SHORT SELLING REGULATION INSTRUMENT 2012

Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (the Act):

(1) section 138 (1) (General rule-making power); and
(2) section 157(1) (Guidance).

B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on 1 November 2012

Amendments to the Handbook

D. The modules of the FSA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

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Amendments to material outside the Handbook

E. The Enforcement Guide (EG) is amended in accordance with Annex F to this instrument. The general guidance in EG does not form part of the Handbook.

Notes

F. In Annex B to this instrument, the “notes” (indicated by “Note:”) are included for the convenience of readers but do not form part of the legislative text.

Citation

G. This instrument may be cited as Short Selling Regulation Instrument 2012.

By order of the Board
31 October 2012
Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Insert the following new definitions in the appropriate alphabetical order. The text is not underlined.

authorised primary dealer

(as defined in article 2(1)(n) of the short selling regulation) a natural or legal person who has signed an agreement with a sovereign issuer or who has been formally recognised as a primary dealer by or on behalf of a sovereign issuer and who, in accordance with that agreement or recognition, has committed to dealing as principal in connection with primary and secondary market operations relating to debt issued by that sovereign issuer.

authorised primary dealer exemption

an exemption from articles 7, 13 and 14 of the short selling regulation for the activities of an authorised primary dealer pursuant to article 17 of the short selling regulation.

market maker exemption

an exemption from articles 5, 6, 7, 12, 13 and 14 of the short selling regulation for transactions performed due to market making activities pursuant to article 17 of the short selling regulation.

market making activities

(as defined in article 2(1)(k) of the short selling regulation) the activities of an investment firm, a credit institution, a third-country entity, or a firm as referred to in point (l) of article 2(1) of MIFID, which is a member of a trading venue or of a market in a third country, the legal and supervisory framework of which has been declared equivalent by the European Commission pursuant to article 17(2) of the short selling regulation where it deals as principal in a financial instrument, whether traded on or outside a trading venue, in any of the following capacities:

(a) by posting firm, simultaneous two-way quotes of comparable size and at competitive prices, with the result of providing liquidity on a regular and ongoing basis to the market; or

(b) as part of its usual business, by fulfilling orders initiated by clients or in response to clients’ requests to trade; or

(c) by hedging positions arising from the fulfilment of tasks under points (a) and (b).

short selling regulation


sovereign issuer

(as defined in article 2(1)(d) of the short selling regulation) any of the
following that issues debt instruments:

(a) the EU; or

(b) a Member State including a government department, an agency, or a special purpose vehicle of the Member State; or

(c) in the case of a federal Member State, a member of the federation; or

(d) a special purpose vehicle for several Member States; or

(e) an international financial institution established by two or more Member States which has the purpose of mobilising funding and provide financial assistance to the benefit of its members that are experiencing or threatened by severe financing problems; or

(f) the European Investment Bank.

Amend the following as shown.

*breach* in *DEPP*:

…

(6) a contravention in respect of which the *FSA* is empowered to take action pursuant to section 131G (Breach of short selling rules etc short selling regulation: Power to impose penalty or issue censure) of the *Act*.

*competent authority* …

[Note: article 1(7) of the *Market Abuse Directive*.]

(7) the authority designated by each *EEA State* in accordance with article 32 of the *short selling regulation*.

*disclosable short position* a net short position which represents an economic interest of one quarter of 1% or more of the issued capital of a *company*, excluding any interest held in the capacity of a *market maker*.

*disclosure* disclosure of a disclosable short position which:

(a) is made on a *RIS* by no later than 3.30pm on the *business day* following the day on which the position reaches or exceeds a disclosable short position of 0.25% of the issued capital of a *company*; and

(b) includes the name of the *person* who has the disclosable short position, the amount of the disclosable short position and the name
of the company in relation to which the person has that position.

**discretionary investment manager**  
(in COBS, FINMAR and (in relation to firm type) in SUP 16.10  
(Confirmation of standing data)) a person who, acting only on behalf of a client, manages designated investments in an account or portfolio on a discretionary basis under the terms of a discretionary management agreement.

