Financial Conduct Authority

FINANCIAL CONDUCT AUTHORITY

FINAL NOTICE

To:	**SEI Investments (Europe) Limited ("SEI")**
Reference Number:	**191713**
Address:	**1 Bruton Street**
	London W1 6TL
Date:	**25 November 2013**

1. ACTION

1.1. For the reasons given in this notice, the Financial Conduct Authority ("the Authority") imposes on SEI a financial penalty of £900,200.

1.2. SEI agreed to settle at an early stage of the Authority's investigation. SEI therefore qualified for a 30% (stage 1) discount under the Authority's executive settlement procedures. Were it not for this discount, the Authority would have imposed a financial penalty of £1,286,000 on SEI.

2. SUMMARY OF REASONS

2.1. In the period 1 November 2007 to 4 October 2012 ("the Relevant Period") SEI breached Principle 10 in failing to arrange adequate protection for client money for which it was responsible. It also breached a number of rules in Chapter 7 of the Client Assets Sourcebook ("Client Money Rules") including CASS Rules 7.6.2R, 7.6.7R, 7.6.8R, 7.6.13R and 7.6.16R. In particular, SEI:

(1) failed on several occasions to perform its internal client money reconciliation;

(2) failed on several occasions to ensure that any shortfall or excess identified by its internal client money reconciliation was paid into or withdrawn from the client bank account by close of business on the day of the reconciliation;

(3) failed to appreciate that it was using a non-standard method of internal client money reconciliation. As a consequence, SEI did not obtain the required auditor sign-off to use this method and did not provide the Authority with written confirmation of this;

(4) failed to make mandatory notifications of client money shortfalls or excesses not paid into or withdrawn from the client bank account by close of business on the day of the reconciliation and mandatory notifications of failures to maintain accurate records and accounts to the Authority;

(5) failed to submit accurate Client Money and Assets Returns ("CMAR") from their inception in October 2011 until at least October 2012 (the end of the Relevant Period);

(6) failed adequately to train employees with operational or oversight responsibility for client money. For instance, on one occasion an SEI employee, who had not received any CASS training, manually adjusted SEI's client money requirement from the £14 million calculated using the internal client money reconciliation to £932,000, on the basis of his assumption that the £14 million shortfall internal client money reconciliation was of an unprecedented amount and was therefore inaccurate; and

(7) failed to ensure that it maintained its records and accounts in a way that ensured their accuracy, and in particular their correspondence to the client money held for clients.

2.2. As a consequence, the Authority has concluded that SEI failed to arrange adequate protection for the client money for which it was responsible.

2.3. The client money regime is designed to ensure protection of client money and assets in the event of firm failure. To achieve this, firms are required to ensure that their operational arrangements comply with CASS. In the event of SEI's

insolvency, some of SEI's clients could have faced difficulties and/or delay in recovering their money and client money would have been exposed to the risk of loss.

2.4. The average daily balance of the client money accounts during the Relevant Period was approximately £84.3 million.

2.5. The Authority considers SEI's failings to be serious for the following reasons:

(1) failings were found throughout SEI's client money processes, indicating that SEI's client money arrangements were inadequate;

(2) the breaches of Client Money Rules took place over a period of five years;

(3) the failings took place during a period of significant expansion of SEI's UK business (and client money holdings), meaning that SEI was exposing additional clients to risk of loss at a time when its arrangements were inadequate;

(4) had SEI become insolvent, these failings could have led to complications and delay in distribution, and placed client money at risk;

(5) SEI's failings were not identified by SEI through its own compliance monitoring, but rather were drawn to SEI's attention by the Authority, the firm's external auditors and the Skilled Person; and

(6) during the Relevant Period there was a high level of awareness in the financial services industry of the importance of adequately protecting client money. The Authority sent letters to Compliance Officers of relevant firms in March 2009 and to Chief Executive Officers of relevant firms in January 2010 highlighting concerns about client money failings. The January 2010 letter required confirmation that the firm complied with the Client Money Rules, which SEI provided, with qualifications, in July 2010.

