FINANCIAL CONDUCT AUTHORITY

12 Endeavour Square
London
E20 1JN

Call: +44 (0)20 7066 1000
Fax: +44 (0)20 7066 1099
www.fca.org.uk

FINAL NOTICE

To: **Equity for Growth (Securities) Limited (in liquidation)**

Reference Number: **475953**

Address: **The Official Receiver, 2nd Floor, 3 Piccadilly Place, London Road, Manchester, M1 3BN**

Date: **27 July 2026**

1. ACTION

1.1. For the reasons given in this Final Notice, the Financial Conduct Authority ("the Authority") hereby publishes a statement censuring Equity for Growth (Securities) Limited ("EFG") for contravening regulatory requirements, pursuant to section 205 of the Financial Services and Markets Act 2000 ("the Act").

1.2. On 25 March 2026, following a petition filed by the Authority, the High Court ordered that EFG be wound up. Were it not for the fact of the winding up order, the Authority would have imposed on EFG a financial penalty.

1.3. The Official Receiver, who was appointed by the High Court as liquidator, agreed to resolve this matter with the Authority. Had the Authority imposed a financial penalty, this would have been in the amount of £386,467 (comprising disgorgement of £96,367 and a punitive element of £290,100). This is because EFG would have qualified for a 30% (stage 1) discount (not applicable to the disgorgement element of the penalty) under the Authority's executive settlement procedures. Were it not for this discount, the penalty imposed on EFG would have been £510,767 (comprising disgorgement of £96,367 and a punitive element of £414,400).

2. SUMMARY OF REASONS

2.1. EFG is a small corporate finance firm, which was incorporated on 1 April 2005 and became authorised on 9 May 2008. As an authorised firm, EFG was able to approve financial promotions on behalf of unregulated firms that were seeking to raise money through the issuance of minibonds. The issuance of minibonds is not a regulated activity and not subject to rules made by the Authority. However, any financial promotions related to the minibond business were subject to the Authority's financial promotion rules.

2.2. During the period 1 January 2018 to 31 August 2019 (the "Relevant Period"), EFG approved 7 financial promotions – namely Information Memoranda – on behalf of 4 unregulated minibond issuers. These financial promotions were then used by EFG's Appointed Representatives (ARs) and other introducers to promote the minibonds to prospective investors, for which they charged a range of commission fees. The commission fees that were charged by the ARs and the other introducers were a percentage of the total amount of investor funds that the ARs and other introducers individually raised. The commission fees were also paid out of the aggregated total of investor funds raised. Details about the minibonds including the dates the Information Memoranda were approved, the interest offered, the terms, and the range of commissions charged, are set out below.

Unregulated Minibond Issuer	**Information Memorandum date**	**Interest Rate**	**Term**	**Commission charged by the ARs/introducers** **(as a % of funds that they raised)**
Asset Life Plc	28 Feb 2018	8.75%	3 years (option to extend to 5 years)	15%
Magna Investments X Limited	22 Aug 2018 and 21 Nov 2018	18%	1.5 years	Up to 24.5%

MIX2 Limited	31 Aug 2018 and 6 Nov 2018	12%	1 year	Up to 20%
Minibond Issuer A	25 Apr 2018 and 12 Sept 2018	Type 1: 6.86%	2.5 years	Up to 27.5%
		Type 2: 8.96%	3 years	
		Type 3: 10% plus an extra 10% on maturity	4 years	
		Type 4: 6% for years 1 and 2 8% for years 3 and 4 plus an extra 32% on maturity	4 years	
		Type 5: 3% in year 1 4% in year 2 5% in year 3 6% in year 4 plus an extra 52% on maturity	4 years	

2.3. As set out in the table above, the percentages of commission charged by EFG's ARs and the other introducers were significant and ranged from between 15% and 27.5% depending on the minibond invested in. This meant that in order for investors to receive the high rates of return promised on the minibonds (which as set out above were as high as 18%), as well as receive their capital back, the minibonds needed to perform exceptionally well.

2.4. EFG knew at the time it approved the 7 financial promotions set out above that:

(1) investors were at risk of paying significantly high levels of commission fees; and

(2) it was not possible to tell investors exactly how much commission they would have to pay, until the minibond was fully subscribed.

2.5. During the Relevant Period, EFG failed to ensure that the 7 financial promotions set out above were fair, clear and not misleading in accordance with COBS 4.2.1(1)R ("the fair, clear and not misleading rule"), because they failed to disclose the following information:

(1) the level and range of commissions that EFG knew could be charged to promote each respective minibond investment;

(2) that the commission charged to promote each respective minibond could be even higher than the known level and range;

(3) that the total commission fee would be deducted as an aggregate from the overall investment fund, so that all investors, irrespective of their route to investment (including those who invested directly with the unregulated minibond issuer and who therefore had no reason to believe they would be paying introducer commissions at all), would have to pay the same commission fee; and

(4) that owing to the multiple routes to investment and the varying levels of commission fees charged by the different ARs and introducers, it was impossible to calculate – at the point of investment – the total commission that would be deducted from the overall investment fund, and consequently the exact commission fee that would be deducted from an individual investor's funds.