**EEA regulator**  
(1) a competent authority for the purposes of any of the Single Market Directives or the auction regulation.  
(2) (in DEPP 7) (as defined in section 131FA of the Act) the competent authority of an EEA State other than the United Kingdom for the purposes of the short selling regulation.

**market maker**  
(1) (except in COBS and FINMAR) (in relation to an investment) a person who (otherwise than in his capacity as the operator of a regulated collective investment scheme) holds himself out as able and willing to enter into transactions of sale and purchase in investments of that description at prices determined by him generally and continuously rather than in respect of each particular transaction.

…

(3) (in FINMAR) a person who, ordinarily as part of his business, deals as principal in financial instruments (whether OTC or exchange traded):

(a) to fulfil orders received from another person in response to that person’s request to trade or to hedge positions arising out of those dealings; or

(b) in a way that ordinarily has the effect of providing liquidity on a regular basis to the financial markets on both bid and offer sides of the market in comparable size. [deleted]

**net short position**  
(1) (except in IPRU(INV) 13 and FINMAR) a net short position which gives rise to an economic exposure to the issued share capital of a company.  
Any calculation of whether a person has a short position must take account of any form of economic interest in the shares of the company.

…

(3) (in FINMAR) a position which gives rise to an economic exposure to the issued capital of a company, calculated in accordance with FINMAR 2. [deleted]

**non-discretionary investment**  
(in FINMAR and in relation to firm type in SUP 16.10 (Confirmation of standing data)) a person who, acting only on behalf of a client, manages
manager designated investments in an account or portfolio on a non-discretionary basis under the terms of a non-discretionary management agreement.

ongoing disclosure disclosure of a disclosable short position which:

(a) is made on a RIS by no later than 3.30pm on the business day following the day on which the position reaches, exceeds or falls below a net short position of 0.25%, 0.35%, 0.45% and 0.55% of the issued capital of a company and each 0.1% threshold thereafter; and

(b) includes the name of the person who has the disclosable short position, the amount of the disclosable short position and the name of the company in relation to which the person has that position.

relevant financial instrument (in accordance with sections 131C(4) and 131C(5) of the Act) a financial instrument that:

(a) is admitted to trading on a regulated market or any other prescribed market in an EEA State; or

(b) has such other connection with a market in an EEA State as may be specified by the short selling rules.

rights issue (in LR, FINMAR and DTR 5) an offer to existing security holders to subscribe or purchase further securities in proportion to their holdings made by means of the issue of a renounceable letter (or other negotiable document) which may be traded (as “nil paid” rights) for a period before payment for the securities is due.

rights issue period the period that commences on the date a company announces a rights issue and which ends on the date that the securities issued under the rights issue are admitted to trading on a prescribed market.

short selling rules (in accordance with section 131B(8) of the Act) rules concerning the prohibition or disclosure of short selling in relation to relevant financial instruments.

trading day (1) (in MAR 7 (Disclosure of information on certain trades undertaken outside a regulated market or MTF) and SUP 17 (Transaction reporting)) in relation to post-trade information to be made public about a share under MAR 7.2.10EU, any day of normal trading in a share on a trading venue in the relevant liquid market for this share. [Note: article 4(2) of the MiFID Regulation]

(2) other than in (1) or (3), a day included in the calendar of trading days published by FSA at www.fsa.gov.uk.

