FINAL NOTICE

To: ABN AMRO Equities (UK) Limited

Of: 250 Bishopsgate
London
EC2M 4AA

Date: 15 April 2003

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

1. THE PENALTY

1.1 Pursuant to section 206 of the Financial Services and Markets Act 2000 ("the Act or FSMA") and for the reasons set out below, the FSA has decided to impose a financial penalty of £900,000 on ABN Amro Equities (UK) Limited ("AAE") in respect of breaches of former Principle 3 and Principle 9 of the FSA's Statements of Principles as applied in 1998 ("the former FSA Principles").

1.2 You have not referred the matter to the Financial Services and Markets Tribunal ("the Tribunal") within 28 days of the date on which the Decision Notice was given. You have also agreed not to refer the matter to the Tribunal. Accordingly, for the reasons set out below, the FSA imposes a financial penalty on you in the amount of £900,000.

2. RELEVANT STATUTORY PROVISIONS AND REGULATORY RULES

2.1 Section 206 of FSMA 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 amount as it considers appropriate."

2.2 The Financial Services and Markets Act 2000 (the Transitional Provisions and Savings) (Civil Remedies, Discipline, Criminal Offences etc) (2) Order 2001 ("the Transitional Order") provides, at Articles 7 and 8, that the powers conferred by

sections 205 and 206 of FSMA apply in relation to any act of misconduct within the meaning of Rule 7.23(A)(3) of the Rules of the Securities and Futures Authority ("SFA Rules") as if the authorised person had contravened a requirement imposed by or under FSMA.

2.3 SFA Rule 7.23A(3) provided that:

"*an act of misconduct is -*

(a) a breach of the rules of SFA;

(b) a breach of the [Financial Services] *Act* [1986] *or the provisions made under it."*

2.4 Principle 3 of the former FSA Principles ("former Principle 3") stated that:

"A firm should observe high standards of market conduct. It should also, to the extent endorsed for the purpose of this principle, comply with any code or standard as in force from time to time and as it applies to the firm either according to its terms or by rulings made under it".

2.5 Principle 9 of the former FSA Principles ("former Principle 9") stated that:

"A firm should organise and control its internal affairs in a responsible manner, keeping proper records, and where the firm employs staff or is responsible for the conduct of investment business by others, should have adequate arrangements to ensure that they are suitable, adequately trained and properly supervised and that it has well-defined compliance procedures."

3. RELEVANT GUIDANCE

3.1 There was no general guidance on what constituted market misconduct for the purposes of former Principle 3. Such guidance as there was, is to be found in related rules, for example Rules 2.10 and 14.11 of the London Stock Exchange Rules.

3.2 In addition, the Guidance Release 1/93 on *"Proper Trades in Relation to On-Exchange Derivatives"* issued in April 1993 by the Securities and Investment Board ("SIB") contained general points which were "*relevant to the requirement on market practice in ... Principle 3"*. In particular, the guidance identified criteria relevant to determining what is and what is not a proper trade:

> *"The expression 'proper trade' is intended as shorthand for 'proper trade for a particular person to undertake'. In other words, it looks at the trade from the viewpoint of a particular party to it. A trade may be improper for one of the parties, because of his improper purpose….*
>
> *There are two situations in which a trade effected for a customer may be an improper trade. The first is where the firm has its own improper purpose in effecting the trade. The second is where the firm is taken to share the improper purpose of its customer, either because it is aware of that improper purpose or because it would have been, if it had not closed its eyes to it."*

It also discussed what qualified as a *"proper trading purpose"*. Essential ingredients were that a trade was conducted at market risk and with a proper economic purpose. To the extent that the price has been fixed in advance and is designed to distort the market price of the shares, it is an improper trade.

3.3 Similar considerations are found in the Code of Market Conduct which describes behaviour which will constitute market abuse where the principal effect of the transactions will be, among other things, to inflate the apparent price or value of a security so that a false or misleading impression is likely to be given to the regular user of the relevant market (MAR 1.5.8). The Code goes on to state:

"A transaction which creates a false or misleading impression will not normally be considered to have a legitimate commercial rationale where the purpose behind the transaction was to ... move the price of [the security]" (MAR 1.5.9)

While the Code is guidance for the purposes of the market abuse regime under FSMA and was not in force at the time, it reflects standards of market conduct built up over a period of time. It is therefore relevant to the issue of what standards prevailed in 1998.

3.4 Appendix 38 to the SFA Rules contained standards for compliance with regulatory requirements with particular reference to former Principle 9.

