
FINAL NOTICE

To: William James Coppin

Date of birth: 7 May 1982

Date: 7 December 2010

TAKE NOTICE: The Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS (the “FSA”) gives final notice that it has taken the following action:

ACTION

1. The FSA gave William James Coppin a Decision Notice on 1 September 2009 which notified him that it had decided to impose on him:
 - 1.1 a financial penalty of £70,000, pursuant to section 123(1) of the Financial Services and Markets Act 2000 (“the Act”), for engaging in market abuse under section 118(3) (improper disclosure) and for encouraging other persons to engage in behaviour which, if engaged in by himself, would have amounted to market abuse under section 123(1)(b) of the Act; and
 - 1.2 a prohibition order, pursuant to section 56 of the Act, prohibiting Mr Coppin from performing any function in relation to any regulated activity carried on by any authorised or exempt person or exempt professional firm (“the Prohibition Order”) on the grounds that he is not a fit and proper person.
2. Mr Coppin referred the matter to the Upper Tribunal (Tax and Chancery Chamber) (“the Tribunal”), but has withdrawn that reference, with the Tribunal’s consent, and waived his right to refer a further Decision Notice to the Tribunal.

3. Accordingly, for the reasons set out below, the FSA imposes a financial penalty on Mr Coppin of £70,000 and imposes the Prohibition Order on him with effect from 7 December 2010 on the grounds that he is not a fit and proper person.

REASONS FOR THE ACTION

Summary

4. The FSA has decided to take this action as a result of Mr Coppin's conduct as a broker employed by Pacific Continental Securities (UK) Limited ("PCS"). On or shortly before 29 March 2007 Mr Coppin obtained inside information that Provexis plc ("Provexis"), an Alternative Investment Market (AIM) traded company, had entered into a new collaboration agreement with a major international company, Unilever, which would be announced shortly to the market. Although the market was aware of an ongoing exclusivity agreement between Provexis and a major global branded food business, information about the new collaboration agreement was not generally available and was likely to have a significant effect on Provexis' share price.
5. Recordings of telephone sales conversations on 29 March 2007 between Mr Coppin and a number of PCS clients confirm that Mr Coppin:
 - 5.1 disclosed inside information to retail customers of PCS (otherwise than in the proper course of the exercise of his employment); and
 - 5.2 encouraged retail customers to purchase the shares in relation to which Mr Coppin had the inside information (if Mr Coppin had purchased the shares it would have amounted to market abuse).
6. Provexis announced the collaboration agreement to the market at 07:02 on 30 March 2007. Following the announcement, the opening price for Provexis shares on 30 March 2007 was 3.75 pence, 19.81% higher than the closing price for its shares the day before. The shares closed at 3.38 pence, 7.99% higher than the closing price the day before.

Market abuse: Relevant Statutory and Regulatory Provisions

7. Section 118 of the Act defines market abuse. References in this Notice to provisions in this part of the Act are to those in force during the period of the behaviour referred to. In particular, section 118 of the Act provides as follows:

“(1) For the purposes of this Act, market abuse is behaviour (whether by one person alone or by two or more persons jointly or in concert) which –

(a) occurs in relation to –

(i) qualifying investments admitted to trading on a prescribed market,

(ii) ...

(iii)...and

(b) *falls within any one or more of the types of behaviour set out in subsections (2) to (8).*

(2) *The first type of behaviour is where an insider deals, or attempts to deal, in a qualifying investment or related investment on the basis of information relating to the investment in question.*

(3) *The second is where an insider discloses inside information to another person otherwise than in the proper course of the exercise of his employment, profession or duties.”*

8. Section 118B of the Act provides (so far as relevant to this Notice) as follows:

“For the purposes of this Part an insider is any person who has inside information—

(a) ...

(b) ...

(c) *as a result of having access to the information through the exercise of his employment, profession or duties.”*

9. Section 118C of the Act (so far as relevant to this Notice) defines inside information as follows:

(2) *In relation to qualifying investments, or related investments which are not commodity derivatives, inside information is information of a precise nature which—*

(a) *is not generally available,*

(b) *relates, directly or indirectly, to one or more issuers of the qualifying investments or to one or more of the qualifying investments, and*

(c) *would, if generally available, be likely to have a significant effect on the price of the qualifying investments or on the price of related investments.*

...

(5) *Information is precise if it—*

(a) *indicates circumstances that exist or may reasonably be expected to come into existence or an event that has occurred or may reasonably be expected to occur, and*

(b) *is specific enough to enable a conclusion to be drawn as to the possible effect of those circumstances or that event on the price of qualifying investments or related investments.*

...

(6) *Information would be likely to have a significant effect on price if and only if it is information of a kind which a reasonable investor would be likely to use as part of the basis of his investment decisions.”*

10. Section 123 provides that the FSA may impose a financial penalty on a person who has engaged in market abuse or encouraged others to do so.

“(1) If the Authority is satisfied that a person ("A")—

(a) is or has engaged in market abuse, or

(b) by taking or refraining from taking any action has required or encouraged another person or persons to engage in behaviour which, if engaged in by A, would amount to market abuse,

it may impose on him a penalty of such amount as it considers appropriate.”

11. Under The Financial Services and Markets Act 2000 (Prescribed Markets and Qualifying Investments) Order 2001 (made under section 118(3) of the Act):

11.1 all markets operated under the rules of a UK recognised investment exchange (which includes the AIM market operated by the London Stock Exchange) are prescribed markets; and

11.2 all investments specified for the purposes of defining a regulated activity (including shares traded on AIM) are qualifying investments.