(3) (in FINMAR) as defined in article 2(1)(p) of the short selling regulation, a trading day as referred to in article 4 of Regulation

*trading venue* (1) *(except in FINMAR)* a *regulated market, MTF or systematic internaliser* acting in its capacity as such, and, where appropriate, a system outside the *EU* with similar functions to a *regulated market* or *MTF.*

[Note: article 2(8) of the MIFID Regulation]

(2) *(in FINMAR)* (as defined in article 2(1)(l) of the short selling regulation) a *regulated market* or an *MTF.*
Annex B

Amendments to the Financial Stability and Market Confidence sourcebook (FINMAR)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

2.1 Application and purpose

Application

2.1.1 R This chapter applies to all persons who:

(1) engage, or are intending to engage, in short selling in relation to relevant financial instruments; or

(2) have engaged in short selling in relation to relevant financial instruments where the resulting short position is still open. [deleted]

2.1.1A G This chapter is relevant to all natural and legal persons to whom the short selling regulation applies, whether or not they are regulated by the FSA.

Purpose

2.1.2 G The purpose of this chapter is to set out rules and provide guidance in relation to short selling in order to promote the FSA’s statutory objectives; the FSA’s functions under the short selling regulation.

(1) maintaining confidence in the UK financial system; and

(2) contributing to the protection and enhancement of the stability of the UK financial system.

Note: Other parts of the Handbook that may also be relevant to natural and legal persons to whom the short selling regulation applies include:

Chapter 2 of SUP (the Supervision manual) and DEPP (the Decision Procedure and Penalties manual).

The following Regulatory Guides are also relevant:

1. the Enforcement Guide (EG)

FINMAR 2.2 (Disclosure of disclosable short positions) is deleted in its entirety. The text of the section is not shown.

FINMAR 2.3 (Calculation of net short position) is deleted in its entirety. The text of the section is not shown.
FINMAR 2.4 (Responsibility for disclosure) is deleted in its entirety. The text of the section is not shown.

After FINMAR 2.4 [deleted] insert the following new sections. The text is not underlined.

2.5 Measures to prohibit, restrict or limit transactions in short selling

Approach to imposing measures

2.5.1 The FSA is required by article 23 of the short selling regulation to consider whether to impose measures to prohibit or restrict short selling or otherwise limit transactions in a financial instrument on a trading venue where the price of that financial instrument on that trading venue has fallen significantly during a single trading day in relation to the closing price on that venue on the previous trading day. In fulfilling this obligation, the FSA will assess:

(1) whether the price fall is or may become disorderly; and, if so in either case,

(2) whether the imposition of measures to prohibit, restrict or limit transactions will prevent a further disorderly decline in the price of the financial instrument.

2.5.2 The FSA will assess whether the price fall in a financial instrument on a trading venue is or may become disorderly having regard to at least the following factors:

(1) whether there have been violent movements in the price of the particular financial instrument on a particular trading venue, including any sudden or significant movements in price of a financial instrument during the trading day;

(2) whether there is evidence of unusual or improper trading in the financial instrument on a particular trading venue which could indicate that there was pressure to set the price of the financial instrument at a level that would be considered abnormal for that financial instrument; and

(3) whether there are unsubstantiated rumours or dissemination of false or misleading information regarding the financial instrument.

The list above is not exhaustive and the FSA will consider such other factors as it considers appropriate.

2.5.3 The FSA may consider that the price fall in a financial instrument is not disorderly, for example, if the FSA considers that there is legitimate cause for a price fall in trading, such as the announcement of poor financial results.

2.5.4 The FSA will consider at least the following factors when assessing whether measures to prohibit or restrict short selling or otherwise limit transactions are necessary or likely to prevent a further disorderly decline in the price of the financial instrument:
(1) the volume of trading in that financial instrument on the trading venue as compared with the total trading volume in the financial instrument over at least that trading day; and

(2) whether the price of the financial instrument has stabilised after the significant fall in price.

The list above is not exhaustive and the FSA will consider such other factors as it considers appropriate.

2.5.5 G Where the FSA imposes measures under article 23 of the short selling regulation it will normally specify that the measures will not apply to natural or legal persons who have satisfied the criteria to use the market maker exemption or the authorised primary dealer exemption and who are included on the list maintained and published by ESMA pursuant to article 17(13) of the short selling regulation.