2.6. Whilst the Authority considers the failings to be serious, there was no actual loss of client money in this instance. However, the rules are designed to be preventative. Had SEI suffered an insolvency event during this period, customers could have suffered loss due to SEI's non-compliance with the Client Money Rules. SEI has cooperated with the Authority during its investigation, invested in external consultants, and has restructured its operational model.

2.7. This action supports the Authority's operational objectives of securing an appropriate degree of protection for consumers and protecting and enhancing the integrity of the UK financial system.

3. DEFINITIONS

3.1. The definitions below are used in this Decision Notice.

"the Act" means the Financial Services and Markets Act 2000;

"Asset Management Business" means SEI's provision of a direct platform and asset management services to retail clients;

"the Authority" means the body corporate previously known as the Investment Management Regulatory Organisation and the Financial Services Authority and renamed on 1 April 2013 as the Financial Conduct Authority;

"CASS" means the Client Assets Sourcebook contained in the Authority's Handbook;

"Client Money Rules" means Chapter 7 of CASS (as defined above);

"CMAR" means Client Money and Assets Return;

"Custodian" means the custodian appointed by a client of SEI;

"DEPP" means the Authority's Decision Procedure & Penalties Manual;

"EG" means the Enforcement Guide;

"GWP Business" means SEI's provision of administration, processing and custodian services to wealth management firms;

"Principles" means the Authority's Principles for Businesses;

"Relevant Period" means 1 November 2007 to 4 October 2012;

"SEI" means SEI Investments (Europe) Limited;

"Skilled Person" means the person appointed by SEI in June 2012 under section 166 of the Act to make a report to the Authority on SEI's compliance with the CASS Rules; and

"the Tribunal" means the Upper Tribunal (Tax and Chancery Chamber).

4. FACTS AND MATTERS

Background

4.1. SEI's core business activities include the provision of asset management services to professional and retail clients (the "Asset Management Business") and the provision of administration, processing and custodian services to wealth management firms (the "GWP Business"). SEI provides custody services directly to retail clients introduced by these wealth managers.

4.2. SEI's Asset Management Business was in operation throughout the Relevant Period. SEI held client money through its sale of fund units to end investors, who were in some cases SEI's clients for the purposes of CASS. SEI's GWP Business was launched in December 2009. SEI also held client money through providing custody services for its clients.

4.3. Since 2009, SEI has experienced a period of rapid growth. For example, client money balances increased from approximately £68 million as at 30 June 2011 to £428 million as at 30 June 2012.

4.4. SEI has been authorised and regulated by the Authority since 5 May 2000 and is permitted to hold and control client money.

Internal client money reconciliations

4.5. CASS 7.6.7R requires a firm to make records sufficient to show and explain its method of internal client money reconciliation and, if different from the Authority's standard method of internal client money reconciliation, to show and explain that its non-standard method of internal client money reconciliation affords an equivalent degree of protection to its clients as the standard method.

4.6. SEI failed to appreciate that it was using a non-standard method of calculation to perform internal client money reconciliations and was not able to provide records sufficient to show that its method afforded an equivalent degree of protection to clients.

4.7. CASS 7.6.13R requires that where discrepancies arise as a result of internal reconciliations, the firm must ensure that any shortfall is paid into a client bank account by close of business on the day of reconciliation or any excess withdrawn in the same time period.

4.8. SEI's 2010, 2011 and 2012 breach logs recorded a number of occasions where client money funding and sweep requirements identified as a result of the internal client money reconciliation were not carried out until the day after the reconciliation was performed. On some occasions, SEI failed to fund client money shortfalls and remove client money excesses before close of business on the day on which the internal client money reconciliation identified those shortfalls and excesses.