The Code of Market Conduct

12. Section 119 of the Act provides as follows:

“(1) The Authority must prepare and issue a code containing such provisions as the Authority considers will give appropriate guidance to those determining whether or not behaviour amounts to market abuse.

(2) The code may among other things specify-

(a) descriptions of behaviour that, in the opinion of the Authority, amount to market abuse;

(b) descriptions of behaviour that, in the opinion of the Authority, do not amount to market abuse;

(c) *factors that, in the opinion of the Authority, are to be taken into account in determining whether or not behaviour amounts to market abuse.*

...

(3) *The code may make different provision in relation to persons, cases or circumstances of different descriptions. ...”*

13. The FSA has issued the Code of Market Conduct (“The Code”) under section 119 and it forms the first section of the Market Conduct Sourcebook (MAR 1) in the FSA’s Handbook of rules and guidance. References in this Notice to provisions of The Code (or MAR 1) are to the provisions in force at the time of the behaviour described in this Notice.

14. Under section 122 of the Act:

“(1) *If a person behaves in a way which is described (in the code in force under section 119 at the time of the behaviour) as behaviour that, in the Authority’s opinion, does not amount to market abuse that behaviour of his is to be taken, for the purposes of this Act, as not amounting to market abuse.*

(2) *Otherwise, the code in force under section 119 at the time when particular behaviour occurs may be relied on so far as it indicates whether or not that behaviour should be taken to amount to market abuse.”*

15. MAR 1 considers the general concepts relevant to market abuse, then each type of behaviour in turn and then describes exceptions to market abuse which are of general application. In doing so, it sets out the relevant provisions of the Code, that is:

(1) *descriptions of behaviour that, in the opinion of the FSA, do or do not amount to market abuse (see section 119(2)(a) and (b) and section 122 of the Act);*

(2) *descriptions of behaviour that are or are not accepted market practices in relation to one or more identified markets (see section 119(2)(d) and (e) and section 122(1) of the Act (subject to the behaviour being for legitimate reasons)); and*

(3) *factors that, in the opinion of the FSA, are to be taken into account in determining whether or not behaviour amounts to market abuse (see section 119(2)(c) and section 122(2) of the Act) (MAR1.1.5G).*

16. Section 118(1)(a) of the Act does not require the person engaging in the behaviour in question to have intended to commit market abuse. (MAR1.2.3 G)

17. For the purposes of the category of insider specified by section 118B(c), the person concerned does not need to know that the information concerned is inside information (MAR1.2.9G)

MAR on improper disclosure (section 118(3))

18. In the opinion of the FSA, the following factors are to be taken into account in determining whether or not the disclosure was made by a person in the proper course of the exercise of his employment, profession or duties and are indications that it was:
1. *whether the disclosure is permitted by the rules of a prescribed market, of the FSA or the Takeover Code; or*
 2. *whether the disclosure is accompanied by the imposition of confidentiality requirements upon the person to whom the disclosure is made and is:*
 - (a) *reasonable and is to enable a person to perform the proper functions of his employment, profession or duties; or*
 - (b) *reasonable and is (for example, to a professional adviser) for the purposes of facilitating or seeking or giving advice about a transaction or takeover bid; or*
 - (c) *reasonable and is for the purpose of facilitating any commercial, financial or investment transaction (including prospective underwriters or placers of securities); or*
 - (d) *reasonable and is for the purpose of obtaining a commitment or expression of support in relation to an offer which is subject to the Takeover Code; or*
 - (e) *in fulfilment of a legal obligation, including to employee representatives or trade unions acting on their behalf.” (MAR 1.4.5 E)*
19. Behaviour where an insider discloses inside information to another person otherwise than in the proper course of the exercise of his employment, profession or duties is market abuse (section 118(3) of the Act). The Code gives a number of examples of behaviour amounting to market abuse of this type. The relevant parts of the Code are contained in MAR 1.4. In particular, MAR 1.4.6G provides that:

“The following is an example of market abuse (improper disclosure):

X, a director at B plc has lunch with a friend, Y who has no connection with B plc or its advisers. X tells Y that his company has received a takeover offer that is at a premium to the current share price at which it is trading.”

MAR on requiring or encouraging as defined by section 123(1)(b) of the Act

20. As per MAR1.2.23G, the following are examples of behaviour that might fall within the scope of section 123(1)(b):

- (1) *a director of a company, while in possession of inside information, instructs an employee of that company to deal in qualifying investments or related investments in respect of which the information is inside information;*
- (2) *a person recommends or advises a friend to engage in behaviour which, if he himself engaged in it, would amount to market abuse.*

Financial Penalty: Statutory and Regulatory Provisions and Guidance

21. Section 123(1) of the Act authorises the FSA to impose financial penalties in cases of market abuse. Section 124 of the Act requires the FSA to issue a statement of its policy with respect to the imposition of penalties for market abuse and the amount of such penalties. The FSA's policy in this regard is contained in Chapter 6 of the Decision Procedure and Penalties manual ("DEPP"). In deciding whether to exercise its power under section 123 in the case of any particular behaviour, the FSA must have regard to this statement of policy. DEPP guidance of particular relevance is referred to in more detail in the Analysis of Sanctions section below at paragraphs 82 to 88.
22. The FSA has also had regard to the guidance published in the Enforcement Manual (ENF), and in particular Chapters 11 and 13 which set out the relevant guidance in force when the breaches were committed. In this case, there are no material differences between the guidance and factors to be taken into account when determining whether to take disciplinary action and the factors relevant to determining penalty.

