



Rules & Regulations

Why so Much?

CITI ICG Analyst Program



Contents



**Rules &
Regulations
–
Difference?**

Reasons

Regulators

WHATS THE DIFFERENCE?

[illegible]

WHATS THE DIFFERENCE? – RULES V REGULATIONS





**The Securities
& Exchange
Commission (SEC)**



**Single Supervisory
Mechanism
(SSM)**



**Financial Conduct
Authority
(FCA)**

MAJOR MARKET REGULATORS

The Securities & Exchange Commission (SEC)



The Securities & Exchange Commission (SEC)



Financial Conduct Authority (FCA)



Financial Services Act 2012

Works alongside:

Protect
Consumers

Protect
Financial
Markets

Promote
competition

Prudential
Regulatory
Authority
(PRA)

Bank of
England
(BOE)

Financial
Policy
Committee
(FPC)

The Treasury



Financial Conduct Authority (FCA)



www.fca.org.uk

Authorised to:

- Fine
- Suspend
- Prohibit
- Order injunctions
- Bring criminal prosecutions
- Take other action to prevent market abuse such as insider dealing



Single Supervisory Mechanism (SSM)



The Single Supervisory Mechanism (SSM) is the system of banking supervision for Europe.

It comprises the ECB and the national supervisory authorities of the participating countries.

The SSM is one of the two pillars of the EU banking union, along with the Single Resolution Mechanism.



Single Supervisory Mechanism (SSM)



Single Supervisory Mechanism (SSM)



It has the
authority to:

Conduct
supervisory
reviews, on-
site inspections
and
investigations
grant or
withdraw
banking
licences

Assess banks'
acquisition and
disposal of
qualifying
holdings

Ensure
compliance
with EU
prudential
rules

Set higher
capital
requirements
("buffers") in
order to
counter any
financial risks



The Costs of Regulatory Failure

Failure to comply can lead to legal costs, fines, settlements, and even prison time!

Regulators can also:

- Force compensation to be paid
- Restrict future business
- Increase frequency of inspections

Penalties can also be imposed for inadequate systems (even if no breach has occurred).

Sanctions / Misconduct - Samples

| Institution | Cost | Cause | Year |
|---------------------------------|-----------------------------------|--|--------------|
| Société Générale | €4.9 billion | Rogue Trader | 2016 |
| BNP Paribas | \$8.8bn | \$30bn in transactions violating US Sanctions on Iran & Sudan – Removed from Clearing for year | 2014 |
| Standard Chartered | \$300 million | Violation of US sanctions | 2019 |
| Credit Suisse | \$2.5 billion | Tax evasion | 2014 |
| Barclays, HSBC, Lloyds, and RBS | £85 billion (Total Costs Approx.) | Mis-selling Payment Protection Ins. | 2011-19 |
| Barclays | \$2bn Settlement | Misled US mortgage lenders – settled action | 2019 |
| SAC Capital | \$1.8 billion | Insider trading | 2013 |
| HSBC | \$1.9 billion £64m | Money laundering | 2012 2021 |
| Morgan Stanley | \$200,000 | Violating Soybean Futures Limits | 2014 |



2000 v 2020



'The Enron of Germany': Wirecard scandal casts a shadow on corporate governance

PUBLISHED MON, JUN 29 2020



THE NEED FOR RULES AND REGULATIONS



■ REGULATORS

Caught in the web

Who can do what to whom

Financial agencies:

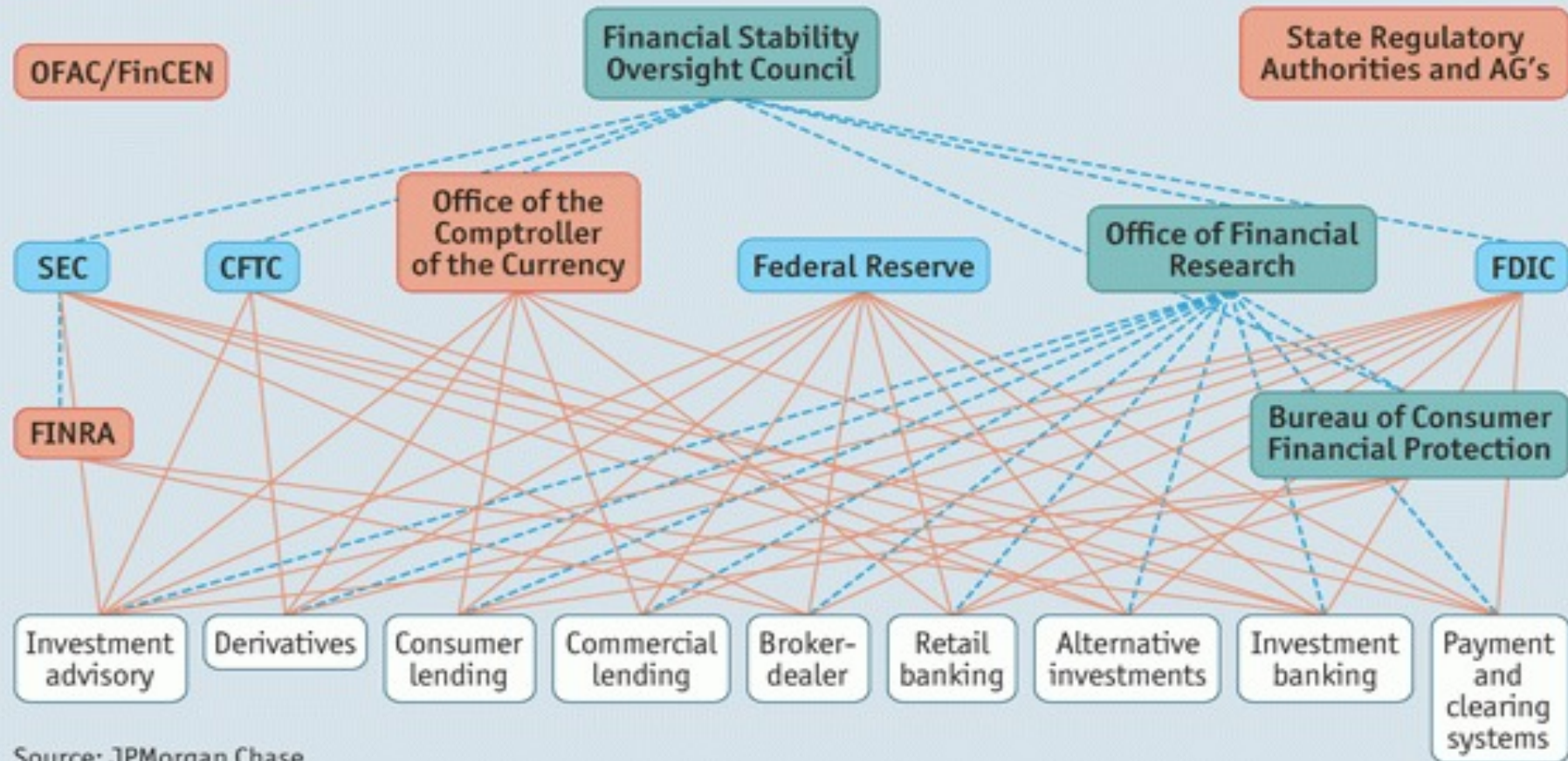
Old New Old with new powers

Affected parties

Lines of reporting:

Can request information

Has authority to examine



■ REGULATIONS

**Any
Questions?**