3.5 In deciding whether to take disciplinary action, the FSA has regard to the Enforcement Manual of the FSA Handbook at Chapters 11-13. It must also have regard, when deciding to exercise its power under section 206 of FSMA, to any statement issued by the SFA in force at the relevant time with respect to the SFA's policy on the taking of disciplinary action (Transitional Order, paragraph 4 of article 8). The only statement of the SFA's policy was that contained in Board Notice 497. While that Board Notice was published in October 1998, it reflected the SFA's policy which was in force as to whether disciplinary action should be taken when the conduct in question took place.

4. REASONS FOR THE ACTION

Summary

4.1 Between April and October 1998, AAE breached former Principle 9 by failing:

(a) to allocate adequate resources to compliance policies and procedures to enable its compliance functions to be carried out effectively and kept up-to-date;

(b) to maintain well-defined policies and procedures;

(c) to maintain proper compliance monitoring and training of its staff.

4.2 On 30 April and between 28 and 30 September and 16 and 23 October 1998, AAE breached former Principle 3 by failing to observe high standards of market conduct in relation to the equity trading of three of its traders, namely the joint Head of the UK Equity Trading Desk ("the joint Head of Trading"), a senior trader on the Cross-

Border Equity Trading Desk ("the senior Cross-Border trader") and a Director of UK Equities, in that:

(a) On 30 April 1998, the joint Head of Trading,

- accepted and executed trading instructions on behalf of a customer in circumstances where he had strong reason to suspect that those instructions were given to pursue an improper strategy to move the price of Carlton Communications Plc ("Carlton") to close higher;

- breached the rules of the London Stock Exchange ("LSE") relating to the reporting of trades by deliberately delaying the reporting of agency crosses during the post close agency period in order to guarantee that the last trade reported to at 17:15:00 was priced at an artificially high price;

- failed to report these matters to either AAE senior management or to the compliance department.

(b) On 30 September 1998, the senior Cross-Border trader,

- accepted and acted on improper instructions on behalf of a customer of AAE to move the price of Volkswagen AG ("Volkswagen") and Metro AG ("Metro") to close higher;

- failed to report the improper instructions to AAE senior management or the compliance department.

(c) Between 28 and 30 September and 16 and 23 October 1998, one of the Directors of UK Equities,

- accepted and executed improper instructions on behalf of a customer to move the price of British Biotech Plc to close higher.

4.3 These breaches were aggravated by the following factors:

(a) Between April and October 1998 AAE was aware of deficiencies in the firm's compliance resources, policies, procedures and training. Despite the deficiencies having been brought to the attention of senior management by the compliance officer, no adequate remedial steps were taken.

(b) On three separate occasions, in a six month period, the three traders accepted and executed improper instructions in respect of a total of four different stocks.

(c) AAE's focus on the promotion of client business with US customers, the assertive behaviour of the US sales trader from whom the instructions were received, as well as the absence of a strong and effective compliance environment, meant that the three traders sought to manage difficult (in the sense of potentially compromising) situations themselves, disregarding the regulatory implications of any impropriety.

Facts and Matters Relied On

Relevant Parties

4.4 At all material times and prior to the commencement of FSMA, AAE was an Authorised Person and bound by the SFA Rules. Since 1 December 2002, AAE has been an Authorised Person under FSMA and has been regulated by the FSA. AAE is part of the ABN Amro Bank NV Group and its principal activities are market making, customer facilitation and research in European equities on behalf of primarily institutional clients.

4.5 The joint Head of Trading amongst other things managed and traded the GMAN01 general manufacturing book. He was registered with the SFA as a General Representative from April 1992 and as a General Representative and Manager from December 1998. He has been regulated by the FSA as an Approved Person under FSMA since 1 December 2001.

4.6 The senior Cross-Border trader was responsible for Swiss and German products. All of AAE's institutional business for German equities would typically pass through his books. The senior Cross-Border trader had been a registered person under the SFA Rules and is presently an Approved Person under FSMA.

4.7 The Director of UK Equities was employed by AAE from December 1995 until 22 December 1998. He worked on the UK Equity trading desk with responsibility for the Consumer Sector Desk. At all material times the Director of UK Equities was registered as a General Representative under the SFA Rules.

4.8 ABN AMRO Inc ("AAI") is a member of the ABN AMRO group based in New York. At the material time the US sales trader from whom instructions were received, was Head of the International Equities Sales Trading Desk at AAI in New York and was responsible for managing the client account of the US investment adviser.