Failure to make required notifications to the Authority

4.9. Under CASS 7.6.8R, a firm that does not use the standard method of internal client money reconciliation is required to send a written confirmation to the Authority from the firm's auditor that the firm has in place systems and controls which are adequate to enable it to use another method effectively. SEI did not submit to the Authority any confirmation from its external auditor that it had systems and controls in place that were adequate to enable it to use another method. This was because SEI's external professional adviser did not confirm until April 2012 that SEI was using a non-standard method of calculation. Once its external professional adviser had confirmed this issue, SEI promptly engaged external consultants to enable it to provide the required confirmation. However, it should be noted that the primary responsibility for ensuring CASS compliance lies with the firm.

4.10. SEI's failures to fund shortfalls and remove excesses were recorded as breaches in the 2010, 2011 and 2012 breach logs. SEI did not notify the Authority of these breaches, which related most frequently to the GWP business.

4.11. From October 2011 to May 2012, SEI submitted a monthly CMAR to the Authority. In accordance with the Authority's Supervision Manual, it was required to do so within 15 business days of the end of each month, containing the information prescribed in the Authority's Handbook. The CMARs submitted by SEI during this period were incomplete and inaccurate in certain respects. For example, the list of client bank accounts was incomplete and inaccurate and the use of certain outsourced providers was not reported.

Training

4.12. SEI did not ensure that SEI employees with operational or oversight responsibility for client money received training on the Client Money Rules until April 2011 at the earliest. For example, the SEI employee who used his discretion to adjust manually SEI's client money requirement from £14 million to £932,000 in February 2011 on the basis of his assumption that the £14 million shortfall internal client money reconciliation was of an unprecedented amount and was therefore inaccurate had not received any CASS training at the time the adjustment was made.

Identification of the issues

4.13. In March 2009, the Authority sent a Dear Compliance Officer letter ("Dear CO letter") to all relevant firms, including SEI. This letter flagged to senior management the Authority's concerns about firms' CASS compliance and set out the Authority's expectations of firms when arranging adequate protection of clients' assets and money. The Authority expects firms to take such letters seriously and to take action to ensure they are complying with these letters.

4.14. On 19 January 2010, shortly after the launch of the GWP business, the Authority sent a Dear Chief Executive Officer letter ("Dear CEO letter") to all relevant firms, including SEI. This letter emphasised Principle 10 obligations in relation to client money and stated that "*a higher priority is being given to achieving compliance with client asset requirements because we are concerned that firms are not always achieving an adequate level of protection*". The letter enclosed a further report, which noted that the Authority considered compliance with the Client Money Rules to be poor across the financial services industry.

4.15. The Authority's letter required SEI to consider this report at a senior level and for the CEO to confirm to the Authority that SEI was in compliance with its obligations regarding the protection of client money and assets.

4.16. On 30 July 2010, SEI replied to the Dear CEO letter, which it received in late June 2010, stating that the content of the letter had been considered by SEI and that "*as at December 2009, SEI was in compliance with its obligations for client money and assets*…" in respect of the Asset Management Business and was in the process of reviewing its obligations "*as it relates to new business launched end Q4 2009*" (the GWP Business).

4.17. In April 2011, SEI provided the Authority with its external auditor's CASS audit for the year ending December 2010. The report highlighted client money shortfalls and excesses identified by SEI's internal client money reconciliation that had not been funded or removed by the close of business on the day on which they were identified, as well as instances where the client money reconciliation had not been performed at all on a particular day. These incidents were generally resolved on the day after they occurred.

4.18. In November 2011, the Authority's CASS supervisors visited SEI, during which visit they identified a number of weaknesses in SEI's CASS organisational arrangements. These weaknesses were confirmed in a report sent to SEI on 5 March 2012 ("CASS Visit Final Report") and included:

(1) inadequate assessment of client money incidents recorded on SEI's breach log;

(2) failure to notify the Authority of notifiable breaches;

(3) unapproved non-standard method of internal client money reconciliation;

(4) inadequate understanding among staff, management and those with client money oversight of requirements of Client Money Rules; and

(5) CMAR returns submitted since their inception in October 2011 being incomplete and inaccurate.