Prohibition: Relevant Statutory and Regulatory Provisions and Guidance

23. Section 56 of the Act provides that the FSA may prohibit an individual, if it appears that he is not a fit and proper person to perform functions in relation to a specified regulated activity or all regulatory activities.
24. In deciding whether to issue a prohibition order in relation to Mr Coppin under section 56 of the Act, the FSA has regard to its policies published in Chapter 9 of the Enforcement Guide ("EG 9").
25. The FSA's effective use of the power to prohibit individuals who are not fit and proper from carrying out functions in relation to regulated activities helps the FSA to work towards its regulatory objectives of protecting consumers, promoting public awareness, maintaining confidence in the financial system and reducing financial crime (EG 9.1).
26. The relevant matters set out in EG 9.9 for the FSA to consider in this case are as follows:
 - 26.1 The criteria for assessing the fitness and propriety of an individual to perform functions in related to regulated activities (EG 9.9(2), particularly that relating to honesty, integrity and reputation).
 - 26.2 Whether the individual has engaged in market abuse (EG 9.9(4)).

- 26.3 The relevance and materiality of any matters indicating unfitness (EG 9.9(5)).
- 26.4 The length of time since the occurrence of any matters indicating unfitness (EG 9.9(6)).
- 26.5 The severity of the risk that the individual poses to consumers and to confidence in the financial system (EG 9.9(8)).
27. The FSA has issued guidance on this issue in the Fit and Proper Test for Approved Persons (“FIT”). FIT 1.3.1 identifies three criteria as being the most important considerations when assessing the fitness and propriety of a candidate for a Controlled Function. The first of these (honesty, integrity and reputation) is relevant in this case. FIT states that this includes (but is not limited to) considering whether the person has contravened any of the requirements and standards of the regulatory system (FIT 2.1.3(5)G). Also relevant is whether the person demonstrates a readiness and willingness to comply with the requirements and standards of the regulatory system and with other legal, regulatory and professional requirements and standards (FIT 2.1.3(13)G).

Facts and Matters Relied On

Background to PCS and Mr Coppin

28. In 2007 the principal businesses of PCS were the sale to the public of AIM traded shares issued by SmallCap companies and corporate finance services to issuers on the AIM market.¹ PCS went into administration in June 2007.
29. In a Final Notice dated 27 January 2009, the FSA censured PCS for significant failings in its systems and controls relating to sales of securities during the period from 1 April 2005 to 20 June 2007. Senior management at PCS were aware of inappropriate sales practices and the inadequacy of compliance arrangements to prevent these.
30. PCS operated a high pressure sales business, recommending higher risk securities, and knowingly allowed the use of unacceptable sales practices and methods that undermined the requirements of the regulatory system. PCS provided instructions to sales staff in the form of a manual containing a series of recommended responses designed to undermine and eventually overcome a customer’s objections to a sale. This manual was known as the “bible” by sales staff and was relied on in promoting securities to customers.
31. Sales scripts for selling shares to the public were used by sales staff. The sales scripts were intended as an aid to help achieve sales of a particular stock and were not required to be followed verbatim but certain highlighted passages containing regulatory information such as risk warnings were obligatory. Scripts and their content had to be approved by compliance and senior management before use. It was the practice of PCS for legal and compliance reasons to record conversations on external telephone lines.

¹ SmallCap refers to stocks with relatively small market capitalisation.

32. Mr Coppin joined PCS as a trainee in November 2004. From 19 November 2004 to 29 September 2005 he carried out Controlled Function 22 (trainee investment adviser) after which time he was approved by the FSA to undertake Controlled Function 21 (investment adviser).² Mr Coppin's role at PCS was to sell shares in AIM traded companies to PCS clients. The training he received at PCS was very limited, and that which did take place was focussed on sales techniques and not on the skills that would enable staff to sell securities in a compliant manner.
33. From around December 2006 Mr Coppin was a team leader with responsibility for helping to supervise the work of more junior members of the sales staff. In addition to his basic salary of £18,000 per annum, Mr Coppin was paid 6.5% commission on the value of his sales. In the 2006/7 tax year Mr Coppin earned commission of approximately £160,000 gross.

Sale of Provexis shares

34. Provexis one penny ordinary shares are traded on AIM and form part of the FTSE AIM All Share index.
35. On 24 July 2006, Provexis announced to the market that it had entered into an exclusivity agreement for a period of twelve months with a major global branded food business, without disclosing the name of that business, for the joint development and use of a specified patented technology with a view to moving towards a long-term global licensing deal. On 1 November 2006, Provexis announced that discussions for the licensing would extend into 2007, due to a delay in the technical development timeline. The business was Unilever, which was not known to the market.
36. In early 2007 Provexis was negotiating a long-term collaboration agreement to develop a new format of this technology for application in Unilever's food product portfolio. This was an important step for Provexis in its developing relationship with an important and substantial client.
37. In February 2007 PCS participated in a share placement by Provexis to raise approximately £2.15 million of working capital by way of a conditional placing at a price of 1.5 pence per share. This represented a discount on the market price. As a consequence certain individuals in PCS corporate finance department were made insiders in respect of the negotiations for the collaboration agreement. Provexis announced the intended share placement to the market on 16 March 2007.
38. Draft terms of the collaboration agreement were sent by Provexis to Unilever on 27 March 2007, and the agreement was finalised in the afternoon of 29 March 2007. The identity of Unilever as the collaboration partner, the fact that an agreement had been reached with a major international business and its imminent announcement were not yet public. If this information had been generally available it would have been likely to have had a significant effect on the Provexis share price, in fact when it was announced the share price initially rose by nearly 20%.

