



# BANKING & FINANCE LITIGATION UPDATE

ISSUE 73

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The Banking & Finance Litigation Update is published monthly and covers current developments affecting the Group's area of practice and its clients during the preceding month.

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If you would like further advice, please contact **Paula Johnson on 08700 111 111**.

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## DOMESTIC BANKING

### BANK OF ENGLAND

1. The governor of the Bank of England, Mark Carney, has indicated that a rise in interest rates is not likely in the near future, despite a fall in the level of unemployment. In future the Bank's decisions about interest rates will no longer be linked to a specific economic factor such as unemployment figures.

*Financial Times, 13 February 2014*

2. The Bank of England has ordered an investigation into claims by traders that it allowed manipulation of the foreign currency exchange markets.

*TheTimes.co.uk, 12 February 2014*

3. The Bank of England has published the results of its cyber-attack simulation on banks, which was carried out last year. It has called on the financial services sector to do more to prevent such attacks going forward.

*Guardian, 6 February 2014*

4. Mark Carney, has said that Scotland will be expected to hand over some of its control of fiscal policy if it wants to keep the pound should there be a positive vote for independence in the referendum to be held on 18 September. He argued that some "national sovereignty" would have to be ceded to allow the continuation of a currency union between the two countries.

*Telegraph, 30 January 2014*

### BARCLAYS

5. The Serious Fraud office has charged three former Barclays bankers with conspiracy to defraud in relation to the fixing of the Libor rate between June 2005 and the end of August 2007. The prosecution follows a settlement worth £290 million made between Barclays and the UK and US regulators in 2012 over allegations relating to Libor manipulation.

*Guardian, 18 February 2014*

6. Barclays Bank announced an underlying profit of £5.2 billion in 2013 and a "statutory" pre-tax profit of £2.9 billion once the value of penalties and other provisions have been taken into account. This is a significant improvement on the statutory pre-tax profit of £246 million made in 2012.

*Telegraph.co.uk, 10 February 2014*

### CO-OPERATIVE BANK

7. The Co-operative Group has launched what it describes as "the biggest piece of research and engagement in its history" by asking the public, via a YouGov survey, what they think the Co-operative should really stand for. The results of the survey will feed into a wider strategic review initiated to address recent problems and will be revealed in May 2014.

*Times, 17 February 2014*

8. The Co-operative Bank is set to reduce its mortgage rates as it attempts to re-enter the mortgage market. Its subsidiary Platform Home Loans is to introduce a range of best buy or near best buy mortgages just a week after the bank introduced a £125 golden hello to attract new customers to its current account.

*Times, 8 February 2014*

### LLOYDS BANKING GROUP

9. Ahead of the £1.5 billion flotation of TSB on the London stock exchange, Lloyds Banking Group has decided to register the new bank in England rather than Scotland, where Lloyds is registered. The decision is being seen by some as a signal that large corporations are unsure about an independent Scotland with a referendum on independence looming in September 2014.

*Telegraph, 20 February 2014*

10. New ring-fencing rules being introduced as part of the Banking Reform Act could force Lloyds Banking Group to close its investment banking arm because of the expense of compliance with the rules. The bank is in negotiations with the Prudential Regulation Authority ("PRA") about the effects the new rules would have.

*Financial Times, 17 February 2014*

11. Lloyds Banking Group announced its first pre-tax profit of £415 million since it was nationalised in 2008. However, analysts point out that the bank has actually made an attributable loss of £838 million once PPI fines, other write-offs and tax are taken into account. Even so, the bank's chief executive, Antonio Horta-Osorio, has taken a bonus worth £1.7 million. The bank believes its "most significant operational risk" is the state of its IT.

*Independent, 14 February 2014*

12. The government is planning to offer £5 billion worth of shares in Lloyds Banking Group for sale before Easter 2014. Ministers are hoping to hold a hybrid share sale for institutional and retail investors in April, followed by a £10 billion share sale for small investors later in the year. The move comes despite the fact that the PRA has said that the bank cannot resume dividend payments in March as it had hoped.

