

Terms of Reference

Lessons Learned Review commissioned by the Non-Executive Directors of the Financial Conduct Authority into the handling of the Connaught Income Fund Series 1 (the Fund) and connected companies

1. The Board of the Financial Conduct Authority (FCA) is commissioning an independent lessons learned review (the Review) into the handling of the Connaught Income Fund Series 1 (the Fund) and connected companies. The Review will cover both the actions of the Financial Services Authority (FSA) and FCA.
2. The Review will cover the period from 01 February 2007 to 10 March 2015, when the FCA withdrew its support for negotiations between the Fund and the operators, Capita Financial Managers (Capita) and Blue Gate Capital (Blue Gate), which were aimed at securing agreement to address investor losses.
3. The Review will consider the proportionality, appropriateness and effectiveness of the actions taken by the FSA and later the FCA. The Review will provide an assessment of the FSA/FCA's actions and set out the lessons (if any) that should be learned from the Review.
4. The Review will address the following questions:
 - 1) Whether the FSA's regulation of Tiuta Plc, Capita and Blue Gate, and the individuals associated with these entities, and its response to intelligence was appropriate and effective, including:
 - (a) The approach to supervision and its implementation including judgements made, the proportionality, effectiveness and timeliness
 - (b) The consideration and effective management of potential conflicts of interest within the FSA
 - (c) The approach to whistleblowing, including interactions with whistleblowers, the action taken in response and the timing of that action
 - (d) The extent to which the internal departments co-ordinated the use of intelligence and the appropriateness of any response
 - (e) The consideration of and approach to sharing intelligence with other regulators and law enforcement agencies
 - (f) The consideration of and approach to co-ordinating with other organisations including, the Financial Ombudsman Service and the Financial Services Compensation Scheme
 - 2) Whether the FSA's jurisdiction at the time impacted its ability to meet its statutory objective of protecting consumers, including:
 - (a) The regulatory framework in place at the time and the impact on the FSA's approach

- (b) The FSA's supervisory approach to activities which largely fall outside its jurisdiction
- 3) Whether the approach to communications with investors was appropriate, timely and transparent, including:
 - (a) The approach to interacting with external stakeholders acting on behalf of investors
 - (b) The FCA's approach to ensuring that investors in the Fund were appropriately informed about key developments
- 4) Whether the FCA's decisions to support negotiations in July 2014, and then to subsequently withdraw that support in March 2015 were appropriate, including:
 - (a) The rationale and timing of the decisions
 - (b) The FCA's consideration of the possible impact of these decisions
- 5. The Review will be led by an Independent Reviewer, Raj Parker, who will prepare a report of the Review's findings. The Independent Reviewer may make recommendations to the FCA as they see fit.
- 6. The FCA will provide the necessary supporting resources to enable the Review to be carried out.
- 7. The Review will be completed within a period of 9 months beginning on the date upon which an Independent Reviewer is appointed by the FCA.
- 8. If the Independent Reviewer considers that it will not be possible to complete the Review within the period of 9 months mentioned in paragraph 7, the Independent Reviewer must inform the FCA of:
 - (a) the reasons for the delay in the conclusion of the Review, and
 - (b) a revised target date for the conclusion of the Review.
- 9. Subject to legal considerations, the FCA Board intends to publish the final report as soon as is practically possible.