4.19. In April 2012, SEI, prompted by the observations made by the Authority in its CASS Visit Final Report, asked the Authority for guidance on the notification and materiality thresholds for reporting certain CASS breaches. The Authority's guidance confirmed that firms are required to notify the Authority of certain CASS breaches, as per CASS 7.6.16R(2).

4.20. In April 2012, SEI's external auditor confirmed that SEI's client money calculation did not use the standard method and concluded that for the year ended December 2011, SEI's systems were not adequate to comply with the Client Money Rules. This report referred to each of the inadequate organisational arrangements identified by the Authority in its CASS Visit Final Report, including instances where the internal client money reconciliation identified a shortfall or an excess that was not funded or removed as required by the Client Money Rules.

4.21. In June 2012, the Authority required SEI to provide a Skilled Person's report under section 166 of the Act. The report was issued on 12 October 2012 and both confirmed the findings made by the Authority in its CASS Visit Final Report and identified additional instances of SEI's non-compliance with certain CASS Rules. The Skilled Person's findings included:

(1) failure to make mandatory notifications to the Authority of significant Client Money Rule breaches;

(2) use of a non-standard method of client money reconciliation without auditor confirmation to the Authority that adequate systems and controls were in place;

(3) insufficient understanding of CMAR data requirements since the inception of CMAR monitoring, resulting in incorrect and inaccurate reporting; and

(4) inadequate CASS training and knowledge of employees with operational or oversight responsibility for client money.

4.22. The Skilled Person's report stated that many of the issues identified had resulted from historical inadequacies in SEI's organisational arrangements.

5. FAILINGS

5.1. Based on the facts and matters described above, the Authority considers that SEI has breached Principle 10 and Client Money Rules 7.6.2R, 7.6.7R, 7.6.8R, 7.6.13R and 7.6.16R. The statutory and regulatory provisions referred to by this Decision Notice are set out in Annex A.

Breach of Principle 10

5.2. Principle 10 requires a firm to arrange adequate protection for clients' assets for which it is responsible. CASS sets out the detailed requirements placed on firms to ensure that such adequate protection is in place for client money and custody assets. The Authority has concluded that SEI failed to arrange adequate protection for the client money for which it was responsible.

5.3. In particular, SEI:

(1) failed on several occasions to perform its internal client money reconciliation;

(2) failed on several occasions to ensure that any shortfall or excess identified by the internal client money reconciliation was paid into or withdrawn from the client bank account by close of business on the day of the reconciliation;

(3) failed to make mandatory notifications of client money shortfalls or excesses not paid into or withdrawn from the client bank account by close of business on the day of the reconciliation and mandatory notifications of failures to provide accurate records and accounts to the Authority;

(4) failed to appreciate that it was using a non-standard method of internal client money reconciliation. As a consequence, SEI did not obtain auditor sign-off to use this method and did not provide the Authority with written confirmation of this;

(5) failed to submit accurate CMARs;

(6) failed adequately to train employees with operational or oversight responsibility for client money; and

(7) failed to ensure that it maintained its records and accounts in a way that ensured their accuracy, and in particular their correspondence to the client money held for clients.

5.4. As a consequence of these failures, SEI failed to arrange adequate protection for the client money for which it was responsible.

5.5. The Authority's March 2009 Dear CO letter and January 2010 Dear CEO letter expressed concerns that firms were not always achieving an adequate level of protection of client money. The Dear CEO letter required SEI to consider the Authority's Client Money and Asset Report at a senior level and confirm it was compliant with CASS. These letters should have prompted SEI to undertake a proper review of its breach recording, internal client money reconciliation method and employee training records.

