Financial Services Authority

FINAL NOTICE

To: Direct Sharedeal Limited

Of: 2nd Floor
4 West Regent Street
Glasgow
Lanarkshire
G2 1RW

Date: 17 February 2010

TAKE NOTICE: The Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS ("the FSA") gives you final notice about the requirement to pay a financial penalty:

1. THE PENALTY

1.1. The FSA gave Direct Sharedeal Limited ("DSL"/"the Firm") a Decision Notice dated 15 February 2010 which notified the Firm that for the reasons listed below, the FSA has decided to impose a financial penalty of £101,500 in relation to DSL pursuant to section 206 of the Financial Services and Markets Act 2000 ("the Act"). This penalty is for breaches of Principle 3 (Management and control), Principle 6 (Customers' interests) and Principle 10 (Clients' assets) of the FSA's Principles for Businesses ("the Principles") and Rule 12.6.5R in the Supervision manual of the FSA Handbook ("SUP") between 29 October 2007 and 31 March 2009 ("the Relevant Period").

1.2. DSL agreed to settle at an early stage of the FSA's investigation and qualified for a 30% (stage 1) discount under the FSA's executive settlement procedures. Were it not for this discount, the FSA would have imposed a financial penalty of £145,000. The breaches related to failings by DSL in relation to the appointment, supervision and monitoring of its appointed representatives, and in relation to the activities of one of its appointed representatives, First Colonial Investments LLP ("FCI").

1.3. The Firm confirmed on 29 January 2010 that it will not be referring the matter to the Financial Services and Markets Tribunal.

1.4. Accordingly, the FSA imposes a financial penalty on DSL in the amount of £101,500.

2. REASONS FOR THE ACTION

2.1. An appointed representative is a firm that conducts regulated business on behalf of a directly authorised firm that acts as its principal, but is not authorised in its own right. A written contract between the principal and the appointed representative specifies the type of business that the appointed representative is permitted to carry out on behalf of the principal. The principal takes regulatory responsibility for the appointed representative. The principal is ultimately accountable for the products its appointed representatives advise on, recommend and sell, including any liabilities that might arise for ensuring that the appointed representative complies with its regulatory responsibilities.

2.2. As a result, firms with appointed representatives need to have rigorous management information to allow robust supervision and monitoring of their appointed representatives, and to ensure that the appointed representatives are treating their customers fairly and that they are financially sound. DSL outsourced its compliance function, and firms may use third party services to assist them in the efficient running of their business. However, ultimate responsibility for compliance cannot be outsourced and remains with the firm's senior management.

2.3. The breaches of the Principles and Rules relate to a number of failings by DSL in its management and monitoring of its appointed representatives. In respect of FCI, this led to a significant risk of unsuitable sales of higher risk shares to customers.

Principle 3

2.4. DSL breached Principle 3 during the Relevant Period in that it did not have adequate systems and controls in place to:

(1) demonstrate that sufficient due diligence was carried out before appointing its appointed representatives;

(2) undertake close and continuous supervision of its appointed representatives in order to ensure their continuing suitability to be appointed representatives of DSL;

(3) identify and mitigate risks relating to the competence, suitability and approval of FCI's senior management and sales advisers; and

(4) review and monitor FCI's financial position.

2.5. As a result, DSL failed to obtain sufficient information to assess the suitability, competence and capability of its appointed representatives and to monitor and enforce compliance by its appointed representatives with FSA Principles and Rules.

Principle 6

2.6. In breach of Principle 6, FCI failed to pay due regard to the interests of its customers and treat them fairly during the Relevant Period. DSL was responsible, as principal, for any failure by FCI to comply with the FSA's Principles and Rules.

2.7. FCI sold higher risk securities to its retail clients by using unacceptable sales practices, including making unsuitable recommendations. FCI failed to carry out adequate checks to establish that the recommended securities were suitable for its clients. FCI's sales advisers used potentially misleading sales pitches to persuade clients to buy the recommended securities.