*Times, 4 February 2014*

13. Lloyds Banking Group has said that it is to set aside an additional £1.8 billion as part of its fourth quarter provision as compensation to customers who were mis-sold Payment Protection Insurance ("PPI"). Lloyds' total bill for PPI compensation is now almost £10 billion.

*Guardian, 3 February 2014*

14. Antonio Horta-Osorio has set a target for Lloyds Banking Group to have 40 per cent of its top 5000 positions filled by women by 2020. He also announced that Lloyds will lend £1 billion more to small businesses in 2014 and help 80,000 first time buyers onto the housing ladder.

*Guardian, 3 February 2014*

15. Lloyds Banking Group customers suffered a computer problem which stopped their bank cards working in cash machines for several hours. About 25 per cent of the banks 35 million customers were affected.

*Independent, 27 January 2014*

### **THE ROYAL BANK OF SCOTLAND**

16. Making further progress to curtail its investment banking division, The Royal Bank of Scotland ("RBS") has agreed to sell its structured retail products and equity derivatives business to BNP Paribas for an undisclosed sum.

*Telegraph, 20 February 2014*

17. Moody's has warned RBS that its credit could be downgraded following the recent disclosure of weaker than anticipated capital levels. After the announcement of £3.1 billion of additional provisions for a number of issues, including its sale of toxic mortgage-backed securities, the ratings agency placed the lender's debt on "review for downgrade".

*Telegraph, 13 February 2014*

18. Vince Cable has said that should voters vote for Scottish independence that would without doubt mean the relocation of RBS's headquarters from Edinburgh to London as he regards it as necessary for the lender to be in the same jurisdiction as its main regulator, the Bank of England.

*Times, 6 February 2014*

19. The most recent glitch affecting RBS and NatWest meant some customers with E-ISAs were underpaid on their monthly interest. According to the banking group a "relatively small" number of customers were affected and their accounts have been updated with the correct amounts.

*Telegraph, 5 February 2014*

20. RBS is preparing to sell RBS Securities, its US trading division, as it attempts to raise capital following a profit warning. The Government wants RBS to sell the business as it ties up a great deal of the lender's capital and has an aggressive investment banking culture.

*Times, 30 January 2014*

21. A profits warning has been issued by RBS after a series of financial charges put it on track for an annual loss of approximately £8 billion. The top executive team have had their bonus payouts cancelled after the lender had to put aside over £3 billion to cover alleged misconduct.

*Times, 28 January 2014*

### **STANDARD CHARTERED**

22. Standard Chartered is to sell its Swiss private bank as it focuses on wealthy customers in the Middle East, Asia and Africa. It is anticipated the sale will bring in under \$10 million.

*Times, 13 February 2014*

### **DOMESTIC GENERAL**

23. After securing a banking licence from the PRA, specialist lender Paragon has become the latest new lender, launching a bank for consumers and small businesses with a range of savings accounts and loans. Paragon said that it would be launching a range of "straight-forward and competitive" products in 2014.

*Financial Times, 19 February 2014*

24. Under strict rules newly approved by the US Federal Reserve, British banks operating in the US are to face the same stress tests as American banks. The new-regime will mean that non-US banks will be required to set up an American intermediate holding company that will face the same capital requirements as US banks; they will also have to hold extra funds in the US rather than in their home countries.

*Times, 19 February 2014*

25. Bank Mellat is suing the British government for £2.3 billion for losses incurred as a result of sanctions "negligently" applied to the bank in 2009. The UK Supreme Court quashed a ban on the bank trading with the UK over alleged links to Tehran's nuclear programme, in 2013. The UK is refusing to revoke the ban pending an appeal at the European Court of Justice.