² CF21 and 22 have since been superseded by an amalgamated customer facing Controlled Function CF30

39. In preparation for PCS selling Provexis shares, on 19 March 2007 Mr Coppin was sent an email with the subject "Provexis" and including the text "... *Can't sell it yet, but wanted you guys to get a look at this so you can prepare.*" The email attached a sales script and an internal analyst's stock report regarding Provexis dated 16 March 2007. Neither document contained inside information.
40. Eight days later, on 27 March 2007 at 19:15, Mr Coppin received an email (sent with "High" importance) from a different colleague with the subject "Provexis". The text read: "*Gentlemen, This script does not exist*" and a different sales script for Provexis shares was attached ("the Unofficial Sales Script"). The text of Unofficial Sales Script contained inside information stating that Provexis had signed an agreement with an unnamed major food company, the announcement of the deal was imminent and that it was predicted the share price could rise as high as 5 or 6 pence, a 100% increase.
41. Two minutes later at 19:17 Mr Coppin received a second email (not sent with "High" importance) from the same colleague with subject "*Compliance Approved Provexis Script and Stock report*". In contrast the text read as follows: "*This script does exist*". This email attached the original Provexis sales script and PCS stock report ("the Official Sales Script"). Neither of these documents contained inside information about the anticipated collaboration agreement.
42. The following day, on 28 March 2007 at 14:00, a presentation was given by Provexis to PCS staff including Mr Coppin. The presentation concerned Provexis's business and its prospects, and included pictures of the products and logos of a number of companies, including Unilever. Different accounts have been given regarding whether and to what extent, if at all, inside information about the collaboration agreement was expressly or impliedly disclosed to PCS staff at the presentation.

The Sales Calls

43. Following the 28 March 2007 presentation, Mr Coppin and other sales staff were authorised by PCS management to begin sales calls to PCS clients for Provexis shares. The FSA has reviewed the recordings made of Mr Coppin's telephone extension for 28 to 30 March 2007. The FSA has identified calls to five clients where market abuse was committed.

Sales Call 1: 29 March 2007, 09:29

44. Mr Coppin called the client to tell him about an opportunity in the "nutraceutical" sector and, although he did not mention Provexis by name, in the course of the call gave the client sufficient information to enable him to identify the company by reference to external sources. In particular he told the client the fact that the company was listed on AIM, that it was in the nutraceuticals sector and the identity of the CEO.
45. Mr Coppin then told the client:

"The company was set up a couple of years ago but just recently they have launched a couple of products, they have also more interesting, they have, well I can tell you they have a major agreement with Unilever, a major blue chip that you know one of the

top sort of five companies in the sector... without a shadow of a doubt this collaboration that is already signed, that is going to be announced to the market over the next couple of days I think is going to have a major impact on the share price OK”

Sales Call 2: 29 March 2007, 09:51

46. Mr Coppin called the client and told him:

"Okay ... between me and you...a major blue chip, one of the top three in the sector okay. Is, is looking at signing an agreement with the company alright. If truth be told the agreement has already been signed, we're waiting for it to be announced to the market alright. Now, what sort of impact do you think this is going to have on the share price? ...

"They've got an agreement that is going to be signed in the next couple of days, okay. With one of the top five companies in the sector. Alright. Now once that happens you know I think we're going to do very well even on the back of that alone...

"Now as I said once they sign this agreement okay, we're expecting it in the next couple of days, I think we're going to do very well, the share price I would say is going to move up massively alright.

The name of the company is Provexis"

Sales Call 3: 29 March 2007, 10:33

47. Mr Coppin called another client to market the shares. Although he did not mention Provexis by name, in the course of the call he again gave the client sufficient information to enable him to identify the company by reference to external sources. In particular he told him that the company was in the nutraceuticals sector, the previous companies the CEO and marketing directors had worked for and identified a high-profile core product of the company.

48. Mr Coppin also told the client:

"Now between me and you ... they have got, listen to this, they have got a major collaboration already signed okay, with one of the top three companies in the sector. Alright. Now obviously once this announcement is made to the market officially, you know, I think the share prices are going to move up massively on the back of that.

Alright. Now I've been told that in the next 2 days to a week, this it's going to be announced to the market. Alright. Now you probably understand what that means for us don't you? You know, if we get involved now obviously you know, once it's announced to the market that's when we can start making money. Alright ...

"Now if I can get involved in this before the rest of the market knows and listen the beauty of this, you know this agreement I was talking about?...That we're expecting on the next few days or week or so. If we get involved before that happens and the share price shoots up, we can even make a short, you know we can even look at pulling some money out then. Alright. Realistically I wouldn't say to do so, alright. But if it happens you know what it gives you is options doesn't it? ...

"The key is getting involved at the right time. If we move before this agreement is signed, you mark my words ... you can write this down if you want, I think the agreements going to be signed in the next week or so. Alright. I think it's one of the top five companies, blue chip, household name, I guarantee you'll know the company alright. These guys once the company sign this contract and agreement I can see things just going from strength to strength. Alright"

49. At 11:45 on 29 March 2007, PCS Compliance hand delivered to all sales staff a warning headed "*Provexis Cautionary Note from Compliance*", by placing a copy on the desk of each member of the sales staff. The Note said:

"[Provexis] told us yesterday that they had been negotiating.

The Stock Note and Script mention the importance of a deal:

- *Positive if it happens*
- *Negative if it does not.*

Do not say anything that suggests that such a deal has been concluded and be extra careful not to name any international major in that context.

Ask me if in the slightest doubt."