Exchange rate calculations

2.5.6 G (1) For the purposes of article 23(1)(b) of Commission Delegated Regulation (EU) No 918/2012 the FSA will convert the figure of EUR 0.50 into pounds sterling using the daily spot foreign exchange rate of Sterling to Euro of the Bank of England applicable at the end of the first business day of October 2012 rounded up to the nearest £0.01. The FSA will state this figure (the ‘sterling figure’) on its public website.

(2) The rate will be calculated on the same basis at the end of the first business day of October every subsequent year, unless the situation in (3) occurs in the intervening period, in which case the FSA will recalculate the sterling figure.

(3) The situation referred to in (2) is if the daily spot foreign exchange rate of the Bank of England of Sterling to Euro fluctuates for a period of 20 consecutive business days by more than 10% from the rate last used to calculate the sterling figure.

(4) If the situation in (3) occurs more than once in a year, the FSA will convert the figure of EUR 0.50 into pounds sterling using the daily spot foreign exchange rate of Sterling to Euro of the Bank of England applicable at the end of the 20th business day of the period referred to in (3).

2.5.7 G The FSA will treat the FTSE 100 index as the main national equity index of the Member State for the purposes of article 6(4) of Commission Implementing Regulation (EU) No 827/2012 and article 4 of Commission Delegated Regulation (EU) No 826/2012 and article 23(1) of Commission Delegated Regulation (EU) No 918/2012, all subject to approval by European Parliament and Council.
2.6 Procedures relating to the market maker exemption and the authorised primary dealer exemption

Decision on use of the market maker exemption or the authorised primary dealer exemption

[Note: The FSA has powers under the short selling regulation to prohibit a natural or legal person from using the market maker exemption and the authorised primary dealer exemption if the FSA considers that that person does not satisfy the conditions of the exemption that that person has notified the FSA it intends to use.]

2.6.1 Pursuant to the Financial Services and Markets Act 2000 (Short Selling) Regulations 2012 (SI 2012/2554), the FSA will direct how notifications to use the market maker exemption or the authorised primary dealer exemption shall be made. Such directions will be published on the FSA website and listed in FINMAR 2 Annex 1G.

2.6.2 (1) If the FSA considers that a natural or legal person (‘P’) who has notified the FSA of his intention to use either the market maker exemption or the authorised primary dealer exemption does not satisfy the criteria to use the market maker exemption or the authorised primary dealer exemption, the FSA will send a letter to P setting out the reasons why it is minded to prohibit P from using the market maker exemption or the authorised primary dealer exemption.

(2) P will be given the opportunity to make written representations to the FSA concerning P’s use of the market maker exemption or the authorised primary dealer exemption.

(3) The FSA will decide whether to prohibit P’s use of either the market maker exemption or the authorised primary dealer exemption having regard to P’s notification and any written representations made by P. The decision whether or not to prohibit the use by P of either the market maker exemption or the authorised primary dealer exemption will be made by senior staff members of the FSA who were not involved in the initial consideration of P’s notification.

Review of a decision to prohibit the market maker exemption or the authorised primary dealer exemption

2.6.3 If P is not satisfied with the FSA’s decision to prohibit P’s use of the market maker exemption or the authorised primary dealer exemption, P may seek a review of the decision. This will be conducted by a group of at least three senior FSA staff. None of the group conducting the review will have been connected with the earlier decision taken in respect of P’s use of the market maker exemption or the authorised primary dealer exemption. The review may take place after the expiry of the 30 day period in which the notification should be made under the short selling regulation, but within 3 months of the decision referred to in FINMAR 2.6.2G(3).
After FINMAR 2.6 insert the following new Annex.

2 Annex 1G  List of directions on how notifications to use the market maker exemption or authorised primary dealer exemption should be made

This table belongs to FINMAR 2.6.1G

[to follow]

Amend the following as shown.

Schedule 4  Powers Exercised

Sch 4.1G

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Annex C

Amendments to the General Provisions (GEN)

In this Annex, underlining indicates new text and striking through indicates deleted text.

Schedule 4  Powers exercised

...  