*Guardian, 18 February 2014*

26. Two of Britain's biggest brands will offer a challenge to retail banks in 2014. Tesco Bank is to launch its much anticipated current account in the first half of the year. Virgin Money will launch its rival product at around the same time, initially in Scotland, before a national roll-out later on. Modest headway in winning market share has been made by other new banks but the strong brand names of Tesco and Virgin Money could give them extra appeal.

*Times.co.uk, 17 February 2014*

27. A legal loophole that allowed consumers to claim compensation from the Financial Ombudsman Service ("FOS") then seek additional damages via the civil courts, has been closed by the Court of Appeal. The court overturned an earlier High Court ruling, in a decision welcomed by legal experts. The case could be appealed.

*Times.co.uk, 15 February 2014* [Click here](#) to view DLA Piper's client alert on the case.

28. The European Union's bonus cap is forcing banks in the UK to make changes to the way they reward staff. With the bonus cap restricting EU banks to paying only the equivalent of a year's salary unless shareholders approve more, banks are said to have been pushed towards "role-based" allowances as a means of keeping hold of top staff. The allowances are paid monthly and have no link to performance.

*Telegraph, 15 February 2014*

29. If costs cannot be recouped from Icelandic bank Landsbanki, then British banks will be faced with a new multi-million pound bill for compensation for savers who lost money in the 2008 collapse of Iceland's banking system. Deposit takers would be hit with an extra charge of £222 million by early 2016 by the UK's Financial Services Compensation Scheme ("FSCS"), with the charge coming on top of the FSCS's annual levy.

*Financial Times, 13 February 2014*

30. Former CBI director general, Sir Richard Lambert, has published a preliminary report, making a number of recommendations on how trust in the financial sector can be restored. Among his recommendations is the creation of a new professional body for banks, which will oversee the benchmarking of banks performances against each other in a number of areas. Sir Richard said the body, as yet unnamed, could be operational by the end of 2014. The banking industry would fund the body, whose chief executive and chairman would be chosen by an independent panel. Sir Richard's final report will be published in March.

*Telegraph, 11 February 2014*

31. Hopes amongst banks that a time limit might be placed on pay-outs to customers who were mis-sold payment protection insurance have been dented by the regulator. Financial Conduct Authority ("FCA") chief executive Martin Wheatley said he would only agree to a compensation claim deadline if it was in the interests of the victims of the mis-selling.

*Financial Times, 5 February 2014*

32. Whilst confirming the launch of investigations into other benchmarks, the City regulator has suggested that the suspected manipulation of the foreign exchange benchmark could be as serious as the Libor scandal.

*Times, 5 February 2014*

33. Less than 10 per cent of the £3.75 billion in compensation owed to small businesses mis-sold interest rate swaps by banks has so far been paid. The FCA has revealed that, in the eight months since the redress scheme was begun in May 2013, £306 million has been paid out by banks, up from £159 million in December.

*Times, 5 February 2014*

34. In a sign that the banking sector does not believe that its troubles are behind it, 2013 saw banks vastly increase their capital for paying fines and litigation. Analysis from Thomson Reuters showed that financial firms increased their expected legal liabilities by 43 per cent, to £9.22 billion. A further £2.5 billion was earmarked by the UK's "big four" banks for covering regulatory fines and settling customer claims.

*Independent, 3 February 2014*

35. The UK's next mis-selling scandal could come from claims by small businesses that they have been burdened with unsuitable loans which have driven them into the ground. The loans come from the Government's Enterprise Finance Guarantee scheme and a group of victims of alleged mis-selling intend to pursue banks for the return of money that was lost. Estimates say overall losses could reach into millions of pounds.

*Times, 1 February 2014*

36. A new "Pathways to Banking" programme is to encourage teenagers from low-income backgrounds to consider a career in banking. The £2.75 million scheme, which is run by the Sutton Trust and is supported by Barclays, Deutsche Bank, HSBC and Lloyds, will operate a comprehensive approach targeting disadvantaged students.