2.8. DSL as principal was responsible for FCI's poor sales practices and its failure to make suitable recommendations.

Principle 10

2.9. DSL breached Principle 10 in that it failed to arrange adequate protection for clients' assets when it was responsible for them in two respects:

(1) DSL permitted FCI to hold client money in FCI's own account, with FCI only forwarding client money to DSL when clients traded. This was also a breach of SUP 12.6.5R; and

(2) FCI instructed payment for the sale of shares to a bank account in the name of a separate but connected unregulated legal entity. This was only identified by DSL's compliance consultant in March 2009.

2.10. In light of the above, DSL put FCI's client monies at a serious risk of loss and was in breach of Principle 10 and SUP 12.6.5R.

2.11. The FSA considers DSL's failings to be serious because:

(1) DSL had a number of appointed representatives during the Relevant Period. Accordingly, DSL needed to ensure that it had in place adequate compliance resources that reflected the risks inherent in such a business model. The breaches arose as a result of weak supervision and compliance monitoring by DSL of its appointed representatives, which were demonstrated by a failure to detect and sufficiently mitigate the regulatory failings at FCI. The FSA has not identified regulatory failings at other appointed representatives of DSL.

(2) The securities promoted and sold by FCI to retail clients were higher risk securities in companies that were not listed on any exchange, or traded on PLUS or AIM.

(3) DSL prolonged the effective date of its decision to terminate the Appointed Representative Agreement with FCI so as to increase the likelihood of it receiving outstanding monies owed to DSL by FCI. In doing this, DSL focussed on receiving the payment of outstanding monies and did not consider whether FCI continued to be suitable as an appointed representative and that FCI's customers were being treated fairly.

2.12. The FSA has recognised that DSL has voluntarily agreed to contact FCI's clients and provide redress where appropriate.

3. RELEVANT STATUTORY PROVISIONS AND GUIDANCE

3.1. The FSA's regulatory objectives, set out in section 2(2) of the Financial Services and Markets Act 2000 (“the Act”) includes the protection of consumers.

3.2. Section 206 of the Act provides:

"If the Authority considers that an authorised person has contravened a requirement imposed on him by or under this Act, it may impose on him a penalty, in respect of the contravention, of such an amount as it considers appropriate."

3.3. DSL is an authorised person for the purposes of section 206 of the Act. The requirements imposed on authorised persons include those set out in the FSA’s Principles and Rules made under section 138 of the Act.

3.4. The FSA’s Principles are a general statement of the fundamental obligations of firms under the regulatory system and reflect the FSA's regulatory objectives. The FSA's Principles and Rules constitute requirements imposed on authorised persons under the Act; breaching a Principle and/or a Rule can make a firm liable to disciplinary sanctions.

3.5. The procedures to be followed in relation to the imposition of a financial penalty are set out in sections 207 and 208 of the Act.

3.6. FCI is an appointed representative of DSL for the purposes of sections 39(4) and 39(5) of the Act.

3.7. Section 39(3) of the Act provides:

“The principal of an appointed representative is responsible, to the same extent as if he had expressly permitted it, for anything done or omitted by the representative in carrying on the business for which he has accepted responsibility.”

3.8. Section 39(4) of the Act provides:

“In determining whether an authorised person has complied with a provision contained in or made under this Act…anything which a relevant person has done or omitted as respects for which the authorised person has accepted responsibility is treated as having been done or omitted by the authorised person.”

3.9. Section 39(5) of the Act provides:

"Relevant Person" means a person who at the material time was an appointed representative by virtue of being a party to a contract with the authorised person."

3.10. Principle 3 states:

"A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems."

3.11. Principle 6 states:

"A firm must pay due regard to the interests of its clients and treat them fairly."

3.12. Principle 10 states:

"A firm must arrange adequate protection for client's assets when it is responsible for them."