2.6. These failings resulted in investors being unable to make an informed decision or accurately assess the risk in investing in the minibonds. This is because they did not have an accurate picture of the investment overall, the risk to their capital being repaid or the likelihood of receiving the stated returns. Significantly, in the case of those investors who invested directly with the unregulated minibond issuer (rather than through introducers), they had no knowledge that they were in effect subsidising the commissions paid by those investors who had been introduced by the ARs and the other introducers.

2.7. EFG therefore failed to ensure that the financial promotions it approved were fair, clear and not misleading, thereby breaching "the fair, clear and not misleading rule" in COBS 4.2.1(1)R.

2.8. On 25 March 2026, following a petition filed by the Authority, the High Court ordered that EFG be wound up. The Authority filed the winding up petition on the basis that EFG was insolvent and unable to pay its liabilities, which were linked to future awards of compensation by the Financial Ombudsman Service ("the FOS"). These FOS awards related to complaints from investors that had been promoted the minibonds issued by the unregulated minibond issuers.

2.9. The Authority hereby publishes a statement censuring EFG pursuant to section 205 of the Act.

3. DEFINITIONS

3.1. The definitions below are used in this Notice:

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

"Appointed Representative" means a person who is party to a contract with an authorised person which permits or requires them to carry on certain regulated activities.

"AR" means Appointed Representative.

"the Authority" means the Financial Conduct Authority.

"COBS" means the Conduct of Business Sourcebook, part of the Authority's Handbook.

"DEPP" means the Decision Procedure and Penalties Manual, part of the Authority's Handbook.

"EFG" means Equity for Growth (Securities) Limited.

"the fair, clear and not misleading rule" means COBS 4.2.1(1)R which states that a firm must ensure that a communication or financial promotion is fair, clear and not misleading.

"the FOS" means the Financial Ombudsman Service.

"financial promotion" means, in the context of this Notice, an invitation or inducement to engage in investment activity that is communicated in the course of business, and includes an Information Memorandum.

"the financial promotion rules" means any or all of the rules in Chapter 4 of COBS that impose requirements in relation to a financial promotion.

"Information Memorandum" means, in the context of a minibond issue, a document published by the issuer that provides prospective investors with all relevant information, including about risks, to enable them to make an informed decision about whether to invest.

"introducer" means an individual, business or firm which introduces potential customers/investors to the products or services of another individual, business or firm.

"minibond" means an investment that offers high returns which reflects the much higher risks involved in the investment.

"the Relevant Period" means 1 January 2018 and 31 August 2019.

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

4. FACTS AND MATTERS

EFG Business

4.1. EFG has permissions for advising on investments (except on Pension Transfers and Pension Opt Outs), advising on P2P agreements, arranging (bringing about) deals in investments, making arrangements with a view to transaction in investments, and agreeing to carry on a regulated activity.

4.2. During the Relevant Period, EFG had three main sources of income: charging a fee for the approval of financial promotions on behalf of unregulated minibond issuers, charging its ARs a retainer plus an hourly rate for providing compliance services, and charging a fee for sometimes acting as a receiving or placing agent for debt and equity capital raisings. In addition, EFG also received an income for acting as Security Trustee in respect of certain investments.

The minibond business and regulation

4.3. Issuing minibonds is not a regulated activity under the Act, so firms and businesses that wish to raise money by issuing minibonds do not need to be authorised by the Authority to do so. However, any financial promotions relating to the minibond business are subject to the Authority's financial promotion rules (as set out below).

Regulation of financial promotions

4.4. Section 21 of the Act sets out that a person must not, in the course of business, communicate an invitation or inducement to engage in investment activity (in other words, for the purposes of this Notice, must not communicate a financial promotion) unless they are an authorised person, or the content of the communication is approved (for the purpose of section 21) by an authorised person.

4.5. The financial promotions rules are set out in COBS 4 and the central COBS financial promotion rule is COBS 4.2.1(1)R, which states that communications or financial promotions must be "*fair, clear and not misleading*". This key, simple rule, is the thread that links the majority of the financial promotion rules together and authorised firms must ensure that the financial promotions they approve are fair, clear and not misleading.

4.6. A financial promotion can be made in many formats such as an advert in a newspaper, a social media post, a website, an email, a marketing brochure or an Information Memorandum. Over the course of the Relevant Period, EFG approved a number of financial promotions on behalf of unregulated minibond issuers. However, the core promotions that EFG approved, which set out the most detail about the minibonds being sold and the risks involved, were the Information Memoranda.

The Information Memoranda approved by EFG and promoted by its ARs and other introducers

4.7. As an authorised firm, EFG was able to approve financial promotions under section 21 of the Act. EFG was therefore responsible for ensuring that the financial promotions it approved were fair, clear and not misleading. During the Relevant Period, EFG approved a total of 36 financial promotions, which included 15 Information Memoranda approved on behalf of 8 unregulated minibond issuers. Of the 15 Information Memoranda that EFG approved, only 12 were subsequently marketed.