*Financial Times, 28 January 2014*

37. The latest figures from the FOS have shown that the last nine months of 2013 saw a 155 per cent increase in the number of complaints about paid-for bank accounts. Customers are angry over paying as much as £300 a year for perks they either do not want or know about. A third of those who have packaged accounts do not make use of the added perks.

*Telegraph, 28 January 2014*

## EUROPEAN BANKING

### COMMERZBANK

38. German lender Commerzbank saw a return to profit in 2013. It announced that it intends to accelerate the disposal of its "bad bank" assets as it revealed the fourth quarter had been stronger than anticipated, with net income increasing to €64 million from a €726 million loss the year before. The lender's full-year net income stood at €78 million after 2012's €47 million net loss.

*Financial Times, 14 February 2014*

### CREDIT SUISSE

39. Several thousand senior employees at Credit Suisse are to be paid bonuses in the form of bonds that can be wiped out if the Swiss lender does not meet capital requirements. Higher-earning bankers will receive a fifth of their 2013 bonuses as "contingent capital awards".

*Financial Times, 25 January 2014*

40. Despite putting aside SwFr514 million in the last quarter of 2013 to cover litigation costs, Credit Suisse's overall revenues in the quarter increased slightly to SwFr6 billion from SwFr5.6 billion the year before and pre-tax profit increased to SwFr428 million from SwFr385 million.

*TheTimes.co.uk, 7 February 2014*

### DEUTSCHE BANK

41. Concerns over the ability of Europe's banks to remain competitive in comparison to their peers in the US, have been heightened by Deutsche Bank's move to reduce its investment bankers overall pay by 14 per cent in 2013. The bank's revenues were down 12 per cent, with staff levels down two per cent. The corporate banking and securities divisions saw salaries, bonuses and other benefits slashed to €5.3 billion.

*Financial Times, 30 January 2014*

### EUROPEAN CENTRAL BANK

42. The European Central Bank ("ECB") has opted to hold interest rates steady, disappointing those who had hoped that the central bank would take more action to fend off the increasing danger of deflation. The bank offered little indication that there would be a loosening of monetary policy soon.

*Financial Times, 7 February 2014*

43. Criticism of the reliability of the ECB's crucial health check on lenders has been rebuffed by the ECB. It said that no doubts would be left over the state of the Eurozone financial system. The comprehensive assessment, as it has been called, is the central bank's first banking supervision act and its reputation is at stake.

*Financial Times, 4 February 2014*

44. Mario Draghi, president of the ECB, has signalled a willingness on the part of the ECB to buy packages of bank loans to households and companies in order to fight deflation in Europe.

*Financial Times, 27 January 2014*

## SANTANDER

45. Santander is one of three major banks offering mortgage repayment holidays to assist customers affected by the floods in the Somerset Levels and Thames Valley. Repayment holidays on interest-only repayments are being offered by the bank on a case-by-case basis. Small businesses can apply for a six month loan extension and farmers for a 12 month extension. Santander will forgo charges on overdraft extensions.

*Sunday Telegraph, 16 February 2014*

46. Santander UK has claimed victory in the growing battle for current accounts in Britain as it announced that 232,000 new customers had switched from other providers in the last year. The lender reported a slight drop in pre-tax profit from continuing operations of £1.14 billion in 2013, in comparison with £1.15 billion the year before. There are "no current plans" for a flotation in London, a sign that any spin-off and initial public offering will not happen until 2015 at least. Following years of diminishing profits, parent group Banco Santander reported a 90 per cent rise in net profit to €4.37 billion for 2013.

*The times.co.uk, 30 January 2014*

## UBS

47. With a return to profit in its latest financial year, UBS has increased its bonus pool by 28 per cent. The return to profit was led by a recovery in investment banking and a strong performance in asset and wealth management, leading to an after-tax profit of SwFr 3.2 billion.