50. Despite this Mr Coppin made a further sales call at 14.44 on 29 March 2007

51. Mr Coppin called the client and told him:

Coppin *“I’m just saying, Provexis...Keep an eye on it, I’m getting I know obviously I’m getting a lot of clients involved in it but I know from you, you’re not looking at paying any more money in yet, which is fine but Provexis keep an eye on it, it just moved up, moved up 13% last week, its moved up 14% today and if I’m honest with you... there’s a an agreement that is imminent...it’s a very well known company, I’m talking about well, it its one of the top top five in the sector or top three in their sector, alright. An agreement with them alright.*

Share price today is moved up from 2.8 to 3.5 and we are expecting five to six pence, well if I’m honest with you, I’m expecting within a next month or so but officially we can’t give details but that that’s my personal thought. Provexis is the name of the company, their pick symbol is PXS”.

and

[Mr A] *“Well I’ll have a look at it Will and just keep an eye on it.*

Coppin *Right okay. The only problem, well not a problem, if truth be told [Mr A] I think we’re gonna see a jump in the next couple of days alright. Don’t don’t quote me on it and maybe I shouldn’t be telling you this but from what I’ve heard on the grapevine we’re gonna hear, we’re gonna see a jump in the next couple of days, after that jumps up we’re gonna have to pay market price”.*

and

Coppin *“So its up to you, if you wanna have a look and get back to me later on today then let me know, you can if not but if you wanna just watch or whatever do it but if you’ve got any incline or any any any any well if you are gonna look at the movement sometime you wanna do it today before the agreement is announced.”*

[Mr A] *“When when’s the agreement announced or when?”*

Coppin *“Well I said I can’t officially say but few days. I would, if I was guessing [Mr A] I would say a few days”.*

52. A second Compliance warning was sent by email at 15:14 to Mr Coppin and other staff setting out Compliance’s concerns over inappropriate disclosures of inside information to PCS clients.

Sales Call 5: 29 March 2007, 16:29

53. Notwithstanding the receipt of these warnings, Mr Coppin made a further sales call at 16:19 on 29 March 2007 to tell a client about an opportunity in the “nutraceutical” sector.

54. Mr Coppin told the client that:

“If I’m honest with you... there is an agreement that is, there is an agreement that is due to be signed to confirm, to confirm a deal and once that happens you know, we should obviously expect some sort of decent increase in the share price. Alright. Are you with me?”

Sales Call 6: 29 March 2007, 16:52

55. Mr Coppin called client 2 again to conclude the earlier sale of Provexis stock. Mr Coppin purported to give the obligatory risk warnings and to outline the risk factors. Mr Coppin said:

“Right its moved up 13.8% today already, alright. Umm so yes, doing doing very well alright. Now obviously just wanted to let you know, we managed to get you know good share price, small caps stock obviously, early stages of development, [unclear] you know ultimate downside initial investment, upside are unlimited, we’re in it purely for the capital growth alright not the income so as you, as you know probably most analysts take a 2 to 5 year view we can obviously get in and out of this whenever subject to liquidity and volume alright?”

and

“Umm now at the moment the company (coughed) sorry bear with me, umm the a, there’s other major manufacturers that add functionality to their other categories in

line with the industry predictions which is what these guys do but it shows that what Provexis is doing now is ahead of the game because its you know, this is, these guys are doing this now, other companies are doing this in the future okay, so at the moment looking pretty good. Down to the strong management, additionally the capital is now needed to take these guys to the next level so they can further develop products alright. Now the recent collaboration is come at a great time and obviously the company has also attracted interest from a number of umm number of big names so things are looking good. Basically our strategy is to recommend you build up a basket of stocks, that's what we are doing now with this. So listen what I want you say was yes, it's it's a good good sort of level we are looking at. We are saying 75000 shares it's about 2100 sterling yes".

56. These comments follow the altered risk warnings in the Unofficial Sales Script rather than those set out in the Official Sales Script.
57. The FSA understands that these Sales Calls by Mr Coppin resulted in agreements or potential agreements by PCS clients to buy shares in Provexis as follows:

Sales Call	Amount	Price	Value £
1	107,000 to 145,000	2.75/2.8 pence	3,000 to 4,000
2 & 6	75,000	2.75 pence	2,062.50
3	900,000	2.75 pence	25,022
4	n/a	n/a	n/a
5	n/a	n/a	n/a

58. The closing Provexis share price on 29 March 2007 was 3.13 pence. The following day on 30 March 2007, at 07:02, Provexis announced to the market that it had entered into a long-term collaboration agreement with Unilever to develop a new format of the relevant patented technology. The opening price of Provexis shares was 3.75 pence. This represented a 19.81% increase on the closing price on the previous day. The closing price for Provexis shares that day was 3.38 pence, representing a 7.99% increase on the closing price on the previous day.