4.8. EFG's ARs, alongside other introducers, only promoted 8 of the 12 Information Memoranda that EFG approved on behalf of 5 unregulated minibond issuers. Both EFG's ARs and the other introducers charged commission fees to promote the minibonds, but of the 5 unregulated minibond issuers, 1 paid for the commission fees out of its own funds comprising retained profits, whilst the remaining 4 unregulated minibond issuers deducted the commission fees from the total amount of investor funds. The 7 Information Memoranda that were marketed by EFG's ARs and other introducers, and which involved the commission fees being borne by the investors, related to the following 4 unregulated minibond issuers:

(1) Asset Life Plc;

(2) Magna Investments X Limited;

(3) MIX2 Limited; and

(4) Minibond Issuer A.

4.9. The 7 Information Memoranda that EFG approved were targeted towards certain groups of investors, such as certified high net worth investors, and self-certified sophisticated investors. Notwithstanding this, all 7 of the Information Memoranda had to comply with the fair, clear and not misleading rule set out in COBS 4 regardless of who they were targeted towards, and it was EFG's responsibility to ensure that they did so.

4.10. The minibonds relating to these 7 Information Memoranda were of varying terms and offered high rates of interest to investors. They were also high-risk investments, lacking FSCS protection and locking investors into a set term. Further, 2 of the 4 minibonds were also not transferable. This meant that there was a high risk for investors that some, or all, of their investment could be lost.

4.11. During the Relevant Period, EFG's ARs and other introducers promoted the minibonds relating to these 7 Information Memoranda to the value of £15,316,361. The total amount of commission received by the ARs is unknown because a number of the entities involved have ceased to exist, but it is estimated to be in excess of £1,490,900.

The calculation and payment of commission fees

4.12. The commission fees generated by the ARs and other introducers for the promotion and marketing of the minibonds were deducted as an aggregate from the overall investment fund. This meant that all investor funds were pooled together and the unregulated minibond issuer paid each introducer from the pool of total investor funds. This was done by applying the commission percentage charged by each individual introducer to the amount of funds which that introducer had raised and brought into the pool. The remaining funds were then used for the purpose of the investment.

4.13. For example, if the total amount of investment raised was £1 million, and an introducer that charged 10% had raised £500,000 of that £1 million, its fee of £50,000 would be deducted from the total pool of £1 million. If another introducer charged 20% and raised the remaining £500,000 of that £1 million, its fee of £100,000 would also be deducted from the total pool of £1 million. This meant that the total amount of commission that would be deducted from the £1 million pool of investor funds was £150,000, which amounted to 15% overall. This 15% commission fee was distributed equally between all investors and paid by all investors irrespective of their route to investment. Therefore, even if an investor knew the exact commission rate that an introducer charged to promote the investment to them, they did not know the amount of commission that they would actually end up paying. This is because different introducers charged different commission rates, and the aggregate amount was deducted from the total pool of investor funds. This also meant that investors that invested via introducers that charged a lower commission rate could end up paying a higher commission fee amount.

4.14. Furthermore, investors that invested directly with the unregulated minibond issuer should not have incurred any commission fees as no ARs or other introducers were involved in promoting the investment in these circumstances. However, because of the way commission fees were deducted as an aggregate from the overall investment fund, these direct investors were in fact contributing to the payment of any commission fees associated with the investment. For example, if the total amount of investment raised was £1 million, and an introducer that charged 20% had raised £500,000 of that £1 million, its fee of £100,000 would be deducted from the total pool of £1 million. If the minibond issuer then raised the remaining £500,000, for which no commission fees were charged, the total amount of commission that would be deducted from the £1 million pool of investor funds was still £100,000, which amounted to 10% overall. That 10% commission fee was distributed equally between all investors and paid by all investors irrespective of their route to investment. Therefore, investors who invested directly with the unregulated minibond issuers believing that their investments would not incur any commission fees, were actually paying at least 10% in commission.

Undisclosed commission fees

4.15. The 7 Information Memoranda approved by EFG set out in detail the key features of the minibonds, including what the risks of investing were, and should have included information about the high commission fees that were paid to EFG's ARs and other introducers for promoting them. This would have enabled prospective investors to make informed decisions about whether to invest. However, none of the 7 Information Memoranda approved by EFG and promoted by its ARs and other introducers disclosed any information about the level of commission fees, or how they were paid.

4.16. EFG knew that its ARs and other introducers charged high commission fees to promote the Information Memoranda it approved. Investors that invested directly with an unregulated minibond issuer would not have been subject to commission fees at all. However, EFG knew that commission fees were deducted as an aggregate from the overall investment fund, and all investors contributed towards the total commission fee by paying an equal amount per investment, irrespective of their route to investment. EFG should therefore have disclosed this information to prospective investors in the Information Memoranda it approved to ensure that they were fair, clear and not misleading.

4.17. The 7 Information Memoranda approved by EFG and promoted by its ARs and other introducers are set out in more detail below.

The Information Memorandum for Asset Life Plc

4.18. EFG approved one version of the Information Memorandum for Asset Life Plc during the Relevant Period. This was approved on 28 February 2018.