AAE - Internal Organisation, and Training

(i) Compliance Resources

4.9 During 1998, the registered compliance officer of AAE was also the registered compliance officer for two other ABN Amro Group companies, namely ABN Amro Group's corporate broking arm, Hoare Govett Limited, and the corporate finance arm, ABN Amro Corporate Finance Limited. He reported directly to the Senior Executive Officer and the Global Head of UK Equities Compliance.

4.10 At the beginning of 1998, the compliance function for these three separate lines of business consisted of the compliance officer, his assistant, an administrator and a secretary.

4.11 Between May and June 1998 the compliance officer warned that the compliance department was seriously under resourced, a matter also brought to AAE's attention by an internal compliance review completed in April 1998. The compliance officer requested an increase in the compliance department staff to seven. This increase in staff was authorised but despite attempts by the compliance officer to recruit further

personnel, the size of the compliance department remained unchanged throughout 1998 at four members, only two of whom were front line compliance staff.

4.12 The FSA considers that the number of staff retained by AAE during this period were inadequate to deal with the compliance procedures, policies, and training required for the size and nature of their responsibilities.

(ii) Compliance Policies and Procedures

4.13 The ABN Amro Bank NV Investment and Banking and Global Compliance Manual" ("Compliance Manual") dated 8 September 1997 applied to all ABN Amro Group investment banking business in the UK, including AAE. The manual required that local compliance officers prepare compliance manuals for each business line or local unit defining compliance procedures consistent with the Bank's general policies and procedures. Despite this requirement, no local compliance manual was prepared for AAE until, at the earliest, March 1999. AAE therefore had no local compliance manual in place between April and October 1998.

4.14 The Compliance Manual included policies and procedures regarding *"deals at non-market rates", "border line transactions"* and *"suitability of transactions"* and provided that such transactions should not be executed. However, those terms were not adequately defined and there was insufficient guidance as to how the terms were to be applied in practice or as to how such transactions were to be dealt with and/or reported to senior management and/or the compliance department.

4.15 AAE did not provide a copy of the Compliance Manual to all AAE employees, although copies were made available for reference purposes.

4.16 The AAE procedures manual in place in 1998 was the Hoare Govett Securities Limited Policies and Procedure Manual ("the Procedures Manual") dated 23 June 1993. Many sections of the Procedures Manual were materially out of date in 1998, including a section entitled "UK Equity Market Making", which referred to trading on SEAQ, which had been replaced by SETS as the main method of trading FTSE 100 shares in October 1997.

4.17 There is no record of any compliance monitoring being carried out at AAE during 1998. Although the compliance department did carry out such monitoring, given the limited compliance resources available (only two front line compliance staff) there were periods of days or weeks where only minimal compliance monitoring was carried out due to the need to address non-routine issues. In particular, compliance monitoring had to be suspended or reduced in June, October and the remainder of the last quarter of 1998 in order to enable the compliance department to deal with non-routine matters.

(iii) Adequate Training

4.18 Between December 1997 and July 1998:

(a) no formal training was provided by AAE to its staff on issues such as insider dealing and money laundering; and

(b) no formal or adequate induction training was provided by AAE to its employees.

Informal on the job training was provided to its employees by their peers and managers.

4.19 Formal training was provided to traders employed by AAE prior to and during 1998 in relation to the operation of the SETS trading system.

4.20 During 1998, there was no on-going training provided by AAE to existing employees nor was there any additional training provided for Heads of Desks or Managers. In addition no specific training was provided by AAE with regard to how to recognise improper trading instructions (such as those referred to in the Compliance Manual) or the process for dealing with them.

4.21 In the light of the above matters, the FSA concludes that, during 1998, AAE failed to organise and control its internal affairs in a responsible manner as was required by former Principle 9 and in particular, failed to ensure adequate training of its staff or to have in place well defined compliance procedures. It is against the backdrop of this failure on the part of AAE adequately to invest in promoting regulatory compliance that the trading issues dealt with in the following sections of this Notice arose.

AAE's Trading Misconduct

(i) Background

4.22 During 1998 AAE, in order to increase business from US customers, sought to promote its customer services to the clients of AAI and in particular to those customers in the US, whom the ABN Amro Group had categorised as "Tier One". Tier One clients were preferred clients who operated in equity markets and would be supported by quoting firm competitive prices, significant capital commitment and other research and trading services by the ABN Amro Group. AAE had maintained a list of Tier One clients from at least December 1996 and the importance of such clients was known to senior staff and traders of AAE. The customer referred to in this Notice was a Tier One client.