Mr Coppin's Position

59. Mr Coppin made representations to the FSA in connection with this matter. These are summarised below.
60. Mr Coppin accepted that his conduct in promoting Provexis shares to clients of PCS was wrong. He acknowledged that he should have acted differently and would do so if presented with the same situation in the future. However he represented that there were mitigating factors which caused him to behave as he did.
61. Mr Coppin considered that he acted naively and in accordance with the instructions of senior staff. His only experience of working at a financial services firm was his time at PCS. He stated that his actions were not deliberate and he had not appreciated at the time that there was any impropriety in his behaviour. He was aware that his calls were being taped and represented that in those circumstances he could not have believed he was doing anything wrong. Mr Coppin also represented that he is and always has been a person of good character and has never been involved in any dishonest behaviour. He has co-operated fully with the FSA's enquiries and been consistent in his approach to this matter throughout. These factors, along with those set out below, are he stated, crucial to both liability and penalty.
62. It was represented that Mr Coppin's position was a reflection of the environment in which he worked and it is important to understand that environment as well as the facts relating to the marketing of the shares in Provexis in March 2007 to fully appreciate why he acted as he did. He argued that the FSA had not accurately portrayed certain key factual matters upon which they have relied and he proposed by his representations to correct the position.
63. Mr Coppin represented that he was a young and inexperienced trader working in a high pressure environment with a very poor regulatory and compliance culture. Contrary to the FSA's assertions, he was not in a senior position at the firm. Even though he was a team leader, other staff members would take instructions from his line manager, not Mr Coppin. His team leader role simply required him to take on a share of the administrative burden.
64. He further stated that while the poor regulatory culture has been acknowledged by the FSA, the regulator has failed to give it the relevance it deserves in considering the allegations against Mr Coppin. He stated that in the highly pressurised environment at PCS, with a background of inadequate training and compliance, he felt compelled, in large part by his immediate line manager, to achieve maximum sales volumes. That line manager adopted a generally dismissive attitude towards compliance which further weakened the compliance culture at the firm. Mr Coppin was not given any training by his employers on market abuse or regulatory compliance; the only training received was in sales techniques. He was encouraged to do what he was told without asking questions. The working environment at PCS was hostile and unpleasant.
65. As to the nature of the inside information, Mr Coppin stated that in a case where inside information is alleged, it is normally clear that the information is inside. It was submitted that in this case, at the relevant time, the information was far from clear.

The circumstances were such that a reasonable person in his position, would think he was permitted to use the information to sell Provexis shares.

66. Nevertheless, Mr Coppin submitted that on reflection he believed that the presentation by Provexis on 28 March 2007 did disclose inside information. Mr Coppin attended this presentation, as did other senior members of PCS. Mr Coppin stated that these included a member of Compliance, whose presence was also recollected by some other attendees, and Mr Coppin's line manager. None of the other attendees raised any concerns about the presentation. While there is some conflict of evidence as to what information was passed at this time, there are witnesses who support Mr Coppin's assertion that inside information was disclosed at this meeting.
67. Mr Coppin contended that it was unreasonable for the FSA to expect him, as an untrained, inexperienced junior trader, to have identified inside information and to have taken appropriate action when his line manager and the compliance team failed to do so. Mr Coppin stated that he was told by his line manager to sell the shares on the basis of the information concerning the collaboration agreement with Unilever.
68. Mr Coppin stated that he accepts now that he should not have marketed the shares and should have raised the issue with Compliance. However, his state of mind was framed by the presentation on 28 March 2007, his belief that Compliance was present at the presentation and aware of the information that had been given, and the explicit instructions given to him to sell the shares.
69. As to the two Compliance warning e mails or scripts of the instructions by Compliance to the brokers, Mr Coppin said he did not recall receiving or reading either of these. He stated that he did not consider there to be anything improper about an email headed "...*this script does not exist*" as he thought that simply meant it had not yet been signed off by Compliance. He would in any event have been obliged to read out the "Risks Factors" and "Risks Warning" to clients as required by Compliance. Mr Coppin alleged that viewed in their proper context these two emails or scripts do not demonstrate that Mr Coppin was aware that the information had been improperly disclosed and should not be used.
70. Mr Coppin also made numerous allegations as to serious failings by the Compliance team at PCS. Aside from the general poor compliance culture at the firm, there were specific failings in relation to this particular issue. Given the information which he believed was disclosed by Provexis at the meeting on 28 March 2009, he stated that PCS Compliance should have stopped the brokers selling any stock at all.
71. Representations were also made by Mr Coppin on his financial circumstances. He informed the FSA that his professional position had altered for the worse and that had inevitably had a detrimental effect on his financial circumstances. He stated that his professional future was uncertain and unclear and accordingly he is unable to pay the fine proposed by the FSA.
72. Representations were also received from Provexis and have been taken into account in this matter.

Conclusion

73. The FSA is satisfied that Mr Coppin engaged in market abuse in breach of section 118(2) of the Act. Mr Coppin received inside information in relation to the sale of Provexis shares and dealt on the basis of that information. The substantive requirements of market abuse as relevant to Mr Coppin are set out further below.
74. The FSA is satisfied that in relation to Sales Calls 1 to 4 Mr Coppin, as an insider, disclosed inside information to others otherwise than in the proper course of the exercise of his employment profession or duties in breach of section 118(3) of the Act because:
- 74.1 Mr Coppin had access to the information through the exercise of his employment and was therefore an insider;
- 74.2 Mr Coppin disclosed inside information to each of the clients in sales calls 1 to 4 by revealing that:
- (a) Where Provexis was not named, sufficient information to enable the client to identify it from readily available sources;
 - (b) Provexis had entered into an agreement. This was substantially accurate. An agreement had been reached and the Unilever press office briefed three days before these calls. The terms of the agreement were at an advanced stage if not completed by 27 March 2007;
 - (c) The agreement had been signed or would be signed in the very near future – Mr Coppin said within the next two days to a week. This was accurate. The agreement was formally signed the same day as the telephone calls were made by Mr Coppin;
 - (d) The agreement was with one of the top three or five companies in the sector, a blue chip company, a household name. This was accurate;
 - (e) The announcement would be made to the market in the next two days to a week. This was substantially accurate. The announcement was made the next day;
 - (f) The effect of the announcement was expected to increase the share price significantly. The share price rose 19.81% immediately after the announcement and remained 7.99% higher at the close that day.
- 74.3 This information was inside information because it was of a precise nature, not generally available, in relation to qualifying investments and the information would, if generally available, be likely to have had a significant effect on the price of Provexis shares. This is supported by statements to this effect by Mr Coppin in the course of Sales Calls 1 to 4, and the increase in the Provexis share price following the announcement on 29 March 2007 against the closing price of the previous day.