5.6. SEI received the Dear CEO letter in late June 2010 and replied in July 2010 stating that its Asset Management Business was in compliance with the CASS Rules and it was reviewing its obligations in relation to the GWP business.

5.7. Having regard to the issues above, the Authority considers it appropriate and proportionate in all the circumstances to take disciplinary action against SEI for

its breaches of Principle 10 and associated Client Money Rules over the Relevant Period.

6. SANCTION

6.1. The FCA's policy on the imposition of financial penalties is set out in Chapter 6 of DEPP. In determining the financial penalty, the Authority has had regard to this guidance.

6.2. The principal purpose of a financial penalty is to promote high standards of regulatory conduct by deterring firms that 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.

6.3. For the reasons set out above, the Authority considers that SEI failed to comply with Principle 10 and breached associated Client Money Rules. In determining that a financial penalty is appropriate and proportionate in this case, the Authority has considered all the relevant circumstances.

6.4. The conduct at issue took place both before and after 6 March 2010. As set out at paragraph 2.7 of the Authority's Policy Statement 10/4, when calculating a financial penalty where the conduct straddles both penalty regimes, the Authority must have regard to both the penalty regime that was effective before 6 March 2010 (the "old penalty regime") and the penalty regime that was effective from 6 March 2010 onwards (the "current penalty regime").

6.5. The Authority has therefore:

(1) calculated the financial penalty for SEI's misconduct from 1 November 2007 to 5 March 2010 by applying the old penalty regime to that misconduct;

(2) calculated the financial penalty for SEI's misconduct from 6 March 2010 to 4 October 2012 by applying the current penalty regime to that misconduct; and

(3) added the penalties calculated under (1) and (2) to produce the total penalty.

Financial penalty under the old regime

Deterrence (DEPP 6.5.2G(1))

6.6. The Authority views compliance with the Client Money Rules to be of significant importance. The Authority considers there to be a continuing need to send a strong message to the industry that firms must handle client money in a way that is consistent with the Principles and Client Money Rules.

6.7. The principal objectives of the Client Money Rules to which this notice relates are to ensure that client monies are clearly identified as such and are ring-fenced from the firm's assets in the case of insolvency.

6.8. Failure to organise properly client money affairs and to ensure adequate protections are in place significantly increases the risk that, in the event of insolvency, delivery up of client money will be delayed and that the funds properly owing to clients will be diminished. It also exposes client monies to the risk of set-off from banks and/or to the claims of competing creditors.

6.9. The Authority considers that a significant financial penalty is an appropriate sanction given the serious nature of the breaches and the risk to SEI's clients.

Nature, seriousness and impact of the breach (DEPP 6.5.2(2))

6.10. The Authority considers SEI's breach of Principle 10 and associated Client Money Rules to be serious for the following reasons:

(1) the average daily amount of client monies at risk throughout the Relevant Period was approximately £84.3 million;

(2) failings were found throughout SEI's client money processes, indicating that SEI's client money arrangements were inadequate;

(3) the breaches of Client Money Rules took place over a period of five years;

(4) the failings took place during a period of expansion of SEI's UK business (and client money holdings), meaning that it was exposing additional clients to risk of loss at a time when its arrangements were inadequate;

(5) had SEI become insolvent, these failings could have led to complications and delay in distribution, and placed client money at risk of loss;

(6) SEI's failings were not identified by SEI through its own compliance monitoring, but rather were drawn to SEI's attention by its external auditors, the Authority, and a skilled person; and

(7) during the Relevant Period there was a high level of awareness in the financial services industry of the importance of adequately protecting client money. The Authority sent letters to Compliance Officers of regulated firms in March 2009 highlighting concerns about firms' CASS compliance and setting out the Authority's expectations of firms when arranging adequate protection of client money. The Authority sent letters to Chief Executive Officers of regulated firms in January 2010 highlighting concerns about client money failings and requiring them to confirm that the firm complied with the Client Money Rules. In July 2010 SEI provided such confirmation, with qualifications, as at 31 December 2009.

