent manipulation of the foreign exchange markets).

The regulator's investigation into market abuse is continuing notwithstanding that the UK's six biggest energy providers have effectively been cleared of fixing prices and other monopolistic behaviour by another regulator, the Competition and Markets Authority ('CMA'). The CMA did,

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New acting head of Financial Conduct Authority steps into position

Monday, 14 September 2015 saw Tracey McDermott taking up position as acting head of the UK's Financial Conduct Authority ('FCA'), following the government ousting of the prior incumbent, Martin Wheatley.

The promotion is Ms McDermott's second of the year - she took over from Clive Adamson as head of supervision when he left after a poorly-handled 2014 media brief-

ing which caused tremors in the insurance market - and she was apparently described by FCA chairman John Griffith-Jones as the "most credible candidate" to fill the chief executive position temporarily whilst the Treasury seeks a more permanent replacement.

Ms McDermott takes over a full dossier of high profile cases as she steps into her predecessor's shoes. The delayed

report into the £20.5bn collapse of HBOS, likely to be highly critical of the FCA's former head, is anticipated soon, and the regulator must also decide on its interpretation of the Supreme Court judgment in the Plevin case, that could seriously affect compensation for mis-sold payment protection insurance, in relation to which banks have thus far paid £20.8bn.

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