Foreword: Regulation in Action

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Duff & Phelps' Global Enforcement Review looks beyond just the words, policies and intentions of the world's financial services regulators. Drawing from data published by the key regulators in the US, UK and Hong Kong, as well as commentary and insight from around the globe, this report examines those policies in practice: How they invest, when they act and what they do.

It comes at a time when insights into regulators' thinking are needed more than ever. Many jurisdictions face massive political uncertainty, with the Trump administration in the US and Brexit in the UK holding the potential for big changes in regulatory regimes. Moreover, from Hong Kong's Securities and Future Commission (SFC)'s focus on nepotism in financial firms to the Financial Industry Regulatory Authority (FINRA)'s action on corruption and money laundering, there is increasing evidence of a stronger alignment between regulator activity and government objectives.

Even without this, though, regulators' priorities are always evolving. At the Commodity Futures Trading Commission (CFTC) and Securities and Exchange Commission (SEC) there are new chairmen. More widely, regulators are regrouping following the last of the big cases stemming from the Libor and FX rigging scandals. In most cases this has led to a substantial decrease in the number of enforcement actions and the size of financial penalties. But in their place new priorities and strategies are beginning to emerge.

These could bring profound changes to regulatory enforcement in the months and years ahead. In the UK, for instance, we see the Financial Conduct Authority (FCA) pioneering an agenda of cultural change supported by the Senior Managers and Certification Regime. That's reflected in the SFC's Manager in Charge Regime, and likely to be closely watched by others, too, such as the CFTC, which has made cultivating a regulatory culture in firms a priority.

Across regulators, meanwhile, the past year has seen a number of enforcement action 'firsts': it was the first charge from the SEC against a firm solely for failing to file suspicious activity reports and the first-ever FCA fine for a lack of appropriate controls over outsourced providers. Along with the other insights in this report, such cases tell us not just where regulators are bearing down today, but where they may be looking tomorrow and in the year ahead.

In a fast-changing environment, we hope the insights in these pages will help firms as they navigate their path ahead.

Figure A – Change in Total Financial Penalty Amount from 2015 – 2016