*Times, 5 February 2013*

## EUROPEAN GENERAL

48. European banks are looking to increase their US capital ratios by booking more business outside the US and converting inter-company loans. This follows the publication of a final rule by the US Federal Reserve that requires non-US banks to have higher capital levels. Concessions made by the Federal Reserve were welcomed by executives at European banks, after a major lobbying campaign which included support from some US banks which were concerned over retaliation from regulators in Europe.

*Financial Times, 20 February 2014*

49. If levies on banks to fund the system are raised more quickly, Berlin is prepared to speed up the pooling of EU bank rescue funds. The concession from German finance minister Wolfgang Schäube is the first signal that he could be willing to compromise on the bank rescue system. The ECB has previously criticised the stance taken by Germany.

*Financial Times, 19 February 2014*

50. In the wake of a number of investigations into the foreign exchange market, a number of lenders, including RBS, Deutsche Bank and UBS, are reviewing rules on currency traders making bets using their own money.

*Financial Times, 18 February 2014*

51. The small depositor lifeboat fund in Iceland, the Icelandic Depositors' and Investors' Guarantee Fund, has revealed that authorities in Britain and the Netherlands filed a multi-billion pound lawsuit against it in November 2013. The sum being sought is the equivalent to two-thirds of Iceland's GDP. The suit was filed by Britain's FSCS and the Dutch Central Bank and is the latest stage of a six-year battle to get Iceland to cover the cost of reimbursing depositors. The Court of the European Free Trade Association ruled in 2013 that Reykjavik was not responsible for paying the compensation bill to depositors.

*Times, 11 February 2014*

52. A tougher approach to supervision in the Eurozone has been indicated after Danièle Nouy, head of the eurozone's new banking regulator, the Single Supervisory Mechanism, warned that there was no future for some of the region's lenders, who should be allowed to disappear. Mrs Nouy also indicated that she wanted to see a weakening of the link between banks and governments, demanding that capital against their sovereign assets should be held by lenders.

*Financial Times, 10 February 2014*

53. The idea of setting up a "bad bank" has been rejected by Italy for fear that it would risk the country's credit rating by bringing the attention of the market to banks' exposure to an increasing level of non-performing loans. The governor of the Bank of Italy has warned that the country's economic recovery remains "uncertain" and "weak". The decision not to deal with the problem was said to be creating a "zombie" banking system, according to one industry source.

*Financial Times, 10 February 2014*

54. Long-awaited proposals for minimising the impact of risky activities at Europe's 30 "too big to fail" banks, have been unveiled by the European Commission. Under the proposals, large banks would be banned from proprietary trading, and national regulators would be given the power to split up the banks. There is also a clause that would let the UK enact its own Banking Reform Bill, which goes further than the EU proposals in a number of areas.

*Telegraph, 30 January 2014*

55. A fresh attempt to include financial regulation in a free trade pact between Europe and the US has been launched by the European Union. The US Treasury has firmly resisted proposals to discuss banking rules in the trade deal, with officials suggesting any such talks should occur outside of the main negotiations. This differs from the attitude of the EU, which argues that leaving financial regulation out would constitute a threat to the stability of global finance.

*Financial Times, 28 January 2014*

56. Britain is pushing for the president of the ECB, Mario Draghi, to be deprived of the automatic right to head the top risk watchdog in Europe. In its submission to the European Commission, the Treasury says that, given the sweeping changes occurring in financial regulation in the euro area, the chair of the European Systemic Risk Board should not automatically be the serving ECB president.

*Financial Times, 28 January 2014*

57. According to ratings agency Fitch, the incoming EU cap on bonuses will not lead to a fall in pay in the banking industry. The agency has warned that overall levels are unlikely to fall due to the use of loopholes in the new law by banks in order to "avoid" paying lower bonuses, as well as an "inconsistent" approach to the cap's enforcement. The law will apply to all EU-based banks from

2015 and will mean that bonuses are restricted to 100 per cent of the annual salary of an employee, though with shareholder permission bonuses equal to 200 per cent of salary will be allowed.