4.19. The Information Memorandum stated that Asset Life Plc sought to raise £4.3 million and offered a yearly interest rate of 8.75% over a period of 3 years. This 3-year period was automatically extended to 5 years if investors did not give notice that they would like to redeem the investment 3 months prior to the 3-year maturity date.

4.20. During the Relevant Period, Asset Life Plc sold a total of 129 minibond investments to the value of £1,546,000. The minibonds were promoted by one of EFG's ARs alongside 8 other introducers, and they each charged a commission fee of 15% for the amount of funds they individually raised and brought into the pool of total investor funds. EFG's AR sold a total of 77 minibond investments to the value of £896,000 and received a combined commission fee of £134,400. The 8 other introducers sold a total of 21 minibond investments to the value of £350,000 and received a commission fee of £52,000. However, a total of 31 minibond investments were sold directly by Asset Life Plc to the value of £300,000, for which no commission was charged because no ARs or other introducers were involved in promoting the investment. These figures are set out in the table below.

Investment route	**Number of minibonds sold**	**Value of minibonds sold (£)**	**Commission rate (%)**	**Commission amount (£)**
EFG AR	77	£896,000	15%	£134,000
Other Introducers	21	£350,000	15%	£52,000
Asset Life Plc	31	£300,000	0%	£0
TOTAL	**129**	**£1,546,000**	**Average commission rate 12%**	**£186,000**

4.21. Given commission fees were deducted as an aggregate from the overall investment, the 15% commission totalling £186,000 was paid from the pool of total investor funds of £1,546,000 and paid equally by all investors irrespective of their route to investment. The commission fee, therefore, averaged out to approximately 12% per investment. This means that investors that invested via EFG's AR or another introducer ultimately paid a commission fee of 12%, and investors that invested directly with Asset Life Plc unknowingly contributed to the payment of commission fees, with 12% of their investment funds been paid towards the total commission fee of £186,000.

4.22. A commission fee of 12% meant that the pool of investor funds that remained for the purpose of the investment had to generate much higher rates of return to repay the capital and achieve the interest rate due to investors. This is a fact that any investor would have needed to know in order to make a fully informed decision about whether to invest. Furthermore, when EFG approved the Information Memorandum, it had no way of knowing the number of investments that would be received via the different routes. It was therefore impossible to calculate the total level of commission that would be deducted as an aggregate from the overall investment, or the exact commission fee that would be deducted from an individual investor's funds. The total commission fee, therefore, could have been as high as 15%, or more. As such, the payment of a potential commission fee of up to 15% (or more) created a risk that needed to be disclosed to prospective investors.

4.23. The failure to explicitly disclose that all investors could be charged a commission fee of up to 15% – and that actually the exact commission fee remained unknown until the minibond offering was fully subscribed – meant the Information Memorandum was unfair, unclear and misleading. Investors would reasonably expect to know that commission fees would be deducted as an aggregate from the overall investment regardless of their route to investment, and that up to 15% (or more) of their investor funds could go towards the payment of commission. The failure to disclose this information meant that investors could not make an informed decision, as they could not accurately assess the risk in investing in Asset Life Plc. This is because they did not have an accurate picture of the investment overall, the risk to their capital being repaid or the likelihood of receiving the stated returns.

4.24. Asset Life Plc went into administration on 25 July 2019.

The Information Memorandum for Magna Investments X Limited

4.25. EFG approved two versions of the Information Memorandum for Magna Investments X Limited during the Relevant Period. The first version was approved on 22 August 2018 and the revised version was approved on 21 November 2018.

4.26. Both versions of the Information Memorandum stated that Magna Investments X Limited sought to raise £6 million and offered an interest rate of 18% over a period of 18 months.

4.27. During the Relevant Period, Magna Investments X Limited sold a total 280 minibond investments to the value of £7,505,260. The minibonds were promoted by two of EFG's ARs alongside 27 other introducers. EFG's two ARs charged a commission fee of 24.5% and 18% respectively for the amount of funds they individually raised. Of the 27 introducers, 5 charged a commission between 13% and 18% for the amount of funds they individually raised. The commission fee that was charged by the remaining 22 introducers is not known.

4.28. EFG's AR that charged a commission of 24.5% ("EFG AR 1") sold a total of 124 minibond investments to the value of £2,288,200 and received a commission fee of £560,609. EFG's AR that charged a commission of 18% ("EFG AR 2") sold a total of 3 minibond investments to the value of £32,000 and received a commission fee of £5,760. The 5 introducers that charged a commission between 13% and 18% sold a total of 27 minibond investments to the value of £566,560 and received a commission fee of £97,130.80. The remaining 22 introducers sold a total of 126 minibond investments to the value of £4,618,500, but as the commission fee they received is not known, it is not possible to calculate the total commission fee. These figures are set out in the table below.