The extent to which the breach was deliberate or reckless (DEPP 6.5.2(3))

6.11. The Authority does not consider that SEI committed the breaches deliberately or recklessly.

The size, financial resources and other circumstances of the firm (DEPP 6.5.2(5))

6.12. In deciding on the level of penalty, the Authority has had regard to the size of the financial resources of SEI.

6.13. The Authority has no evidence to suggest that SEI is unable to pay the financial penalty.

The amount of profits accrued or the loss avoided (DEPP 6.5.2(6))

6.14. SEI did not profit from the breaches or avoid any loss.

Conduct following the breach (DEPP 6.5.2(8))

6.15. For almost all of the Relevant Period, SEI failed to identify or act upon the failings set out in this Notice.

6.16. After SEI received the Skilled Person's report in October 2012, it took steps to consider and resolve the issues identified. Since that time, SEI has invested in external consultants and restructured its operational model to bring the firm into compliance with CASS.

Disciplinary record and compliance history (DEPP 6.5.2(9))

6.17. SEI has not previously been the subject of an adverse finding by the Authority.

Other action taken by the Authority (DEPP 6.5.2(10))

6.18. The Authority has had regard to previous cases involving the failure to protect adequately client money.

Conclusions in relation to the old penalty regime

6.19. The Authority considers that the seriousness of SEI's failings merits a financial penalty. In determining the financial penalty, the Authority has considered the need to send a clear message to the industry of the need to ensure that client money is properly protected in accordance with the Client Money Rules. Failure to ensure that appropriate measures are in place to protect client money will result in severe consequences.

6.20. The Authority has therefore decided to impose a total financial penalty under the old penalty regime of £280,000 (£400,000 before application of a 30% settlement discount) on SEI for its breach of Principle 10 and associated Client Money Rules. This amount is approximately 1% of the average client money balances held over the Relevant Period (these balances averaging £84.3 million), after adjustment to take into account that 28 out of 59 months of the Relevant Period was before 6 March 2010 and thus fell to be considered under the old penalty regime.

Financial penalty under the current regime

6.21. All references to DEPP from this section are references to the version of DEPP implemented as of 6 March 2010 and currently in force. Under the current penalty regime, the Authority applies a five-step framework to determine the appropriate level of financial penalty. DEPP 6.5A sets out the details of the five-step framework that applies to financial penalties imposed on firms.

Step 1: disgorgement

6.22. DEPP 6.5A.1G provides that at Step 1, the Authority will deprive a firm of the financial benefit derived directly from the breach.

6.23. The Authority has not identified any financial benefit that SEI derived as a result of the breaches. The Step 1 figure is therefore £0.

Step 2: the seriousness of the breach

6.24. DEPP 6.5A.2G(1) provides that at Step 2 the Authority determines a figure that reflects the seriousness of the breach. Although DEPP 6.5A.2G(1) indicates that in many cases the amount of revenue generated by a firm from a particular business area is indicative of the harm that the breach may cause, it also recognises that revenue may not be an appropriate indicator of the harm the breach may cause. In those cases the Authority will use an appropriate alternative.

6.25. The Authority considers that in cases that involve breaches of Principle 10, an appropriate alternative is to base the Step 2 figure on the average client money balances held by the firm over the Relevant Period as an appropriate indicator of the harm that the breach may cause.

6.26. In this case the average client money balances referable to the current penalty regime period are £84.3 million.

6.27. In deciding on the percentage of the average client money balances that forms the basis of the step 2 figure, the Authority considers the seriousness of the breach and chooses a percentage between 0% and 4%. This range is divided into five fixed levels which increase with the seriousness of the breach, and vary according to whether the breaches relate to client money or client assets. The five levels are:

Level 1 – 0% for both client money and client assets;

Level 2 – 1% for client money and 0.2% for client assets;

Level 3 – 2% for client money and 0.4% for client assets;

Level 4 – 3% for client money and 0.6% for client assets; and

Level 5 – 4% for client money and 0.8% for client assets.