3.13. SUP 12.6.5 R provides that:

(1) "A firm must not permit an appointed representative to hold client money…"

(2) The firm must take reasonable steps to ensure that if client money is received by the appointed representative, it is paid into a client bank account of the firm, or forwarded to the firm [in accordance with the relevant CASS rules].*"*

Relevant guidance

3.14. In deciding to take the action above, the FSA has had regard to the guidance published in the Decision Procedure and Penalties Manual ("DEPP"), which forms part of the FSA's Handbook and which, together with the Enforcement Guide ("EG"), came into effect on 28 August 2007. In particular, the FSA has taken into account the general criteria for determining whether to take disciplinary action and the factors relevant to determining the appropriate level of financial penalty set out in DEPP 6.2 and 6.5 respectively.

4. FACTS AND MATTERS RELIED ON

4.1. DSL is a stockbroker whose main services are providing a dealing platform, settlement and custody services to allow its clients to trade in spread bets, contracts for difference, and share dealing (including share dealing within a Self-Invested Pension Plan or an Investment Savings Account). Although DSL provided settlement services in relation to shares in smaller capitalised companies, it did not itself provide advice in relation to such shares.

4.2. During the Relevant Period, DSL held permission under Part IV of the Act to carry on the following regulated activities with respect to designated investment business, and with respect to retail (investment) clients, professional clients and eligible counterparties:

(1) advising on investments (except on pension transfers and opt-outs);

(2) agreeing to carry on a regulated activity;

(3) arranging deals in investments;

(4) arranging safeguarding and administration of assets;

(5) causing dematerialised instructions to be sent;

(6) dealing in investments as agent;

(7) establishing, operating or winding up an unregulated collective investment scheme;

(8) making arrangements with a view to transactions in investments;

(9) managing investments;

(10) safeguarding and administration of assets (without arranging); and

(11) sending dematerialised instructions.

4.3. Over the Relevant Period, several changes occurred within DSL’s senior management, including significant changes in the senior management team in July 2008. Also during the Relevant Period there were five changes of personnel in the compliance oversight role. Whilst DSL had a member of the senior management approved to oversee its compliance function, the actual apportionment of day-to-day compliance and regulatory responsibility for DSL’s appointed representatives was unclear. The day-to-day compliance monitoring of DSL and of its appointed representatives was outsourced to a third party independent compliance consultancy firm during the Relevant Period.

4.4. DSL had seven appointed representatives during the Relevant Period. The range of businesses covered stockbrokers (specialising in smaller capitalised companies’ securities), independent financial advisers and a training company (providing training on trading on the stock market), and all targeted their businesses at retail clients.

4.5. In addition to taking on responsibility as principal for its appointed representatives, DSL entered into a share dealing settlement and custody agreement with some of its appointed representatives, including FCI.

4.6. DSL's appointed representative agreements were terminated between 31 March 2008 and 9 April 2009. With effect from 15 May 2009, DSL voluntarily varied its regulatory permissions such that it may not enter into any further appointed representatives agreements.

4.7. FCI was a stockbroker specialising in recommending and selling higher risk investments issued by smaller capitalised companies to retail clients. This was undertaken mainly by telephone. FCI was an appointed representative of DSL between 29 October 2007 and 31 March 2009. FCI was wound up by the Court on 4 November 2009 and placed into liquidation. FCI's financial records are such that the FSA has been unable to determine the precise extent of FCI's business during the Relevant Period. However, in the period between April 2008 and January 2009 it earned revenues of £1,373,994.

Failure to monitor and keep under review the suitability of its appointed representatives

4.8. The current senior management of DSL was unable to confirm that DSL had completed any due diligence in respect of appointed representatives prior to DSL taking them on as principal. There was no documented evidence indicating that references or any financial checks were carried out by DSL to satisfy itself as to the fitness and propriety of its appointed representatives, or that any checks on the competence of a proposed appointed representative had been carried out, save in respect of one firm.