Sch 4.2G

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<th>The following powers and related provisions in or under the Act have been exercised by the FSA to make the rules in GEN:</th>
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</tr>
<tr>
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</tr>
<tr>
<td>...</td>
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</tbody>
</table>
Annex D

Amendments to the Supervision manual (SUP)

In this Annex, underlining indicates new text.

2.3 Information gathering by the FSA on its own initiative: cooperation by firms

... Access to premises

2.3.5 R (1) A firm must permit representatives of the FSA, or persons appointed for the purpose by the FSA, to have access, with or without notice, during reasonable business hours to any of its business premises in relation to the discharge of the FSA’s functions under the Act or its obligations under the short selling regulation.

...
Annex E

Amendments to the Decision Procedure and Penalties manual (DEPP)

In this Annex, underlining indicates new text and striking through indicates deleted text.

1.1 Application and Purpose

Application

1.1.1 G This manual (DEPP) is relevant to firms, approved persons and other persons, whether or not they are regulated by the FSA. It sets out:

…

(3) the FSA’s policy with respect to the conduct of interviews by investigators appointed in response to a request from an overseas regulator or an EEA regulator (DEPP 7).

Purpose

1.1.2 G The purpose of DEPP is to satisfy the requirements of sections 63C(1), 69(1), 93(1), 124(1), 131FA, 131J(1), 169(9), 210(1) and 395 of the Act that the FSA publish the statements of procedure or policy referred to in DEPP 1.1.1G.

…

7 Statement of policy on section 169(7) interviews conducted on behalf of overseas and EEA regulators

…

Application

7.1.1 G DEPP 7 applies when the FSA:

(1) has appointed an investigator at the request of an overseas regulator, under section 169(1)(b) (Assistance to overseas regulators) or of an EEA regulator under section 131FA of the Act; and

(2) has directed, or is considering directing, the investigator, under section 169(7) or section 131FA of the Act, to permit a representative of the overseas regulator or of the EEA regulator to attend, and take part in, any interview conducted for the purposes of the investigation.

7.1.2 G In DEPP 7, a “section 169(7) requested interview” means any interview conducted for the purposes of an investigation under section 169(1)(b) or section 131FA of the Act in relation to which the FSA has given a direction under section 169(7) or section 131FA of the Act.
Purpose

7.1.3 G The purpose of DEPP 7 is to set out the FSA’s statement of policy on the conduct of interviews to which a direction under section 169(7) or section 131FA has been given or the FSA is considering giving. The FSA is required to prepare and publish this statement of policy by section 169(9) and (11) and section 131FA of the Act. As required by section 169(10) and section 131FA of the Act, the Treasury has approved the statement of policy.

7.1.4 G The FSA is keen to promote co-operation with overseas regulators and EEA regulators. It views provision of assistance to overseas regulators and EEA regulators as an essential part of the principles set out in section 2(3)(e) of the Act to which it must have regard in discharging its general functions.

Appointment of investigation and confidentiality of information

7.2.1 G Under section 169(1)(b) and section 131FA of the Act, the FSA may appoint an investigator to investigate any matter at the request of an overseas regulator or EEA regulator. The powers of the investigator appointed by the FSA (referred to here as the ‘FSA’s investigator’) include the power to require persons to attend at a specified time and place and answer questions (the compulsory interview power).

7.2.2 G Where the FSA appoints an investigator in response to a request from an overseas regulator or EEA regulator it may, under section 169(7) or section 131FA of the Act, direct him to permit a representative of that regulator to attend and take part in any interviews conducted for the purposes of the investigation. The FSA may only give a direction under section 169(7) or section 131FA if it is satisfied that any information obtained by an overseas regulator or EEA regulator as a result of the interview will be subject to the safeguards equivalent to those contained in Part XXIII (Public Record, Disclosure of Information and Cooperation) of the Act.

Policy on use of investigative powers

7.2.4 G The FSA’s policy on how it will use its investigative powers, including its power to appoint investigators, in support of overseas regulators and EEA regulators, is set out in the FSA’s Enforcement Guide (EG).