Investment route	**Number of minibonds sold**	**Value of minibonds sold (£)**	**Commission rate (%)**	**Commission amount (£)**
EFG AR 1	124	£2,288,200	24.5%	£560,609
EFG AR 2	3	32,000	18%	5,760

Introducers with known commission	27	£566,560	Between 13%-18%	£97,130.80
Introducers with unknown commission	126	£4,618,500	Unknown	Unknown
TOTAL	**280**	**£7,505,260**	**Average commission rate unknown**	**Total Commission fee unknown**

4.29. Given commission fees were deducted as an aggregate from the overall investment, the 'unknown' total commission fee was paid from the pool of total investor funds of £7,505,260 and distributed equally between all investors irrespective of their route to investment. Owing to the variation in the commission fees charged by EFG's ARs and the other introducers, it is possible that the average amount of commission paid per investment will have been lower than 24.5%. However, the exact figure is not known.

4.30. An average commission fee ranging up to 24.5% meant that the investor funds that remained for the purpose of the investment had to generate much higher rates of return to repay the capital and achieve the interest rate due to investors. This is a fact that any investor would have needed to know in order to make a fully informed decision about whether to invest. Further, when EFG approved the two versions of the Information Memorandum, it had no way of knowing the number of investments that would be received via the different routes. It was therefore impossible to calculate the total level of commission that would be deducted as an aggregate from the overall investment, or the exact commission fee that would be deducted from an individual investor's funds. The total commission fee currently remains unknown. As such, the payment of a potential average commission fee ranging up to 24.5% (or more) created a risk that needed to be disclosed to prospective investors.

4.31. The failure to explicitly disclose that all investors could be charged an average commission fee ranging up to 24.5% – and that actually, the exact commission fee remained unknown until the minibond offering was fully subscribed – meant that both versions of the Information Memorandum were unfair, unclear and misleading. Investors would reasonably expect to know that commission fees would be deducted as an aggregate from the overall investment regardless of their route to investment, and that up to 24.5% (or more) of their investor funds could go towards the payment of commission. The failure to disclose this information meant that investors could not make an informed decision, as they could not accurately assess the risk in investing in Magna Investments X Limited. This is because they did not have an accurate picture of the investment overall, the risk to their capital being repaid or the likelihood of receiving the stated returns.

4.32. Magna Investments X Limited went into liquidation on 10 August 2021.

The Information Memorandum for MIX2 Limited

4.33. EFG approved two versions of the Information Memorandum for MIX2 Limited during the Relevant Period. The first version was approved on 31 August 2018 and the revised version was approved on 6 November 2018.

4.34. Both versions of the Information Memorandum stated that MIX2 Limited sought to raise £4 million and offered an interest rate of 12% over a period of 12 months.

4.35. During the Relevant Period, MIX2 Limited sold a total of 164 minibond investments to the value of £5,365,101. The minibonds were promoted by one of EFG's ARs alongside 18 other introducers. EFG's AR charged a commission of 20% for the amount of funds it individually raised. Of the 18 introducers, one charged a commission fee of 15% for the amount of funds they individually raised. The commission fee that was charged by the remaining 17 introducers is not known.

4.36. EFG's AR that charged a commission of 20% sold a total of 94 minibond investments to the value of £2,063,501 and received a commission fee of £412,700.20. The one introducer that charged a commission of 15% sold a total of 3 minibond investments to the value of £53,000 and received a commission fee of £7,950. The remaining 17 introducers sold a total of 67 minibond investments to the value of £3,248,600, but as the commission fee they received is not known, it is not possible to calculate the total commission fee. These figures are set out in the table below.

Investment route	Number of minibonds sold	Value of minibonds sold (£)	Commission rate (%)	Commission amount (£)
EFG AR	94	£2,063,501	20%	£412,700.20
Introducer with known commission	3	£53,000	15%	£7,950
Introducers with unknown commission	67	£3,248,600	Unknown	Unknown
TOTAL	**164**	**£5,365,101**	**Average commission rate unknown**	**Total commission fee unknown**

4.37. Given commission fees were deducted as an aggregate from the overall investment, the 'unknown' total commission fee was paid from the pool of total investor funds of £5,365,101 and distributed equally between all investors irrespective of their route to investment. Owing to the variation in the commission fees charged by EFG's AR and the other introducers, it is possible that the average amount of commission paid per investment would have been lower than 20%. However, the exact figure is not known.

4.38. An average commission fee ranging up to 20% meant that the investor funds that remained for the purpose of the investment had to generate much higher rates of return to repay the capital and achieve the interest rate due to investors. This is a fact that any investor would have needed to know in order to make a fully informed decision about whether to invest. Further, when EFG approved the two versions of the Information Memorandum, it had no way of knowing the number of investments that would be received via the different routes. It was therefore impossible to calculate the total level of commission that would be deducted as an aggregate from the overall investment, or the exact commission fee that would be deducted from an individual investor's funds. The total commission fee currently remains unknown. As such, the payment of a potential average commission fee as high as 20% (or more) created a risk that needed to be disclosed to prospective investors.

4.39. The failure to explicitly disclose that all investors could be charged an average commission fee ranging up to 20% – and that actually the exact commission fee remained unknown until the minibond offering was fully subscribed – meant that both versions of the Information Memorandum were unfair, unclear and misleading. Investors would reasonably expect to know that commission fees would be deducted as an aggregate from the overall investment regardless of their route to investment, and that up to 20% (or more) of their investor funds could go towards the payment of commission. The failure to disclose this information meant that investors could not make an informed decision, as they could not accurately assess the risk in investing in MIX2 Limited. This is because they did not have an accurate picture of the investment overall, the risk to their capital being repaid or the likelihood of receiving the stated returns.