- 74.4 On 29 March 2007 Mr Coppin disclosed the inside information to PCS retail clients, otherwise than in the proper course of the exercise of his employment during telephone sales calls to encourage clients to purchase Provexis shares. The FSA does not accept any of Mr Coppin's representations about the circumstances in which he received the information making it reasonable for him to disclose the information as he did. For the reasons set out below Mr Coppin must have been aware that disclosing the information was not in the proper course of the exercise of his employment:
- (a) Mr Coppin received the inside information in the Unofficial Sales Script under cover of an email that read "*This script does not exist*".
 - (b) the inside information was not included in the Official Sales Script which was sent to Mr Coppin by email on 19 March and again under the subject: "*Compliance Approved Provexis Script and Stock Report*" two minutes after Unofficial Sales Script. It must have been apparent to Mr Coppin that he should follow the Compliance approved Official Sales Script but he did not;
 - (c) whether or not the whole, or any part, of the inside information was also revealed at the Provexis presentation on 28 March 2007, it would also have been apparent to Mr Coppin from the circumstances in which he first obtained the information (under cover of the "*this does not exist*" email) that disclosure was improper. This would have been reinforced by the Compliance "Cautionary Note"; and
 - (d) it is quite clear from the telephone transcripts that Mr Coppin knew the information was not in the public domain, and it would have been obvious to Mr Coppin as an experienced member of the Sales staff and an Approved Person that this was inside information that he should not have disclosed to his clients.
75. In addition the FSA is satisfied that in relation to Sales Calls 1 to 6 Mr Coppin's actions encouraged his clients to buy Provexis shares and that if Mr Coppin had bought or attempted to buy Provexis shares on 29 March 2007 this would have amounted to market abuse under section 118(2) (insider dealing) because the inside information would either have been the reason for, or a material influence on, the decision or attempt to deal. Mr Coppin therefore breached section 123(1)(b) of the Act.
76. The use of balancing remarks included in the Unofficial Script but not in the Official Script demonstrates that Mr Coppin had received and read the Unofficial Script, and continued to use it when making sales calls, despite the warnings from Compliance.
77. The FSA accepts that Mr Coppin was young and had no experience of trading other than at PCS, and that PCS had a very poor regulatory and compliance culture. However, as an approved person Mr Coppin could not simply pass responsibility to Compliance or his line manager to tell him what he should be doing. He had a responsibility to personally assess whether the information received was capable of

being inside information. The fact of a difficult working environment is insufficient by itself to enable Mr Coppin to divest himself of making his own judgement as to the propriety of the information received.

78. Accordingly, the FSA is not satisfied that there are reasonable grounds for it to conclude that Mr Coppin did not engage in market abuse under section 123(2)(a).

Fitness and Propriety

79. The FSA considers that Mr Coppin's conduct in the matters described in this Decision Notice demonstrates that he has acted without honesty and integrity. It must have been abundantly clear to Mr Coppin on receipt of the two emails from a colleague on 27 March 2007 that the intention of having two scripts - one said "*not to exist*" - was improper. Mr Coppin's failure to query this and on the contrary to use the information in the Unofficial Sales Script is serious and goes to his fitness and propriety. Such conduct demonstrates a lack of honesty and integrity on his part.
80. The FSA notes Mr Coppin's position concerning the circumstances in which he received and used the inside information but considers that Mr Coppin's conduct was deliberate. He understood and intended the consequences of his actions. In particular it is the FSA's view that:
- 80.1 Mr Coppin used material information about Provexis in all of Sales Calls 1 to 6 which was not contained within the Official Sales Script;
- 80.2 the content of the telephone sales recordings indicate an awareness of the nature of the information passed to clients, in particular, that it was not generally known to the market and that the share price would increase significantly on announcement;
- 80.3 as is shown by Sales Call 4, Mr Coppin chose to ignore warnings in the Compliance "Cautionary Note";
- 80.4 when making Sales Call 5 (after receipt of the Compliance email raising concerns over the disclosure of inside information) it is notable that Mr Coppin's language in referring to the collaboration agreement is more circumspect than in previous calls, an indication that he was mindful of Compliance's concerns – nonetheless he continued to refer to elements of the information in the Unofficial Sales Script in order to encourage the client to make a purchase; and
- 80.5 Mr Coppin's language in Call 6 closely follows the wording in the Unofficial Sales Script, demonstrating that he had read and was using that script.
81. Mr Coppin's conduct meant that AIM market participants were disadvantaged and his actions had the potential to cause damage in the AIM market. In this regard it is notable that a senior PCS broker sent an email at 21.23 on 29 March setting out the sales made by each broker and stating "*...This is a record day in the history of Pacific! Congratulations*".

82. In order to sustain confidence in the UK's financial system, it is essential that confidence is maintained in the honesty and integrity of persons occupying positions of responsibility within UK authorised financial institutions. Mr Coppin was both an Approved Person and was a team leader in the PCS SmallCap sales group responsible for other staff. Mr Coppin benefited from commission payable on his sales.
83. This conduct amounts to serious failings to satisfy the criteria of honesty and integrity such that Mr Coppin is not fit and proper to perform any Controlled Functions and such that it is appropriate that the Prohibition Order be made against him.