4.9. DSL then failed to adequately monitor its appointed representatives or act on all issues that were raised by its compliance consultant. There was no direct compliance monitoring of DSL's appointed representatives by DSL itself and the firm relied on the appointed representatives to organise and carry out their own compliance monitoring of their businesses.

4.10. There was no compliance monitoring of one firm over its whole eight month tenure as an appointed representative of DSL. DSL allowed another appointed representative firm to continue for eight months despite it not providing management accounts as requested by DSL.

4.11. Under the appointed representative agreements, DSL's appointed representatives were required to use the third party compliance consultancy firm used by DSL to review their internal compliance monitoring. DSL was dependent on the compliance consultancy firm reporting to DSL, and had no systems and controls to ensure that any monitoring of its appointed representatives was being adequately undertaken to ensure the completeness of the compliance consultant's reports, and to ensure that any issues raised by the compliance consultant were appropriately followed up.

4.12. The agreement between DSL and its compliance consultant provided for the review of FCI through a compliance monitoring programme. This provided for monthly compliance monitoring reviews as well as advice on the Firm's 'Treating Customers Fairly' strategy, FCI's systems and controls and compliance manual.

4.13. However, there were no compliance reports relating to FCI produced between October 2007 and December 2007, and between September 2008 and March 2009, as no compliance visits occurred during these periods. DSL should have been aware of this. In January 2009, DSL was informed that no compliance monitoring had been taking place, but it was not until the following month that DSL contacted FCI and insisted that FCI organised a compliance visit which took place in late March 2009.

4.14. The compliance monitoring programme failed to identify and remedy the failings in respect of FCI set out below. Call monitoring was carried out by an FCI employee, who listened to sales calls and wrote a review of those calls. The FCI employee had no previous compliance experience and had additional roles within FCI which meant that insufficient time was given to adequately carrying out all his compliance roles and responsibilities.

4.15. Until March 2009, the primary method of monitoring of calls by the compliance consultant was reviewing the written reviews of this FCI employee. In March 2009, the compliance consultant listened to a sample of calls. The review noted that the calls were inadequate as little was mentioned about the negative points of the transaction and no risk warnings were delivered.

4.16. However, the FCI employee responsible for call monitoring had monitored almost all the calls reviewed by the consultant and had given them a "*Pass (Ranked A) including for balance and delivering the Risk Warnings*". By contrast, the FSA's review of one of those calls identified instances where FCI's own call review checklist was incorrectly completed. This demonstrates both the limitations of FCI's own compliance monitoring and DSL's lack of oversight of these compliance arrangements.

4.17. Consequently, in respect of its obligations to monitor the ongoing suitability of its appointed representatives, DSL:

(1) did not monitor all of its appointed representatives in relation to their regulatory compliance;

(2) did not resolve on a timely basis the compliance issues that were identified;

(3) allowed FCI, a higher risk business, to go unmonitored for extended periods of time; and

(4) did not ensure that, for most of the Relevant Period, its own compliance monitoring covered a high risk area, i.e. the actual conduct of telephone calls, in sufficient depth to identify fully unacceptable sales practices.

4.18. As a result of the failings of monitoring and supervision, DSL failed to fully identify the fact that FCI was selling higher risk securities by using unacceptable sales practices until April 2009. DSL also failed to establish that a significant number of FCI's trades were settled through brokerages other than DSL.

Competence and FSA approval of FCI's senior management and employees

4.19. As a principal firm, DSL was responsible for applying for approval for those carrying out controlled functions within its appointed representatives. Directors (or their equivalent) and senior managers (or their equivalent) of appointed representatives should not perform controlled functions within the firm until approval by the FSA is granted.

4.20. DSL knew that FCI had an employee who directed FCI's business and exercised significant influence on the conduct of FCI's affairs. DSL submitted an application to the FSA for the approval of this employee as Controlled Function 4 (Partner) and Controlled Function 30 (Investment Adviser), but this application was subsequently withdrawn by DSL in April 2008 following queries from the FSA. No further application was made by DSL, yet DSL allowed the individual to continue to direct FCI's business without holding the requisite approval.