4.40. MIX2 Limited went into liquidation on 10 August 2021.

The Information Memorandum for Minibond Issuer A

4.41. EFG approved two versions of the Information Memorandum for Minibond Issuer A during the Relevant Period. The first version was approved on 25 April 2018 and the revised version was approved on 12 September 2018.

4.42. Neither of the two Information Memoranda provided an amount that Minibond Issuer A was seeking to raise with the issuance of the minibonds. However, they both set out the same interest rates that Minibond Issuer A offered based on the term and type of minibond that was selected, as outlined below.

(1) The Type 1 minibonds were for a period of 2.5 years and offered a yearly interest rate of 6.86%;

(2) The Type 2 minibonds were for a period of 3 years and offered a yearly interest rate of 8.96%;

(3) The Type 3 minibonds were for a period of 4 years and offered a yearly interest rate of 10%, plus an extra 10% on maturity;

(4) The Type 4 minibonds were for a period of 4 years and offered an interest rate of 6% for years 1 and 2 and 8% for years 3 and 4, plus an extra 32% on maturity; and

(5) The Type 5 minibonds were for a period of 4 years and offered an interest rate of 3% in year 1, 4% in year 2, 5% in year 3 and 6% in year 4, plus an extra 52% on maturity.

4.43. During the Relevant Period, Minibond Issuer A sold a total of 35 investments to the value of £900,000. The minibonds were promoted by one of EFG's ARs alongside 2 other introducers. EFG's AR charged a commission fee between 22% and 25.2% for the funds it individually raised. It sold a total of 13 minibonds to the value of £290,000 and received a commission fee of £69,200. One of the introducers charged a commission fee between 23.5% and 27.5% ("Introducer 1"). Introducer 1 sold 19 minibonds to the value of £560,000 and received a commission fee of £140,350. The other introducer charged a commission fee between 20% and 24% ("Introducer 2"). Introducer 2 sold 3 minibonds to the value of £38,275 and received a commission fee of £11,200. These figures are set out in the table below.

Investment route	**Number of minibonds sold**	**Value of minibonds sold (£)**	**Commission rate (%)**	**Commission amount (£)**
EFG AR	13	£290,000	Between 22%-25.2%	£69,200
Introducer 1	19	£560,000	Between 23.5% - 27.5%	£140,350
Introducer 2	3	£50,000	Between 20% - 24%	£11,200
TOTAL	**35**	**£900,000**	**Average commission rate 24.5%**	**£220,750**

4.44. Commission fees were deducted as an aggregate from the overall investment and paid directly by the unregulated minibond issuer. However, in this case EFG received the investor funds, deducted the commission fee charged by each introducer from the specific amount individually raised and transferred the investor funds net of commission to Minibond Issuer A. The investor funds that remained were then pooled together for the purpose of the investment. The effect of this was the same as deducting the commission fees as an aggregate from the overall investment, and amounted to the total commission fee of £220,750 being paid from the pool of total investor funds of £900,000 and distributed equally between all investors, irrespective of their route to investment. The commission fee therefore averaged out to approximately 24.5% per investment.

4.45. A commission fee of 24.5% meant that the investor funds that remained for the purpose of the investment had to generate much higher rates of return to repay the capital and achieve the interest rate due to investors. This is a fact that any investor would have needed to know in order to make a fully informed decision about whether to invest. Further, when EFG approved the two versions of the Information Memorandum, it had no way of knowing the number of investments that would be received via the different routes. It was therefore impossible to calculate the total level of commission that would be deducted as an aggregate from the overall investment, or the exact commission fee that would be deducted from an individual investor's funds. The total commission fee, therefore, could have been as high as 27.5%, or more. As such, the payment of a potential commission fee of up to (or more than) 27.5% created a risk that needed to be disclosed to prospective investors.

4.46. The failure to explicitly disclose that all investors could be charged a commission fee of up to 27.5% – and that actually the exact commission fee remained unknown until the minibond offering was fully subscribed – meant both versions of the Information Memorandum were unfair, unclear and misleading. Investors would reasonably expect to know that commission fees would be deducted as an aggregate from the overall investment regardless of their route to investment, and that up to 27.5% (or more) of their investor funds could go towards the payment of commission. The failure to disclose this information meant that investors could not make an informed decision, as they could not accurately assess the risk in investing in Minibond Issuer A. This is because they did not have an accurate picture of the investment overall, the risk to their capital being repaid or the likelihood of receiving the stated returns.

4.47. Minibond Issuer A is still active and trading.

5. FAILINGS

5.1. The regulatory provisions relevant to this Notice are referred to in Annex A.

5.2. During the Relevant Period, EFG failed to ensure that 7 Information Memoranda it approved on behalf of 4 unregulated minibond issuers were fair, clear and not misleading, thereby breaching COBS 4.2.1(1)R.