Analysis of Sanctions

Financial penalty

84. The FSA's published policy states that the principal purpose of imposing a financial penalty is to promote high standards of regulatory and/or market conduct by deterring persons who have committed breaches from committing further breaches, helping to deter other persons from committing similar breaches and demonstrating generally the benefits of compliant behaviour.
85. In enforcing the market abuse regime, the FSA's priority is to protect prescribed markets from any damage to their fairness and efficiency caused by the misuse of information in relation to the market in question. Effective and appropriate use of the power to impose penalties for market abuse will help to maintain confidence in the UK financial system by demonstrating that high standards of market conduct are enforced in the UK financial markets. The public enforcement of these standards also furthers public awareness of the FSA's protection of consumers objective, as well as deterring potential future market abuse.
86. DEPP 6.2 sets out a number of factors to be taken into account when the FSA decides whether to take action in respect of market abuse. They are not exhaustive but include the nature and seriousness of the behaviour, the degree of sophistication of the users of the market in question, the size and liquidity of the market and the susceptibility of the market to market abuse. Other factors include action taken by the FSA in similar cases, the impact that any financial penalty or public statement may have on the financial markets or on the interests of consumers and the disciplinary record and general compliance history of the person concerned.
87. DEPP 6.4 sets out a number of factors to be taken into account when the FSA decides whether to impose a financial penalty or issue a public censure. They are not exhaustive but include deterrent effect, whether a person has made a profit or loss by his misconduct, the seriousness of the behaviour and the FSA's approach in similar previous cases.
88. DEPP 6.5 sets out a number of factors to be taken into account when the FSA determines the level of a financial penalty that is appropriate and proportionate to the misconduct. They are not exhaustive but include deterrence, the nature, seriousness and impact of the misconduct, the extent to which the breach was deliberate or reckless, whether the person on whom the penalty is to be imposed is an individual,

his financial resources and other circumstances, the amount of any benefit gained or loss avoided, disciplinary record and compliance history and action that the FSA has taken in relation to similar misconduct by other persons.

89. The FSA has taken all of the circumstances of this case into account and considered the guidance in DEPP 6 in deciding that it is appropriate in this case to take action in respect of behaviour amounting to market abuse, that the imposition of a financial penalty is appropriate and that the level of financial penalty is appropriate and proportionate.
90. The FSA has had regard in particular to the following circumstances of this case

Aggravating features

- (1) Mr Coppin's impropriety in the manner in which he conducted his primary role, that is, to sell shares.
- (2) Mr Coppin's conduct was deliberate and motivated by personal gain through PCS's bonus scheme.
- (3) The market abuse occurred during a series of calls made in the course of a day.
- (4) These calls continued despite the Cautionary Note distributed by Compliance and then despite the email from Compliance explicitly setting out concerns that brokers might be committing market abuse by disclosing specific information to customers.
- (5) Call 6 followed the Unofficial Sales Script very closely, demonstrating that Mr Coppin was using it, despite having received the Official Script on two separate occasions.
- (6) Other AIM market participants were disadvantaged and his actions had the potential to cause damage in the AIM market. Sales calls 1 to 4 resulted in approximately £30,000 in sales of Provexis stock and Mr Coppin's total sales of Provexis stock on 29 March 2007 were £80,000.

Mitigating features

- (1) Mr Coppin voluntarily attended for interview and answered the investigators' questions.
- (2) There have been no previous findings of market misconduct against Mr Coppin.
- (3) The FSA recognises that there was a poor regulatory and compliance culture at PCS and that Mr Coppin was not the only person engaging in market abuse.

Conclusions on Sanction

Financial penalty

91. In determining the financial penalty, the FSA has considered Mr Coppin's financial resources (so far as known to the FSA) and the need to deter Mr Coppin and others from engaging in this type of activity. The FSA has also had regard to penalties imposed in other comparable market abuse cases and for this reason reduced the penalty from that proposed in the Warning Notice.
92. The FSA therefore considers that a total financial penalty of £70,000 is appropriate.

Prohibition Order

93. In light of Mr Coppin's conduct the FSA is of the view that he lacks honesty and integrity and that this is therefore a serious case of a lack of fitness and propriety such that the Prohibition Order is necessary in order to meet the FSA's regulatory objectives.

DECISION MAKERS

94. The decision which gave rise to the obligation to give this notice was made by the Settlement Decision Makers

IMPORTANT

95. This Final Notice is given to Mr Coppin in accordance with section 390 of the Act.
96. The following statutory rights are important.

Manner of and time for Payment

97. The FSA is in possession of evidence that it would cause Mr Coppin serious financial hardship or financial difficulties if he were required to pay the full payment in a single installment. Accordingly, the financial penalty of £70,000 must be paid in full in installments as follows:
 - 97.1 £35,500 within 28 days of the date of this Final Notice; and
 - 97.2 A further 23 consecutive installments of £1,500 to be paid monthly on the first day of each month and to commence in the month following payment of the first installment of £35,500.
98. The financial penalty must be paid in full by Mr Coppin to the FSA by no later than 2 years from the publication date of the Final Notice.

If the financial penalty is not paid

99. If Mr Coppin defaults in the payment of any installments the entire penalty shall become immediately due and the FSA may recover the amount due as a debt owed by him and due to the FSA. Similarly, if any of the financial penalty is outstanding

following 2 years after the publication of the Final Notice, the FSA may recover the outstanding amount as a debt owed by Mr Coppin and due to the FSA.

Publicity

100. 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 this notice relates as the FSA considers appropriate. The information may be published in such 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 Mr Coppin or prejudicial to the interests of consumers.
101. The FSA intends to publish such information about the matter to which this Final Notice relates as it considers appropriate

FSA contacts

102. For more information concerning this matter generally, contact Matthew Nunan at the FSA (direct line: 020 7066 2672 /fax: 020 7066 2673).

Tracey McDermott
FSA Enforcement and Financial Crime Division