*Telegraph, 24 January 2014*

## INTERNATIONAL BANKING

### CLOSE BROTHERS

58. Close Brothers received a boost from robust increases in share trading at the end of 2013. The banking group said in the last six months its loan book increased 4 per cent to £4.8bn.

*Independent 25 January 2014*

### GOLDMAN SACHS

59. The challenges facing investment banks over revamping their fixed-income trading business have been highlighted by the decision of Goldman Sachs to quietly withdraw from its electronic bond trading platform.

*Financial Times, 18 February 2014*

60. The Socialist People's Party has resigned from the coalition government in Denmark, following a deal that will see investment bank Goldman Sachs buy a 19 per cent stake in Danish state-owned Dong Energy for £900 million.

*Independent, 31 January 2014*

### LAZARDS

61. Kenneth Jacobs, chief executive of Lazards, has said that although the existence of positive macroeconomic factors could see an increase in merger and acquisition activity, high-level bank deals in the US are likely to be dampened by the regulatory environment.

*Financial Times, 6 February 2014*

### MORGAN STANLEY

62. In a filing with the Securities and Exchange Commission, Morgan Stanley revealed that it has reached a \$1.25 billion settlement agreement with the Federal Housing Finance Agency over mortgage-backed securities which it sold to Fannie Mae and Freddie Mac. The bank also revealed that \$150 million would be added to its legal reserves.

*Times, 5 February 2014*

## INTERNATIONAL GENERAL

63. 48 billion renminbi has been withdrawn from the money markets by China's central bank, the People's Bank of China ("PBOC"), as it looks to cool the country's lending boom. The 14-day so-called repurchase agreements (repos), used for the first time in eight months by the authorities, were issued to drain liquidity from the financial system.

*Telegraph, 19 February 2014*

64. New figures from China's financial regulator, the China Banking Regulatory Commission, show that bad loans made by the country's banks are at their highest level since the late 2008 financial crisis. The final three months of 2013 saw non-performing loans reach 592 billion renminbi. Bad debts now stand at the equivalent of one per cent of total lending.

*Telegraph, 15 February 2014*

65. The Financial Stability Board, the world's top body of central bankers, has launched an urgent review of how global currency rates are set, following recent concerns over possible foreign exchange market manipulation. The Board has set up a working group to look at ways of ensuring that traders cannot manipulate the benchmark currency market. Recent allegations against traders at a number of banks have centred on them rigging the currency market for their own profit.

*Telegraph, 15 February 2014*

66. An agreement has been reached by regulators in Europe and the US over the regulation of the \$700 trillion over-the-counter derivatives market. The regulators gave a nod to concerns from banks that global trading could be fragmented and costs increased due to conflicting rules. Following the agreement, European-approved platforms trading derivatives will be exempt from US trading rules until equivalent rules from Europe come into force in around three years. US banks trading on these venues will also be exempt.

*Financial Times, 13 February 2014*

67. Some international clients have been asked by the China Development Bank to delay drawing down credit lines previously committed, highlighting how strains on China's financial system are being felt overseas. In a move aimed mostly at the country's shadow banks, regulators in the country have been making it tougher for banks to move assets off their balance sheets and have increased

the cost of borrowing in the money market to try and rein in rapid credit growth, though the impact of the moves has been felt throughout the financial sector.

*Financial Times, 10 February 2014*

68. Standard & Poor's has warned that "bail-in" bonds issued by banks to absorb losses in instances of financial difficulty are far more risky than previously thought and that it will cut its ratings on such instruments. The reduction in rating could make the cost of issuing the bonds more expensive for banks.

*Financial Times, 7 February 2014*

69. The US Federal Reserve has made a \$10 billion reduction in its so-called quantitative easing programme, reducing it to \$65 billion a month. The Federal Open Market Committee was upbeat in its statement over US economic activity.