6.28. To assess the seriousness level, the Authority takes into account various factors which reflect the impact and nature of the breach, and considers whether the firm committed the breach deliberately or recklessly. DEPP 6.5A.2G(12) lists factors likely to be considered 'level 1 factors', 'level 2 factors' or 'level 3 factors'. The following factors are relevant to the Authority's assessment:

(1) no profits were made or losses avoided as a result of the breach;

(2) the breach was not committed deliberately or recklessly; and

(3) the breach indicated a widespread problem or weakness at SEI.

6.29. The Authority also considers that the following factors are relevant:

(1) the breaches took place during a period of rapid growth at the firm and in the latter part of the Relevant Period client money balances increased significantly above the average client money balance. For example, client money balances increased from approximately £68 million as at 30 June 2011 to £428 million as at 30 June 2012; and

(2) the breaches continued for 31 months after the current penalty policy was introduced, having already been continuing for 28 months before this time.

6.30. The Authority has taken these factors into account, identified the overall seriousness of the breach as level 3, and applied the level 3 seriousness percentage (2%) to the average client money balances over the Relevant Period. The average client money balance for the Relevant Period was £84.3 million and this has been adjusted to take account of the fact that half of the Relevant Period was after 6 March 2010. The relevant proportion of the average client money balances is therefore £44.3 million.

6.31. This results in a step 2 figure of £886,000.

Step 3: mitigating and aggravating factors

6.32. DEPP 6.5A.3G provides that at Step 3 the Authority may increase or decrease the amount of the financial penalty arrived at after Step 2 to take into account factors which aggravate or mitigate the breach. Having considered aggravating and mitigating factors, there is no change to the Step 2 figure. The Step 3 figure is therefore £886,000.

***Step 4: adjustment for deterrence*.**

6.33. DEPP 6.5A.4G provides that if the Authority considers that the Step 3 figure is insufficient to deter the firm who committed the breach, or others, from committing further or similar breaches, the Authority may increase the penalty.

6.34. There are no relevant factors that justify a change to the Step 3 figure. The figure at Step 4 remains £886,000.

Step 5: settlement discount

6.35. DEPP 6.7.2G allows for settlement discounts for early settlement. DEPP 6.7.3G identifies the four stages at which agreement may be reached. SEI has agreed to settle at Stage 1 and therefore qualifies for a 30% discount and the Step 5 figure is therefore £620,200.

Conclusion on financial penalty

6.36. The Authority therefore imposes on SEI a financial penalty of £900,200 (£1,286,000 before Stage 1 discount).

7. PROCEDURAL MATTERS

Decision maker

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

7.2. This Final Notice is given under, and in accordance with, section 390 of the Act.

Manner of and time for Payment

7.3. The financial penalty must be paid in full by SEI to the Authority by no later than 9 December 2013, 14 days from the date of the Final Notice.

If the financial penalty is not paid

7.4. If all or any of the financial penalty is outstanding on 10 December 2013, the Authority may recover the outstanding amount as a debt owed by SEI and due to the Authority.

Publicity

7.5. 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 Authority must publish such information about the matter to which this notice relates as the Authority considers appropriate. The information may be published in such manner as the Authority considers appropriate. However, the Authority may not publish information if such publication would, in the opinion of the Authority, be unfair to you or prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.

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

Authority contacts

7.7. For more information concerning this matter generally, contact Anthony Monaghan or Alexandra Stableforth of the Enforcement and Financial Crime Division of the Authority (direct line: 020 7066 6772 / 020 7066 5866).

Megan Forbes

Head of Department

Financial Conduct Authority, Enforcement and Financial Crime Division