
FINAL NOTICE

To: **GREGORY PAUL WHITE**

Individual Ref: **GPW01047**

Date: **29 March 2012**

1. ACTION

- 1.1. For the reasons listed below and pursuant to section 66 of the Financial Services and Markets Act 2000 (the “Act”), the FSA hereby imposes a financial penalty of £10,000 on Gregory Paul White. This penalty is in respect of breaches of Principles 6 and 7 of the FSA’s Statements of Principle and Code of Practice for Approved Persons (the “Statements of Principle”) during the period between 7 January 2008 and 1 October 2010 (the “Relevant Period”).

- 1.2. The FSA would have sought to impose a financial penalty of £22,000 but because Mr White produced verifiable evidence that the imposition of the full penalty would cause him serious financial hardship, this was reduced to £12,500. Mr White also agreed to settle at an early stage of the FSA's investigation and this penalty has therefore been further reduced to £10,000 by a 20% (Stage 2) discount under the FSA's executive settlement procedures.

2. SUMMARY OF REASONS

- 2.1. The FSA has imposed a financial penalty on the basis of the facts and matters described in more detail in section 4, below. These failings relate to Mr White's involvement as an approved person undertaking significant influence functions in regulated activities undertaken by Accendo Markets Limited ("Accendo"/the "Firm") in respect of Contracts for Differences ("CFDs") during the Relevant Period.

- 2.2. In summary, Mr White failed to:

- (1) exercise due skill, care and diligence in managing Accendo, in breach of Statement of Principle 6, in that he failed to ensure that:
 - (a) CF30 holders held the prescribed qualification to advise in respect of CFDs;
 - (b) call monitoring of account opening calls was not limited to a sample review of less than 10% of calls and Mr White failed to ensure that a greater proportion of calls were listened to; and
 - (c) the Firm's call monitoring template had adequate content and appropriate prompts.
- (2) take reasonable steps to ensure that Accendo complied with the relevant requirements and standards of the regulatory system, in breach of Statement of Principle 7, in that he failed to ensure that:
 - (a) the account opening processes used by the Firm were adequate and appropriate, which caused the Firm to gather insufficient customer

information to enable advisors to assess the suitability of transactions for customers and to ensure the suitability of CFDs for its customers was properly documented, in particular, although each customer was always asked by Accendo what they wanted to risk prior to each transaction the Firm failed to:

- (i) undertake any proper assessment of customers' overall attitude to risk ("ATR") or risk tolerance threshold in relation to the size of the account; and
- (ii) determine customers' trading strategy;
- (b) customers were suitable to trade in CFDs at the account funding levels it on occasion recommended to them; and
- (c) the Firm distinguished between execution-only and advisory trades.

2.3. The FSA considered Mr White's failings to be serious, because:

- (1) CFDs are high risk products which can expose customers to losses exceeding their initial investment;
- (2) they increased the risk of customers entering into CFD transactions which were unsuitable for them in that they exposed them to an unacceptable level of investment risk or were inappropriate given the customer's level of investment understanding and experience; and
- (3) they related to compliance monitoring, record-keeping and training and competence procedures.

2.4. The FSA also considered that Mr White had taken significant steps to mitigate the failings:

- (1) following a visit from the FSA, Mr White ensured that Accendo took significant steps to improve its systems and controls, record-keeping and training and competence procedures, including instructing an external

compliance consultant to undertake a review of the systems and controls relevant to its sales procedures;

- (2) Mr White has cooperated fully with the FSA's investigation;
- (3) Accendo agreed to make appropriate redress to customers. As a result Accendo will pay redress of £19,298;
- (4) after contacting customers a skilled person identified little evidence that the Firm's customers had actually been unsuitable for CFD trading. Relevantly, however, the skilled person was unable to form a view as to the suitability of some customers to trade in CFDs prior to contacting those customers, due to a lack of recorded information kept by the Firm; and
- (5) all brokers held the securities qualification which the Firm mistakenly thought was the correct qualification for them to hold. All brokers were supervised by staff who held the derivatives qualification and upon becoming aware of their mistake the Firm arranged for all brokers to sit the correct derivatives examination which all brokers attained by the end of July 2010.