4.21. Senior management at DSL had concerns about the quality of certain of FCI's sales advisers but made no inquiries to ensure that the advisers concerned were competent to carry out the role of investment sales advisers.

Poor sales practices at FCI

4.22. Sales calls to 19 clients were reviewed by the FSA in conjunction with the limited client information available on FCI's client management system covering the period from January 2009 to February 2009.

Client suitability

4.23. FCI had in place suitability criteria which any new client had to meet before being accepted as a client by FCI. However, based on the client information available, seven out of 19 clients were identified as not matching FCI's own suitability criteria. Three clients were recommended PLUS and private equity shares despite their Client Information Forms indicating that they did not want to invest in higher risk investments.

4.24. Once a client had been accepted, there was little or no information recorded relating to their existing liabilities, and in none of the calls did the sales advisers make any inquiries as to the client's financial situation, changes in their financial circumstances or their investment objectives.

4.25. In the 19 calls reviewed by the FSA, where clients did volunteer information about their financial circumstances or past investment experience, that information suggested that the shares recommended by FCI were either unaffordable for the client in the first place or unsuitable for that client's investment portfolio and objectives. However, the sales adviser continued to recommend and sell the shares. In one call the adviser laughed off the client's tight financial position and told the client that he was exaggerating.

Sales recommendations

4.26. FCI's sales advisers were given a script to follow in making their sales recommendations. Despite the existence of a script, in 18 of the calls reviewed, the sales recommendation was unbalanced and incomplete and, as a result, misleading. This included failure to mention the specific risk factors of the recommended securities, or making misleading statements about a company's financial position when recommending an investment.

4.27. In all calls reviewed by the FSA, short term price projections were made but not supported by the information about the securities provided by FCI to the sales advisers. As an example, in one call a 300% upside was suggested as "*very conservative*" and "*very achievable*".

4.28. On five occasions, the adviser suggested that they were expecting positive announcements, and "*other things happening within the company which we were told yesterday but I cannot tell you about*". In two calls the client was informed that "*the price will double on the back of those announcements*". This risked misleading the client as to the prospects of the securities.

Financial position of FCI

4.29. DSL's current senior management was unaware whether DSL had monitored FCI's financial position throughout the Relevant Period**.** DSL was unable to provide documentation demonstrating what due diligence and checks had been conducted concerning FCI's financial position. For at least eight months before terminating the appointed representative agreement with FCI, DSL was aware that there were concerns regarding FCI's financial position following bounced cheques to DSL and to its compliance consultant, and a large outstanding settlement position with DSL. However, it was not until 15 February 2009 that DSL requested FCI's management accounts for 2007 and 2008.

Banking arrangements and client money

4.30. As an appointed representative, FCI could not hold client money. However, in April 2008, DSL directed that FCI deposit client money into FCI's own account and send to DSL client money only when its clients traded. Later in the Relevant Period, FCI instructed payment for the sale of shares to the corporate bank account in the name of a separate but connected unregulated legal entity. This was in breach of client money rules and was only identified by DSL's compliance consultant in March 2009.

Termination of appointed representative agreement

4.31. Senior management at DSL stated that over the Relevant Period, FCI had an outstanding settlement position with DSL relating to trades considerably past the due settlement date, and which varied from £70,000 to £300,000.

4.32. There were clear indications that FCI was in financial difficulty, but DSL failed to consider the potential detriment this might cause to FCI's clients. DSL first indicated to FCI in October 2008 that it was minded to terminate its agreement with FCI, but allowed the appointed representative agreement to continue to trade, in effect, so as to allow time for FCI to try to settle its outstanding trades and reduce the debt owed to DSL.