(ii) The joint Head of Trading

4.23 The joint Head of Trading was responsible for around 20 traders, as well as being the head trader on the GMAN01 Book which included the shares of Carlton. He was assisted on the GMAN01 Book by two traders, both registered with SFA as General Representatives (“the equity traders”).

4.24 On 30 April 1998, the joint Head of Trading was not at the desk until shortly before the close of the market. In his absence the equity traders received instructions from the US sales trader to purchase 500,000 Carlton shares on behalf of a customer ("a US investment adviser") and to close the price of the shares higher at 550-555p. They were also urged to buy about 250,000 shares from the market to close out AAE’s short proprietary position held in its client facilitation book in Carlton, before executing the US investment adviser’s buy order.

4.25 The equity traders were very concerned as to the propriety of the instructions in relation to price and on the joint Head of Trading's return to the desk between 16:19 and 16:23 reported those concerns to him. At 16:22:57, the joint Head of Trading telephoned the US sales trader and accepted his instructions which were to purchase 500,000 Carlton shares, up to a price of 555p by the close. The bid/offer price of Carlton at this time was 517p to 524p. On the basis of the concerns expressed to him by his equity traders and his own telephone conversation, the joint Head of Trading had strong reason to suspect that in giving these instructions the US sales trader was pursuing an improper strategy of moving the price to 555p by the close.

4.26 The joint Head of Trading executed the instructions, filling 473,404 of the 500,000 order and moving the price to a high of 555p at 16:29:37. However from that time, 23 seconds before the close, he took no further part in the order book trading activity. Two further orders were traded between other parties before the close, with the effect of lowering the closing price of Carlton to 535.5p.

4.27 Following the close of trading, the US sales trader instructed the joint Head of Trading to purchase the remainder of the order, of 26,596, by way of agency cross at a price of 555p even though the stock had closed at 535p.

4.28 The US sales trader stressed to the joint Head of Trading that he wanted the *"closing print"* of Carlton to be 555p. At 16:34:20 the joint Head of Trading crossed 26,600 Carlton shares at 555p. The seller of the stock was another U.S. customer of the US sales trader.

4.29 Even though the original Carlton order had been filled, the US sales trader instructed the joint Head of Trading to sell by agency cross a further 73,400 shares and by that order to try, if possible, to achieve a final print of the day on Reuters of 555p. The US sales trader however asked the joint Head of Trading first to put through 23,400 shares of the order and to see what if any further market activity occurred before putting through the balance of the order.

4.30 Although the joint Head of Trading informed the US sales trader that this would be in breach of the LSE trade reporting rules as the trade had already been struck with only publication delayed, the joint Head of Trading input an agency cross at 16:49:28 for 23,400 Carlton shares and another at 17:13:39 for 50,000 Carlton shares, both at 555p. In both cases, the seller of the stock was again the US sales trader's other US customer.

4.31 Accordingly, the joint Head of Trading accepted and executed trading instructions from the US sales trader, on behalf of a customer, in circumstances where he had strong reason to suspect that the instructions were given to pursue an improper strategy to move the closing price to close higher. He effected the trades knowing that they were or were likely to have a significant effect on the market of the price of Carlton. This amounted to a distortion in the market price of the shares.

4.32 He further accepted instructions to execute agency crosses during the post-close trade reporting period and to delay reporting them to the LSE in order to guarantee that the last trade reported that day in Carlton was priced at 555p. He also failed to report these instructions to either senior management or the compliance department.

4.33 Disciplinary action is being taken against the joint Head of Trading in respect of these matters.

(iii) The Senior Cross-Border Trader

4.34 All customer orders from AAI for German equities were routed to AAE and specifically to the senior Cross-Border trader who was responsible for the trading position limits, commitment of capital and market making activities for German equities. If the senior Cross-Border trader was not able to trade the order himself, he would relay it to ABN Amro Bank (Deutschland) AG ("AAF"), AAE's Frankfurt affiliate, for execution. However, the orders and trades for German equities would be recorded in the senior Cross-Border trader's book and they were therefore his overall responsibility.

4.35 On 30 September 1998, the senior Cross-Border trader received instructions from the US sales trader to buy Volkswagen and Metro shares at the close of trading. It was the US sales trader's objective to push the price of the shares as high as possible and he told the senior Cross-Border trader that price was not an issue.