Use of direction powers

7.2.5 G The FSA may need to consider whether to use its direction power at two stages of an investigation:

1) at the same time that it considers the request from the overseas regulator or EEA regulator to appoint investigators;
(2) after it has appointed investigators, either at the request of the overseas regulator or EEA regulator or on the recommendation of the investigators.

7.2.6 G Before making a direction under section 169(7) or section 131FA, the FSA will discuss and determine with the overseas regulator or EEA regulator how this statement of policy will apply to the conduct of the interview, taking into account all the circumstances of the case. Amongst other matters, the FSA will at this stage determine the extent to which the representative of the overseas regulator or EEA regulator will be able to participate in the interview. The overseas regulator or EEA regulator will be notified of this determination on the issuing of the direction.

7.2.7 G The direction will contain the identity of the representative of the overseas regulator or EEA regulator that is permitted to attend any interview and the role that he will play in the interview. If the FSA envisages that there will be more than one interview in the course of the investigation, the direction may also specify which interview(s) the overseas representative is allowed to attend.

Conduct of interview

7.2.9 G The FSA’s investigator will act on behalf of the FSA and under its control. He may be instructed to permit the representative of the overseas regulator or EEA regulator to assist in the preparation of the interview. Where the FSA considers it appropriate, it may permit the representative to attend and ask questions of the interviewee in the course of the interview. The interview will be conducted according to the terms of the direction and the notification referred to in DEPP 7.2.6G.

7.2.10 G If the direction does permit the representative of an overseas regulator or EEA regulator to attend the interview and ask the interviewee questions, the FSA’s investigator will retain control of the interview throughout. Control of the interview means the following will apply:

1. The FSA’s investigator instigates and concludes the interview, introduces everyone present and explains the procedure of the interview. He warns the interviewee of the possible consequences of refusing to answer questions and the uses to which any answers that are given can and cannot be put. The FSA’s investigator will always ask preliminary questions, such as those establishing the identity of the interviewee.

2. The FSA’s investigator determines the duration of the interview and when, if at all, there should be any breaks in the course of it.

3. The FSA’s investigator has responsibility for making a record of the interview. The record should note the times and duration of any breaks in the interview and any periods when the representative of the overseas regulator or EEA regulator was either present or not present.
(4) Where the FSA’s investigator considers it appropriate, he may either suspend the interview, ask the overseas representative to leave the interview, or terminate the interview and reschedule it for another occasion. In making that decision he will bear in mind the terms of the direction, any agreement made with the overseas regulator or EEA regulator as to the conduct of the interview and the contents of this statement of policy.

7.2.11 G The FSA will in general provide written notice of the appointment of an investigator to the person under investigation pursuant to the request of an overseas regulator or EEA regulator. Whether or not the interviewee is the person under investigation, the FSA’s investigator will inform the interviewee of the provisions under which he has been appointed, the identity of the requesting authority and general nature of the matter under investigation. The interviewee will also normally be informed if a representative of the overseas regulator or EEA regulator is to attend and take part in the interview. Notification of any of these matters may not be provided in advance of the interview if the FSA believes that the circumstances are such that notification would be likely to result in the investigation being frustrated.

7.2.12 G The interviewee will normally be given a copy of the direction issued under section 169(7) or section 131FA in advance of the interview unless to do so would be likely to result in the investigation being frustrated. The interviewee will also be provided with a copy of this statement of policy.

…

7.2.14 G When the FSA’s investigator has exercised the compulsory interview power, at the outset of the interview the interviewee will be given an appropriate warning. The warning, amongst other things, must state that the interviewee is obliged to answer all questions put to them during the interview, including any put by the representative of the overseas regulator or EEA regulator. It will also state that in criminal proceedings or proceedings for market abuse the FSA will not use as evidence against the interviewee any information obtained under compulsion during the interview.