5.3. Specifically, the Information Memoranda failed to disclose the following information:

(1) the level and range of commissions that EFG knew could be charged by introducers to promote each respective minibond investment;

(2) that the commission charged to promote each respective minibond could be higher than that at the upper end of the range;

(3) that the total commission fee would be deducted as an aggregate from the overall investment fund, so that all investors, irrespective of their route to investment (including those who invested directly with the minibond issuer and who therefore had no reason to believe they would be paying introducer commissions at all), would have to pay the same commission fee; and

(4) owing to the multiple routes to investment and the varying levels of commission fees, it was impossible to calculate – at the point of investment – the total commission that would be deducted from the overall investment fund, and consequently the exact commission fee that would be deducted from an individual investor's funds.

5.4. These failings resulted in investors being unable to make an informed decision or accurately assess the risk in investing in the minibonds. This is because they did not have an accurate picture of the investment overall, the risk to their capital being repaid or the likelihood of receiving the stated returns. Significantly, in the case of those investors who invested directly with the minibond issuer, they had no knowledge that they were in effect subsidising the commissions paid by those investors who had been introduced by the ARs and other introducers.

6. SANCTION

Financial penalty

6.1. The Authority’s policy for imposing a financial penalty is set out in Chapter 6 of DEPP. In respect of conduct occurring on or after 6 March 2010, 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 in respect of financial penalties imposed on firms.

Step 1: disgorgement

6.2. Pursuant to DEPP 6.5A.1G, at Step 1 the Authority seeks to deprive a firm of the financial benefit derived directly from the breach where it is practicable to quantify this.

6.3. EFG derived a direct financial benefit from its breach, which amounted to an income of £80,301.76. EFG derived this income during the Relevant Period by:

(1) approving Information Memoranda on behalf of the unregulated minibond issuers Asset Life Plc, Magna Investments X Limited, MIX2 Limited and Minibond Issuer A, amounting to an income of £17,500.

(2) acting as a receiving agent for Asset Life Plc and Minibond Issuer A, amounting to an income of £16,052.

(3) acting as a placing agent for Minibond Issuer A, amounting to an income of £12,750.

(4) acting as security trustee for Magna Investments X Limited and MIX2 Limited, amounting to an income of £33,999.76.

6.4. In accordance with DEPP 6.5A.1G. the Authority has charged interest on EFG’s benefit from 1 January 2018 to 30 April 2026, amounting to £16,065.28.

6.5. Step 1 is therefore £96,367.04. This is rounded down to £96,367.

Step 2: the seriousness of the breach

6.6. Pursuant to DEPP 6.5A.2G, at Step 2 the Authority determines a figure that reflects the seriousness of the breach. Where the amount of revenue generated by a firm from a particular product line or business area is indicative of the harm or potential harm that its breach may cause, that figure will be based on a percentage of the firm's revenue from the relevant products or business area.

6.7. The Authority considers that the revenue generated by EFG is indicative of the harm or potential harm caused by its breach. The Authority has therefore determined a figure based on a percentage of EFG's relevant revenue. EFG's relevant revenue is the revenue derived by EFG during the period of the breach as set out in paragraph 6.2 to 6.5. The period of EFG's breach was from 1 January 2018 to 31 August 2019. The Authority considers EFG's relevant revenue for this period to be £96,367.04

6.8. In deciding on the percentage of the relevant revenue that forms the basis of the step 2 figure, the Authority considers the seriousness of the breach and chooses a percentage between 0% and 20%. This range is divided into five fixed levels which represent, on a sliding scale, the seriousness of the breach; the more serious the breach, the higher the level. For penalties imposed on firms there are the following five levels:

Level 1 – 0%
Level 2 – 5%
Level 3 – 10%
Level 4 – 15%
Level 5 – 20%

6.9. In assessing the seriousness level, the Authority takes into account various factors which reflect the impact and nature of the breach, and whether it was committed deliberately or recklessly. The factors that the Authority considers to be relevant to EFG's breaches are set out below:

<u>The impact of the breaches</u>

6.10. EFG failed to ensure that the Information Memoranda it approved on behalf of unregulated minibond issuers, which were promoted by its ARs and other introducers, were fair, clear and not misleading thereby breaching COBS

4.2.1(1)R. This resulted in investors being unable to accurately assess the risk of investing in the minibonds as they did not have an accurate picture of the investment overall, the risk to their capital being repaid or the likelihood of receiving the stated returns. This meant that there was a loss or risk of loss caused to individual investors caused by EFG's breaches. (DEPP6.5A. 2G(6)(c)).

<u>The nature of the breaches</u>

6.11. The nature of the rule breached by EFG is a relevant consideration. COBS 4.2.1(1)R is a central COBS financial promotion rule, which states that communications or financial promotions must be "fair, clear and not misleading". Authorised firms must therefore ensure that the financial promotions they approve comply with this rule so that investors are able to make informed decisions about whether to invest. EFG's failure to comply with the fair, clear and not misleading rule fell below the standard expected of the industry. (DEPP 6.5A. 2G(7)(a)).