4.36 The senior Cross-Border trader understood and accepted the improper instructions received from the US sales trader and relayed them to the AAF traders to be executed. The senior Cross-Border trader's instructions to the German traders to execute the order clearly included a request to move the price of the stocks even though he was aware that the system of opening and closing auctions on the German exchanges would make it difficult to do so. The senior Cross-Border trader did not at the time report the issue to either senior management or the compliance department.

4.37 Disciplinary action has not been taken against the senior Cross-Border trader in respect of these matters.

(iv) The Director of UK Equities

4.38 Between 28 and 30 September and 16 and 23 October 1998, the Director of UK Equities manipulated the price of British Biotech at the request of the US sales trader, by moving it to close higher.

4.39 In particular, the Director of UK Equities:

(a) advised and discussed with the US sales trader the trading strategy in relation to the instructions to move the share price of British Biotech;

(b) accepted instructions from the US sales trader to purchase shares in British Biotech which instructions included a request to move the price of the shares higher;

(c) executed the US sales trader's instructions with the express purpose of manipulating the share price of British Biotech higher;

(d) understood the client's instructions to move the share price of British Biotech higher; and

(e) caused AAE to engage in acts and omission which amounted to misconduct under the Rules of the LSE *"by effecting transactions in a security for a customer, where the instructions from that customer included a request to move the price of a security"*.

4.40 Disciplinary proceedings against the Director of UK Equities were taken by SFA and were settled on the basis of a breach of former Principle 2, relating to a failure to act with due skill, care and diligence for which he was suspended for a period of 3 years ending on 23 December 2001. In reaching that decision SFA took the following matters into account that:

(a) at the material time, AAE did not have in place adequate internal controls to ensure the application of the correct procedures by traders on the receipt of improper instructions;

(b) AAE maintained a list of "Tier One" clients who were preferred clients operating in equity markets as described in paragraph 4.22;

(c) the US sales trader was representing such a client. He was regarded as a difficult person and one whose instructions could not be easily challenged;

(d) the Director of UK Equities co-operated fully with SFA's investigation; and

(e) he has not been the subject of any previous disciplinary proceedings.

5. CONCLUSION ON CONTRAVENTIONS

5.1 In deciding to give this Notice, the FSA considers that the circumstances of this case disclose serious breaches of FSA Principles, including: deliberate or reckless misconduct by the traders; serious weaknesses of the management systems and internal controls relating to certain aspects of AAE's business; and the loss or risk of loss caused to other market users (ENF 11.4.1).

5.2 The failures to allocate adequate resources to compliance policies and procedures, to maintain well-defined policies and procedures and to maintain proper compliance monitoring and training, meant that AAE fell seriously short of the standards laid down in Appendix 38 (paragraphs 7 and 8) to the SFA Rules. The breach of former Principle 9 in this regard is all the more serious because AAE failed adequately to address these issues despite being alerted to the problems by its own internal audit department and compliance officer.

5.3 The trading instructions and related trading activity described in paragraphs 4.24 to 4.32, 4.34 to 4.36 and 4.38 to 4.39 were improper in that there was no apparent proper economic purpose (legitimate commercial rationale) and the AAE traders understood that the purpose was to manipulate and/or distort the closing price for the relevant stocks. The reoccurrence of the acceptance of improper instructions, on three separate occasions, in a six month period by the three traders, in relation to four different stocks, reinforces the gravity of the breach of former Principle 3.

6. PENALTY

6.1 In exercising its powers under section 206 of FSMA, the FSA must have regard to any SFA statement in force at the relevant time with respect to its policy on the imposition of and the amount of penalties (Article 8(4) of the Transitional Order). At the same time the FSA must have regard to its own guidance with regard to financial penalties. Therefore, in deciding the level of any financial penalty, the FSA has had regard to guidance published in the SFA Briefing Update 12 dated March 1996 ("Update 12"), being the relevant guidance in the period between April 1998 and October 1998, and to the FSA Enforcement Manual at Chapter 13 ("ENF 13"). The FSA has also had regard to the levels of penalties imposed by the SFA in previous disciplinary cases of the SFA.

6.2 The main purpose of imposing a financial penalty is to promote high standards of regulatory conduct (which includes expressing condemnation of the wrongdoing) by deterring firms who have breached regulatory requirements from committing further breaches, helping to deter others from committing contraventions and demonstrating generally to firms the benefits of compliant behaviour (ENF 13.1.2 and Update 12, paragraph 10).