7.2.15 G The FSA’s investigator may decide which documents or other information may be put to the interviewee, and whether it is appropriate to give the interviewee sight of the documents before the interview takes place. Where the overseas regulator or EEA regulator wishes to ask questions about documents during the interview and the FSA’s investigator wishes to inspect those documents before the interview, he will be given the opportunity to do so. If the FSA’s investigator wishes to inspect them and has not been able to do so before the interview, he may suspend the interview until he has had an opportunity to inspect them.

7.2.16 G When the FSA’s investigator has exercised the compulsory interview power, the FSA’s investigator will require the person attending the interview to answer questions. Where appropriate, questions may also be posed by the representative of the overseas regulator or EEA regulator. The interviewee
will also be required to answer these questions. The FSA’s investigator may intervene at any stage during questioning by the representative of the overseas regulator or EEA regulator.

Language

7.2.17 G Interviews will, in general, be conducted in English. Where the interviewee’s first language is not English, at the request of the interviewee arrangements will be made for the questions to be translated into the interviewee’s first language and for his answers to be translated back into English. If a translator is employed at the request of the representative of the overseas regulator or EEA regulator then the translation costs will normally be met by the overseas regulator or EEA regulator. Where interviews are being conducted in pursuance of an EU law obligation these costs will be met by the FSA. In any event, the meeting of costs in relation to translators and, where applicable, the translation of documents will always be agreed in advance with the overseas regulator or EEA regulator.

Tape-recording

7.2.18 G All compulsory interviews will be tape-recorded. The method of recording will be decided on and arranged by the FSA’s investigator. Costs will be addressed similarly to that set out in the preceding paragraph. The FSA will not provide the overseas regulator or EEA regulator with transcripts of the tapes of interviews unless specifically agreed to, but copies of the tapes will normally be provided where requested. The interviewee will be provided with a copy of tapes of the interview but will only be provided with transcripts of the tapes or translations of any transcripts if he agrees to meet the cost of producing them.

Representation

7.2.19 G The interviewee may be accompanied at the interview by a legal adviser or a non-legally qualified observer of his choice. The costs of any representation will not be met by the FSA. The presence at the interview of a representative of the overseas regulator or EEA regulator may mean that the interviewee wishes to be represented or accompanied by a person either from or familiar with that regulator’s jurisdiction. As far as practical the arrangements for the interview should accommodate this wish. However, the FSA reserves the right to proceed with the interview if it is not possible to find such a person within a reasonable time or no such person is able to attend at a suitable venue.

7.2.20 G In relation to the publication of investigations by overseas regulators or EEA regulators, the FSA will pursue a policy similar to the policy that relates to its own investigations.

…

Sch 3.2G

The FSA’s power to impose financial penalties is contained in:
section 131G (Power to impose penalty or issue censure) of the Act

section 206 (Financial penalties) of the Act

... 

**Sch 4.1 G**

The following powers and related provisions in or under the Act have been exercised by the FSA to make the statements of policy in DEPP:

... 

<table>
<thead>
<tr>
<th>Section 131J (Impositions of penalties under section 131G: Statement of policy)</th>
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<tr>
<td>...</td>
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</table>

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Annex F

Amendments to the Enforcement Guide (EG)

In this Annex, underlining indicates new text and striking through indicates deleted text.

1 Introduction

...  

1.2 In the areas set out below, the Act expressly requires the FSA to prepare and publish statements of policy or procedure on the exercise of its enforcement and investigation powers and in relation to the giving of statutory notices.

...  

(3) ...  

(3-A) section 131FA requires the FSA to publish a statement of its policy on the conduct of certain interviews in response to requests from EEA regulators; and

(3A) ...  

...  