4.33. At the time when DSL terminated FCI's appointed representative's status, DSL did not give any consideration to FCI's clients' interests and did not take any steps to mitigate the risks involved by informing clients of the termination of the appointed representative agreement, nor did it take any steps to ensure that FCI did not hold any client money.

5. ANALYSIS OF BREACHES AND PROPOSED SANCTION

Breach of Principle 3

5.1. By reason of the facts and matters set out above, DSL did not take reasonable care to organise and control its monitoring and supervision of the affairs of its appointed representatives responsibly and effectively, in breach of Principle 3.

5.2. DSL failed to demonstrate that sufficient due diligence was carried out and recorded before appointing its appointed representatives. DSL did not monitor all its appointed representatives for their regulatory compliance, and for the appointed representatives it did monitor, DSL did not resolve on a timely basis all issues that were identified.

5.3. DSL allowed FCI, a higher risk business, to go unmonitored for extended periods of time and did not ensure that, for most of the Relevant Period, its own compliance monitoring covered a high risk area, i.e. the actual conduct of telephone sales calls, in sufficient depth to identify fully unacceptable sales practices.

5.4. DSL failed to take adequate steps to identify and mitigate concerns about the competence and suitability and registration of FCI's senior management and sales advisers. DSL had concerns about the competence and suitability of FCI's senior management and certain sales advisers, but took no adequate steps to monitor the competence and capability of FCI's sales advisers or to ensure that an employee who had carried out a significant influence controlled function had the appropriate approval.

5.5. DSL failed to carry out adequate close and continuous supervision of its appointed representatives, and to monitor on an on-going basis the financial position of its appointed representatives. This meant that DSL failed to obtain sufficient and adequate information to be in a position to assess the suitability, competence and capability of its appointed representatives to meet and continue to meet the FSA's requirements.

Breach of Principle 6

5.6. FCI failed to pay due regard to the interests of its customers and treat them fairly. During the Relevant Period, DSL was responsible, as principal, for any failure to comply with the FSA's Principles and Rules by FCI. DSL was therefore responsible for FCI's poor sales practices in breach of Principle 6.

5.7. FCI's sales advisers used unacceptable sales practices to sell higher risk securities to its clients. Inadequate and insufficient suitability checks were carried out, and FCI's sales advisers used sales pitches which were unbalanced, incomplete and accordingly were potentially misleading. The poor sales practices resulted in a high risk of unsuitable sales to FCI's retail clients.

Breach of Principle 10

5.8. A principal firm must not permit an appointed representative to hold client money. DSL failed to arrange adequate protection for clients' assets when it was responsible for doing so in two respects. DSL expressly allowed FCI to deposit client money into FCI's own account, which was also a breach of SUP 12.6.5R. Secondly, FCI instructed clients paying for the sale of shares to direct funds into a bank account held in the name of an unregulated legal entity which was connected to FCI.

5.9. In allowing its appointed representative to hold client money and in failing to monitor adequately the banking arrangements of FCI, DSL put client money at a serious risk of loss. Accordingly, DSL was in breach of Principle 10.

Sanction

5.10. The FSA regards the decision to impose a financial penalty as a serious one. In determining whether a financial penalty is appropriate and, if so, its level, the FSA is required to consider all the relevant circumstances of the case. The FSA considers that the following factors set out in the Decision Procedure and Penalties Manual are particularly relevant in this case.

Deterrence

5.11. The principal purpose of a financial penalty is to promote high standards of regulatory conduct by deterring firms who have breached regulatory requirements from committing further contraventions, helping to deter other firms from committing contraventions, and demonstrating generally to firms the benefits of compliant behaviour. Principal firms should understand their responsibilities in relation to the activities of their appointed representatives.

The nature, seriousness and impact of the breach in question

5.12. In determining the appropriate sanction, the FSA has had regard to the seriousness of the contraventions, including the nature of the requirements breached, the number and duration of the breaches, and the revenue earned by FCI.