6.3 The severity of the penalty should reflect the degree of wrongdoing in each case and be proportionate to the breach in question. The level of financial penalty should also take account of all the relevant circumstances of the case (ENF 13.3.1 and Update 12 paragraph 11).

6.4 Factors of particular relevance in determining the amount of the financial penalty for AAE are:

(a) the regulatory breaches by AAE were extremely serious, particularly given the size of the firm and the nature of its business. The potential risks for AAE and the market from a failure to maintain its compliance obligations were very high.

(b) The incidents of improper trading were not isolated events but the actions of three different traders, in respect of four different stocks, over a period of approximately six months. The fact that there were three breaches in a six month period serves to illustrate the lack of a robust compliance environment on the trading floor resulting from the absence of sufficient compliance resources and adequate compliance procedures, policies and training and the consequent danger of the spread of inappropriate standards of conduct. At the very least, for example, effective monitoring of cross-trades would have likely led the compliance department to challenge the events of 30 April 1998 which in turn would have prevented the subsequent improper instructions.

(c) Although the firm's compliance officer brought the compliance issues to the attention of AAE's senior management and advised them of the likely effect of failing to address the regulatory issues, they failed sufficiently to act within a reasonable period to remedy the breaches. AAE had resources at its disposal to meet its regulatory obligations. However, it did not devote sufficient of those resources to compliance and accord compliance sufficient priority to ensure it kept pace with the firm's growth, including its emphasis on promoting the customer services offered by AAE to the customers of AAI. These failings are reflected in the penalty imposed on AAE.

(d) The improper trading conduct resulted in the distortion of share prices for Carlton on 30 April 1998 and British Biotech over a number of days in September and October 1998. Distortion of the share prices for Metro and Volkswagen was avoided because of the auction system for calculating closing prices on the German exchange. Moreover, the traders' actions facilitated improper conduct by AAI.

(e) Once the problem of improper instructions was discovered, following inquiries by the LSE, AAE has co-operated with the SFA's and FSA's investigation. The FSA noted in this regard, however, that it was not informed of the internal review of compliance and control procedures conducted in the first quarter of 2000 until August 2000. Moreover the extent of the shortcomings of the compliance function described above did not emerge until after SFA's subsequent investigation.

(f) The LSE conducted an investigation into AAE arising out of the improper trading in British Biotech shares and fined the firm £250,000 on 31 March 1999 on the grounds that the acts and omissions of AAE amounted to misconduct within the meaning of the LSE Rule 14.11. The LSE has not taken any disciplinary action against the firm in relation to the improper trading in Carlton shares.

(g) The matters which are the subject of this disciplinary action occurred over four years ago. The fine imposed by FSA reflects the failings which occurred during that period and is not a reflection on AAE in 2003. It is evident that AAE has learnt many valuable lessons arising from these matters in the intervening period and now:

   (i) has an improved and enhanced compliance management team;

   (ii) has significantly increased the number of compliance staff (particularly those working on the trading floor);

   (iii) has a rolling business-oriented training programme for all relevant members of staff on compliance issues as well as regular induction training ;

   (iv) conducts automated and more extensive manual monitoring processes, based on risk assessments agreed with business management; and

   (v) has readily accessible (both in hard copy and electronically) policies and procedures

6.5 The FSA has concluded that individually the appropriate financial penalties are:

- in relation to the contravention of former Principle 3, £500,000;
- in relation to the contravention of former Principle 9, £750,000;

but that, in all the circumstances and in particular having regard to the fact that a financial penalty has been imposed by the LSE and making due allowance for the extent to which AAE has co-operated with SFA and the FSA in their investigations, the appropriate total financial penalty is £900,000.

IMPORTANT

This Notice is given to you in accordance with section 390 of FSMA.

Manner of payment

The amount of £900, 000 must be paid to the FSA in full.

Time for payment

The penalty must be paid to the FSA no later than 30 April 2003, being not less than 14 days beginning with the date on which this Notice is given to you.

If the penalty is not paid

If all or any of the penalty is outstanding on 30 April 2003, the FSA may recover the outstanding amount as a debt owed by you and due to the FSA.

Publicity

Sections 391(4), 391(6) and 391(7) of FSMA 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 this Notice relates as the FSA considers appropriate. However, the FSA may not publish information if such publication would, in the opinion of the FSA, be unfair or prejudicial to the interests of consumers.

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

FSA Contacts

For more information concerning this matter generally you should contact Sunita Babbar of the Enforcement Division at the FSA (direct line: 020 7676 1466/ fax 020 7676 9721)

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FSA Enforcement Division