Assisting overseas regulators

2.16 The FSA views co-operation with its overseas counterparts as an essential part of its regulatory functions. Section 354 of the Act imposes a duty on the FSA to take such steps as it considers appropriate to co-operate with others who exercise functions similar to its own. This duty extends to authorities in the UK and overseas. In fulfilling this duty the FSA may share information which it is not prevented from disclosing, including information obtained in the course of the FSA’s own investigations, or exercise certain of its powers under Part XI of the Act. Further details of the FSA’s powers to assist overseas regulators are provided at EG 3.12 – 3.15 (Investigations to assist overseas authorities), EG 3.15A – D (Information requests and investigations to assist EEA regulators in relation to short selling), EG 4.8 (Use of statutory powers to require the production of documents, the provision of information or the answering of questions), EG 4.25 – 4.27 (Interviews in response to a request from an overseas regulator or EEA regulator), and EG 8.18 – 8.25 (Exercising the power under section 47 to vary or cancel a firm’s part IV permission in support of an overseas regulator). The FSA’s statement of policy in relation to interviews which representatives of overseas regulators or EEA regulators attend and participate in is set out in DEPP 7.

...
Use of information gathering and investigation powers

3.1 The FSA has various powers under sections 97, 131E, 131FA, 165 to 169 and 284 of the Act to gather information and appoint investigators, and to require the production of a report by a skilled person. In any particular case, the FSA will decide which powers, or combination of powers, are most appropriate to use having regard to all the circumstances. Further comments on the use of these powers are set out below.

... Information requests and investigations to assist EEA regulators in relation to short selling

3.15A The FSA may use its section 131E power to require information and documents from natural or legal persons to support both its monitoring and its enforcement functions.

3.15B An officer with authorisation from the FSA may exercise the section 131E power to require information and documents from natural or legal persons. This includes an FSA employee or an agent of the FSA.

3.15C The FSA’s power to conduct investigations to assist EEA regulators in respect of the short selling regulation is contained in section 131FA of the Act. The section provides that at the request of an EEA regulator or ESMA, the FSA may either use its power under section 131E to require the production of information, or appoint a person to investigate any matter.

3.15D Section 131FA states that the FSA must, in deciding whether or not to exercise its investigative power, consider whether the exercise of that power is necessary to comply with an obligation under the short selling regulation.

... Use of statutory powers to require the production of documents, the provision of information or the answering of questions

4.8 The FSA’s standard practice is generally to use statutory powers to require the production of documents, the provision of information or the answering of questions in interview. This is for reasons of fairness, transparency and efficiency. It will sometimes be appropriate to depart from this standard practice, for example:

... (3) In some cases, the FSA is asked by overseas regulators or EEA regulators to obtain documents or conduct interviews on their behalf. In these cases, the FSA will not necessarily adopt its standard approach as it will consider with the overseas regulator or EEA regulator the most appropriate method for obtaining evidence for use in their country.

... Interviews in response to a request from an overseas regulator or EEA regulator
4.25 Where the FSA has appointed an investigator in response to a request from an overseas regulator or EEA regulator, it may, under section sections 169(7) or 131FA of the Act respectively, direct the investigator to allow a representative of that regulator to attend, and take part in, any interview conducted for the purposes of the investigation. However, the FSA may only use this power if it is satisfied that any information obtained by an overseas regulator or EEA regulator as a result of the interview will be subject to safeguards equivalent to those in Part XXIII of the Act (section sections 169(8) and 131FA respectively).

Under section sections 169(9) and 131FA respectively, the FSA is required to prepare a statement of policy with the approval of the Treasury on the conduct of interviews attended by representatives of overseas regulators or EEA regulators. The statement is set out in DEPP 7.

7.2 The FSA has the following powers to impose a financial penalty and to publish a public censure.

(1) It may publish a statement:

... (ea) if a person natural or legal person has contravened any provision of the short selling rules regulation, or any requirement imposed on the person that person under section 131E or 131F, under section 131G of the Act; and ...

(2) It may impose a financial penalty:

... (ca) on a person natural or legal person who has contravened any provision of the short selling rules regulation, or any requirement imposed on the person that person under section 131E or 131F, or any person natural or legal person who was knowingly concerned in the contravention, under section 131G of the Act; and ...