

As from One Essex Court
Temple
London
EC4Y 9AR

Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

FAO: Charles Randell CBE

BY EMAIL

21 August 2020

Dear Charles,

Re: Independent Investigation into the Financial Conduct Authority's Regulation of London Capital & Finance plc

Introduction

1. I write further to our recent correspondence and our conversation on 5 August. This letter focuses solely on the revised timetable for completion of my investigation and the reasons for the further delay. I have previously explained these points to you but I appreciate that you require a detailed account that can be shared with HM Treasury in accordance with the FCA's obligations under paragraph 7(2) of the Direction.
2. In my letter of 15 May, I explained that the revised target date for completion of my investigation would be Wednesday, 30 September 2020 on the basis that the senior employee interviews were completed during the first half of June 2020 and there were no significant issues arising from outstanding data.
3. Since my 15 May letter, the FCA has produced a large volume of documentation that should have been provided previously and, in addition, senior FCA employees have, during the course of interviews, relied heavily on two change programmes (the relevance of which had not been highlighted before June 2020) in explaining the FCA's regulation of LCF during the Relevant Period.
4. Reviewing and considering these new issues has required a significant amount of work from my team which obviously was not factored into the target date for completion in my letter of 15 May. Regrettably, as I have explained to you, I will therefore need to revise the target date for delivery of my report. This letter sets out the revised timeline and the reasons for the further delay.

Reasons for the further amendment to the timetable

5. As I explained to you earlier this month, the significant developments since my letter of 15 May which have impacted on the timeline for delivery of my report are:
 - (a) In your letter of 26 May you stated that the FCA's data assurance work had *"resulted in some limited additional documentation being identified, which [the FCA is] in the process of providing"*. This is material that should have been provided to my team previously. As I explained in my letter of 24 July, I do not consider the production of approximately 3,500 documents on 17 July to

constitute “*limited additional documentation*” (albeit I understand your team may have identified additional documents in June and July). In any event, your letter certainly did not give the impression that it would take over seven weeks for your team to produce the additional documents. Members of my team were required to set aside their ongoing work on the report to review these documents and consider their import to my investigation.

- (b) Interviews with senior employees were conducted in mid-June. Those interviews were much longer in duration than my team had anticipated and raised important new issues also requiring substantial additional work (see, in particular, paragraph 5(c) below). Accordingly, as you are aware, I have needed to conduct further interviews with the majority of these senior employees and the timing of these additional interviews has been dependent on my team receiving some relevant materials from the FCA. I have also identified some additional interviewees as my team has reviewed and considered the recently disclosed documents and information. I am hopeful that the remaining interviews can be conducted before the end of this month or in early September. Dates for some of these interviews have been fixed for next week and the rest should be confirmed shortly.
- (c) As explained in my letters of 24 June, 16 July and 24 July, during the course of the interviews with senior employees, it became clear that they consider the Delivering Effective Supervision (“DES”) and Delivering Effective Authorisation (“DEA”) programmes to be an important part of understanding the issues being considered by my investigation. My team had been provided with limited documentation and no explanation of the suggested relevance of these programmes to my investigation prior to mid-June. For example, the report from July 2016 which was prepared by an external consultancy – which I understand was the catalyst for the DES programme – was provided only on 12 June, I was told at the request of one of the interviewees. Accordingly, through June and July, the FCA has provided a substantial amount of additional material regarding the DES and DEA programmes. Similarly, my team made consequential requests to understand Board and executive-level committee awareness and the relevance of these programmes to the FCA’s regulation of LCF during the Relevant Period. Reviewing these materials has required a substantial amount of further work by my team; work which was not envisaged when I set out the revised timetable in my letter of 15 May. However, this work is necessary to ensure that my report is as comprehensive as possible, something I believe is in the interests of all stakeholders.
- (d) During the course of our conversation on 5 August, you highlighted a further individual with whom you consider my team may wish to speak for a more contextualised understanding of the DES change programme. As you may be aware, I would like to take up this suggestion and our respective teams are in the process of fixing this meeting.

Revised timeline for delivery of my report

- 6. In my letter of 24 July, I suggested a two week period for representations by the FCA anticipating that I would be in a position to start the representations process at the end of August. My hope was that a two week period for representations would still allow me to deliver the final report on or before 30 September. However, I noted your comments in your letter and on our call that the amount of time the FCA requires for the representations process will depend on the content of my report and, in any event, you have expressed concerns about the sufficiency of a representations process lasting two weeks.

7. In light of the above, in particular, the large volume of additional documentation and information that has been provided to my team so late in the process, it is now clear that I will not be able to deliver the final report by 30 September. This is unfortunate especially as my team and I have made every effort to meet the revised deadline set out in my letter of 15 May.
8. As presently advised, I anticipate being in a position to start the representations process by no later than Monday, 28 September 2020. In light of your comments regarding the time the FCA will require for the representations process, I understand that the FCA considers it will only be able to determine definitively the timeline for that process once it has had sight of the report to avoid any further timeline not being met. However, it is important that stakeholders have certainty and that I set the revised timeline for completion now. I will allocate four (4) weeks for the representations process which means that it should be completed on or before Monday, 26 October 2020. I cannot currently see a justification for a representations process lasting longer than four weeks and reserve my right to adjust the length of the representations process as matters progress.
9. I hope to be in a position to consider any representations and finalise the report within two weeks of completion of the representations process. However, it would be prudent to allow a period of four weeks for me to finalise and deliver the report. Accordingly, on the basis of the above and assuming there are no other significant developments, I will deliver my report on or before Monday, 23 November 2020.
10. I am very conscious that many individuals who invested in LCF have been impacted both personally and financially by LCF's insolvency and will understandably be disappointed about the further delay in the delivery of my report. It is therefore important for all stakeholders that I should be able to deliver a comprehensive report on these important issues as soon as possible. My team will make every effort to ensure that no further amendments to the timetable are necessary. I ask that your team continues its cooperation and takes any necessary steps to ensure my investigation is completed as soon as possible. On this point, I note that, on 5 August, your team disclosed a report prepared in January 2020 that had been identified as responsive to one of my team's information requests. The covering email explains that this should have been provided much earlier and that this had not happened due to human error that was only identified by your team recently (presumably separate to the data assurance work). It is unacceptable that your team is still identifying errors in its disclosure of documents to my team. It has been a theme of the FCA's production of documents and information during the course of my investigation and further instances will again impact on the timetable for completion. Please can you ensure that these issues are addressed immediately.
11. As before, I would be grateful if your team would consult with my team regarding the wording of any announcement (either for the press or the FCA's website) concerning the revised timing of my investigation. I anticipate you will make the necessary notification to HM Treasury. I would also like to share a copy of this letter with the Economic Secretary and the Chair of the Treasury Select Committee. Please let me know if you have any objection to my doing so.

I look forward to hearing from you.

Yours sincerely,

Dame Elizabeth Gloster