



Consumer Queries  
<Consumer.Queries@fsa.gov.uk>

09/02/2011 02:59 AM

Please respond to  
Consumer Queries  
<Consumer.Queries@fsa.gov.uk>

To maree\_marsden@agd.nsw.gov.au

cc

bcc

Subject RE: ISS01412141 Correspondence - Reference: Cheating at Gambling - NSW Law Reform Sydney, Australia

History: This message has been forwarded.

Our Ref: ISS01412141

Dear Ms Marsden

Thank you for your email and attached letter sent on behalf of Hon James Wood AO QC to Mr Hector Sants at the Financial Services Authority (FSA). I would like to confirm that a copy of the letter has been forwarded to Mr Sants' office and we have been asked to send a response on his behalf.

I understand that you would like to know the extent to which spread betting is regulated in the UK and potential action that can be taken legally if individuals are found to be cheating.

I would like to thank you for taking the time to contact us about this issue and I appreciate your concern. I thought it would be of use if I clarify the role of the FSA, comment on the regulation of spread betting and explain enforcement action that can be taken if firms breach our rules.

The FSA regulates the financial services industry under the Financial Services and Markets Act 2000 (FSMA). Our four main objectives under the Act are to maintain market confidence, to promote public understanding of the financial system, to secure the right amount of protection for consumers and to reduce financial crime. I have attached a link to our website which details our role further:

[www.fsa.gov.uk/Pages/about/index.shtml](http://www.fsa.gov.uk/Pages/about/index.shtml)

I would like to clarify that spread betting, which is a form of contracts for difference, is a regulated activity under FSMA and any firm offering this type of contract need to be authorised by us. I have attached a link to our Conduct of Business Sourcebook (COBS), which forms part of the FSA handbook, which details the conduct rules investment firms should follow. You may wish to pay particular attentions to COBS 11 - Dealing and Managing: [www.fsahandbook.info/FSA/html/handbook/COBS](http://www.fsahandbook.info/FSA/html/handbook/COBS)

I have also attached a link to the search results from our website for spread betting. The results will cover a range of spread betting material including details of fines we have made against regulated firms that may be of interest to you:

[www.fsa.gov.uk/pages/search/index.shtml?cx=007702012814746907219%3Avvguzpup\\_huq&cof=FORID%3A9&ie=UTF-8&q=spread+betting#1191](http://www.fsa.gov.uk/pages/search/index.shtml?cx=007702012814746907219%3Avvguzpup_huq&cof=FORID%3A9&ie=UTF-8&q=spread+betting#1191)

I note that you are interested in common law surrounding cheating or fraudulent conduct and I would like to clarify that the FSA cannot comment on the legal implications surrounding cheating. You may wish to contact the Gambling Commission who were set up under the Gambling Act 2005 to regulate commercial gambling in Great Britain as they maybe able to comment on legal implications of cheating. I have attached a link to their website for your records: [www.gamblingcommission.gov.uk/default.aspx](http://www.gamblingcommission.gov.uk/default.aspx)

I have therefore commented on cheating as potential market manipulation. I thought it maybe of use if I clarify the action the FSA can take if we

believe firms who are operating spread betting contracts are breaching our rules or manipulating the markets, which would be considered market abuse. FSMA allows us to take action such as:

- \* withdrawing a firm's authorisation;
- \* disciplining authorised firms and people approved by the FSA to work in those firms;
- \* imposing penalties for market abuse;
- \* applying to the Court for injunction and restitution orders; and
- \* prosecuting various offences.

FSMA also gives us powers to take action under the insider dealing provisions of the Criminal Justice Act 1993 and the Money Laundering Regulations 2007. FSMA gives us the tools we need to do the job of enforcement - including the power to interview people and require them to hand over documents. It also sets out the circumstances when we are allowed to use those powers.

For further information about our enforcement work, and details of enforcement press releases, you may wish to visit our website - [www.fsa.gov.uk/Pages/Doing/Regulated/Law/index.shtml](http://www.fsa.gov.uk/Pages/Doing/Regulated/Law/index.shtml)

I have also outlined the action we can take under market abuse: [www.fsa.gov.uk/pages/About/What/financial\\_crime/market\\_abuse/index.shtml](http://www.fsa.gov.uk/pages/About/What/financial_crime/market_abuse/index.shtml)

If you have any future questions on financial services and products, you may find it easier to call our Consumer Helpline on 0845 606 1234 (call rates may vary). You can also access relevant information online at [www.fsa.gov.uk/pages/consumerinformation](http://www.fsa.gov.uk/pages/consumerinformation) and via the Consumer Financial Education Body's website: [www.moneymadeclear.org.uk/](http://www.moneymadeclear.org.uk/).

I trust this is of assistance to you.

Yours sincerely

Peter Jones (Mr)  
Customer Contact Centre  
Financial Services Authority  
Consumer Helpline: 0845 606 1234 (call rates may vary)  
[www.fsa.gov.uk/pages/consumerinformation](http://www.fsa.gov.uk/pages/consumerinformation)