*Telegraph, 30 January 2014*

70. Following an internal review of financial inclusion policies, the Reserve Bank of India is set to roll back agricultural lending rules that force banks to make up to 40 per cent of loans to rural and poorer borrowers. The move could attract more foreign banks to India's fast-growing banking market, as well as giving a reprieve to those such as HSBC, Citi and Standard Chartered, who are already operating in the country.

*Financial Times, 27 January 2014*

## PRESS RELEASES

71. **Help to Buy extended to include 'Islamic Mortgages'**  
The government's Help to Buy mortgage guarantee scheme can now also be used by providers of Home Purchase Plans, the Financial Secretary to the Treasury, Sajid Javid, has announced. Home Purchase Plans are a Sharia law compliant alternative to mortgages and are often known as "Islamic Mortgages".

*HM Treasury, 11 February 2014*

<https://www.gov.uk/government/news/help-to-buy-extended-to-include-islamic-mortgages>



72. **BBA and Police work to create "virtual ring of steel" around City of London**

The British Bankers' Association and City of London Police have announced plans to train thousands of bankers a year to spot scams and act quickly to protect customers. Using key techniques developed in the fight against terrorism, the association and police force want to create a "virtual ring of steel" around the City of London, echoing the renowned physical security that protects the UK's financial centre.

*British Bankers Association, 10 February 2014*  
<https://www.bba.org.uk/news/press-releases/8850-2/>

73. **Claims Management Companies and Financial Services Complaints: A note from the Claims Management Regulator (Ministry of Justice), the Financial Conduct Authority, the Financial Ombudsman Service and the Financial Services Compensation Scheme**

A joint note explains: the role of claims management companies ("CMCs") in complaints against financial services or products; what behaviour is expected from financial firms and CMCs through the complaints handling process; and the roles of the Claims Management Regulator, the Financial Conduct Authority, the Financial Ombudsman Service and the Financial Services Compensation Scheme.

*Ministry of Justice, Financial Services Compensation Scheme, Financial Ombudsman Service and Financial Conduct Authority, 7 February 2014*  
<http://www.justice.gov.uk/downloads/claims-regulation/note-about-claims-management-companies.pdf>

74. **Bank of England maintains Bank Rate at 0.5% and the size of the Asset Purchase Programme at £375 billion**

The Bank of England's Monetary Policy Committee today voted to maintain Bank Rate at 0.5%. The Committee also voted to maintain the stock of purchased assets financed by the issuance of central bank reserves at £375 billion.

*Bank of England, 6 February 2014*  
<http://www.bankofengland.co.uk/publications/Pages/news/2014/002.aspx>

75. **Bank of England publishes report into cyber-resilience exercise**

The Bank of England has published the findings of the Waking Shark II exercise, which tested the wholesale banking sector's response to a sustained and intensive cyber-attack. The exercise supports the recommendation by the Financial Policy Committee to improve and test resilience against

cyber-attacks. The report shows that considerable progress has been made since the previous exercises in 2011 and highlights areas which could be further improved.

*Bank of England, 5 February 2014*  
<http://www.bankofengland.co.uk/publications/Pages/news/2014/030.aspx>

76. **Structural reform of the EU banking sector**

New rules preventing the largest banks from engaging in the risky activity of proprietary trading have been announced today by the European Commission ("EC"). They give supervisors the power to make those banks separate certain potentially dangerous trading activities, such as market-making, complex derivatives and securitisation operations, from their deposit-taking business if the pursuit of those activities compromises financial stability. The EC has also adopted related measures to increase transparency of certain transactions in the shadow banking sector.

*European Commission, 29 January 2014*  
[http://europa.eu/rapid/press-release\\_IP-14-85\\_en.htm](http://europa.eu/rapid/press-release_IP-14-85_en.htm)

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