6.12. The frequency of the breaches is also a relevant consideration. The breaches occurred throughout the Relevant Period and affected a significant number of investors that relied on the information contained in the Information Memoranda that were approved by EFG. (DEPP 6.5A. 2G(7)(b)).

6.13. DEPP 6.5A.2G(11) lists factors likely to be considered 'level 4 or 5 factors'. Of these the Authority considered the following factor to be relevant:

(1) The breach caused a significant loss or risk of loss to individual consumers, investors or other market users (DEPP6.5A.2G(11)).

6.14. DEPP 6.5A.2G(12) lists factors likely to be considered 'level 1, 2 or 3 factors'. Of these, the Authority considers the following factor to be relevant:

(1) There was no, or limited, actual or potential effect on the orderliness of, or confidence in, markets as a result of the breach (DEPP6.55A.2G(12)(c)).

6.15. Taking all of these factors into account, the Authority considers the seriousness of the breach to be level 4 and so the Step 2 figure is 15% of £96,367.04.

6.16. Step 2 is therefore £14,455.05.

Step 3: mitigating and aggravating factors

6.17. Pursuant to DEPP 6.5A.3G, at Step 3 the Authority may increase or decrease the amount of the financial penalty arrived at after Step 2, but not including any amount to be disgorged as set out in Step 1, to take into account factors which aggravate or mitigate the breach.

6.18. The Authority considers that there are no aggravating or mitigating factors.

6.19. Step 3 is therefore £14,455.05.

Step 4: adjustment for deterrence

6.20. Pursuant to DEPP 6.5A.4G, if the Authority considers the figure arrived at after Step 3 is insufficient to deter the firm who committed the breach, or others, from committing further or similar breaches, then the Authority may increase the penalty.

6.21. The Authority does not consider that the Step 3 figure of £14,455.05 represents a sufficient deterrent to other firms. This is because the Authority considers that the absolute value of the penalty is too low in relation to the breach to meet its objective of credible deterrence. Financial promotions are often the primary source of information for customers seeking to understand a particular investment, prior to making a decision to invest. It is therefore of the utmost importance that financial promotions are fair, clear and not misleading, and provide customers with an accurate picture of the investment overall. This includes disclosing all commission fees associated with promoting and introducing the investment, so that customers can accurately assess the risks and make an informed decision about whether to invest.

6.22. The Authority therefore considers that in order to achieve credible deterrence, the Step 3 figure should be increased by £400,000.

6.23. Step 4 is therefore £414,455.05.

Step 5: settlement discount

6.24. Pursuant to DEPP 6.5A.5G, if the Authority and the firm on whom a penalty is to be imposed agree the amount of the financial penalty and other terms, DEPP 6.7 provides that the amount of the financial penalty which might otherwise have been payable will be reduced to reflect the stage at which the Authority and the firm reached agreement. The settlement discount does not apply to the disgorgement of any benefit calculated at Step 1.

6.25. The Authority and the Official Receiver (on behalf of EFG, which is in liquidation) reached agreement at Stage 1 and so a 30% discount applies to the Step 4 figure.

6.26. The Step 5 figure is therefore £290,118.54. This is rounded down to £290,100.

Penalty

6.27. As EFG is in liquidation, the payment of a penalty would be borne by EFG's creditors, rather than EFG itself. The Authority therefore has decided not to impose a financial penalty on EFG. But for EFG being in liquidation, the Authority would have imposed a financial penalty on EFG of £386,467, comprising disgorgement of £96,367 and a penal element of £290,100.

7. PROCEDURAL MATTERS

7.1. This Notice is given to EFG under and in accordance with section 390 of the Act.

7.2. The following statutory rights are important.

Decision maker

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

Publicity

7.4. 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.

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

Authority contacts

7.6. For more information concerning this matter generally, contact Kate Gentle at the Authority (Kate.Gentle@fca.org.uk).

Anthony Williams

Head of Department

Financial Conduct Authority, Enforcement and Market Oversight Division

ANNEX A

RELEVANT STATUTORY AND REGULATORY PROVISIONS

1. RELEVANT STATUTORY PROVISIONS

1.1. The Authority's statutory objectives, set out in section 1B of the Act, include the consumer protection objective.

1.2. Pursuant to Section 205(1) of the Act, if the Authority considers that an authorised person has contravened a relevant requirement imposed by or under this Act, it may publish a statement to that effect.

1.3. Pursuant to section 206(1) of the Act, if the Authority considers that an authorised person has contravened a relevant requirement imposed on him by or under this Act, it may impose on him a penalty, in respect of the contravention, of such amount as it considers appropriate.

2. RELEVANT REGULATORY PROVISIONS

The Conduct of Business Sourcebook ("COBS")

2.1. Chapter 4 of COBS, which forms part of the Authority's Handbook, sets out the rules relating to communications with clients, including financial promotions. The relevant Rule is COBS 4.2.1(1)R, which provides:

"A firm must ensure that a communication or a financial promotion is fair, clear and not misleading."

The Decision, Procedure and Penalties Manual ("DEPP")

2.2. Chapter 6 of DEPP, which forms part of the Authority's Handbook, sets out the Authority's statement of policy with respect to the imposition and amount of financial penalties under the Act.