5.13. The FSA considers that the breaches identified in this case are of a serious nature as they relate to the sale of higher risk investments to retail clients. There were significant weaknesses in DSL's compliance monitoring arrangements which meant that its appointed representatives were not adequately monitored, and that key risk indicators were not recognised. As a result of DSL's inadequate compliance arrangements, FCI was able to engage in unacceptable sales practices which exposed its clients to a risk of loss.

5.14. DSL was also aware of FCI's financial difficulties and had concerns about FCI's financial position at least eight months before DSL terminated the appointed representative agreement with FCI. DSL did not assess whether or not these financial difficulties meant that FCI was no longer suitable to carry on regulated business as an appointed representative of DSL and took no effective action to mitigate the risks this posed to customers.

The extent to which the breach was deliberate or reckless

5.15. The FSA has concluded that DSL was reckless in the actions set out below:

(1) DSL was reckless as in April 2008 it expressly permitted FCI to hold client money in breach of the regulatory requirements under the SUP rules.

(2) DSL was also reckless in its failure to ensure that a person performing a significant influence function at FCI was appropriately approved by the FSA following a withdrawal of an application for approval in April 2008.

The amount of benefit gained or loss avoided

5.16. DSL earned £5,000 on the signing of the appointed representative agreement plus a further £1,500 per month (exclusive of VAT) for each month it acted as a principal firm (under the terms of the appointed representative agreement). DSL earned approximately £22,000 in total from FCI but, given monies continuing to be owed by FCI under the share dealing settlement and custody agreement, has not made a profit from its relationship with FCI.

The size, financial resources and other circumstances of the firm

5.17. In determining the level and timing of penalty, the FSA has been mindful of the size and financial situation, including the regulatory capital position, of the firm. As of 30 September 2009, DSL held regulatory capital of £411,000 and there is no evidence to suggest that DSL cannot pay the financial penalty.

Conduct following the breach

5.18. After the FSA informed DSL of its concerns, DSL fully co-operated with the FSA, including making early admissions as to its regulatory failings. DSL has voluntarily agreed to contact, where possible, all clients of FCI to make them aware of the elements of misconduct at FCI. DSL has also agreed to properly assess, and pay where appropriate, any claims for redress FCI's clients may have.

Disciplinary record and compliance history

5.19. DSL has not been the subject of previous disciplinary action.

Other action taken by the FSA

5.20. In determining the level of financial penalty, the FSA has taken into account penalties imposed by the FSA on other authorised persons for similar behaviour.

6. CONCLUSION

6.1. In the light of the matters above, the FSA has decided to impose a financial penalty of £101,500 on DSL for the breaches of Principle 3, Principle 6 and Principle 10 and SUP 12.6.5R set out above.

7. DECISION MAKERS

7.1. The decision which gave rise to the obligation to give this Final Notice was made by the Settlement Decision Makers on behalf of the FSA..

8. IMPORTANT

8.1. This Final Notice is given to DSL in accordance with section 390 of the Act.

Financial Penalty

8.2. The financial penalty must be paid in full by DSL to the FSA by no later than 3 March 2010, 14 days from the date of the Final Notice.

8.3. If all or any of the financial penalty is outstanding on 4 March 2010, the FSA may recover the outstanding amount as a debt owed by the Firm and due to the FSA.

Publicity

8.4. Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this notice relates. Under those provisions, the FSA must publish such information about the matter to which the notice relates as the FSA considers appropriate. The information may be published in such a manner as the FSA considers appropriate. However, the FSA may not publish information if such publication would, in the opinion of the FSA, be unfair to you or prejudicial to the interests of consumers.

8.5. The FSA intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

FSA contacts

8.6. For more information concerning this matter generally, DSL or FCI you should contact Stephen Robinson at the FSA (direct line: 020 7066 1338 /fax: 020 7066 1339).

Georgina Philippou

Project Sponsor

FSA Enforcement and Financial Crime Division