3. DEFINITIONS

The definitions below are used in this Final Notice:

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

"ATR" means attitude to risk;

"CF" means Controlled Function as defined by the Act;

"CFD" means Contracts for Difference;

the "FSA" means the Financial Services Authority;

"KYC" means know your customer; and

"Mr White" means Gregory Paul White.

4. FACTS AND MATTERS

BACKGROUND

Contracts for Differences

- 4.1. CFDs are contracts, the purpose of which is to secure a profit or avoid a loss by reference to fluctuations in the price of underlying property (including securities, bonds and commodities) or in an index or other designated factor. CFDs allow investors to make profits from predicting movements in the price or value of the underlying property or index. For example, an investor may take a short position (that is, predict a falling price) and gain where the price of the underlying asset declines but lose if the price rises. The reverse applies where a long position is taken (that is, predict a rising price).
- 4.2. Investors at Accendo typically used leverage to maximise the position taken, so that, for instance, they might take a short position in the sum of £1,000 but would only invest £50 of their own money and gear the balance of the position (£950).
- 4.3. The extent of losses that might otherwise be incurred by a customer who takes a position based on an erroneous prediction can be mitigated by the use of a stop loss. A stop loss closes the position taken and caps the loss without any further action from the customer once the underlying asset's price has moved a specified amount in the opposite direction to that predicted by the customer.
- 4.4. The main type of risk associated with CFDs is investment risk – while CFDs can produce a positive return even when a stock or market index declines (because the CFD is a short position) investment returns and in some cases the return of capital are, as with any investment, dependent on the performance of market indices.

The Firm

- 4.5. Accendo is an investment firm based in London. Mr White is one of the directors and the compliance officer. During the Relevant Period Mr White was approved to perform the following controlled functions at the Firm:

(1) CF1 (Director);

- (2) CF10 (Compliance Oversight);
 - (3) CF11 (Money Laundering Reporting); and
 - (4) CF30 (Advisor).
- 4.6. Accendo was authorised by the FSA on 7 January 2008 and had permission during the Relevant Period to undertake the following regulated activities:
- (1) advising on investments (excluding pension transfers and opt-outs);
 - (2) arranging (bringing about) deals in investments;
 - (3) dealing in investments as agent;
 - (4) making arrangements with a view to transactions in investments; and
 - (5) agreeing to carry out the above regulated activities.
- 4.7. Accendo provided investment advice to customers, largely in relation to CFDs. Sixteen individuals at Accendo were approved by the FSA to provide investment advice to customers. Accendo advised customers and helped to arrange their transactions in CFDs with other FSA authorised firms who dealt with the customers as principal (the "Principal"). As such, Accendo's role was to act as an intermediary between the customer and the Principal. Accendo's primary function was to guide customers as to how they could structure and execute their CFDs with the Principal. During the relevant period, 98% of the Firm's business related to customers investing in CFDs.

Background to the investigation

Thematic review

- 4.8. The FSA visited Accendo in April 2010 as part of an ongoing thematic review of the selling practices of firms that advise on and/or deal in CFDs for retail customers. During that visit, the FSA identified concerns with the Firm's practices and subsequently invited it to vary its Part IV Permission. The Firm had been considering its options as a result of the Retail Distribution Review and had decided

to alter its business model to an execution-only model. Accordingly, on 16 July 2010 the Firm voluntarily varied its permission in accordance with the terms proposed by the FSA.

- 4.9. The FSA required Accendo to appoint a skilled person (the "Skilled Person") in accordance with section 166 of the Act to conduct a review of all sales of CFDs in the Relevant Period. Accendo has complied with that requirement. The Skilled Person concluded that three customers (3.7%) of the sample of 82 customers were unsuitable to trade in CFDs due to a lack of affordability and for nine customers (11%) the suitability to trade in CFDs was unable to be determined because some of the customers were unable to be contacted by the Skilled Person. Accordingly Accendo has undertaken to provide appropriate redress to those customers and this is assessed as £19,298.
- 4.10. As a result of the FSA's concerns arising from the visit in April 2010, and the initial findings of the Skilled Person, the Mr White was referred to Enforcement in September 2010.

CONDUCT IN ISSUE

- 4.11. As a holder of CF1, CF10 and CF11 at Accendo, Mr White was responsible for taking reasonable steps to ensure that Accendo adhered to the appropriate standards and requirements of the regulatory system.
- 4.12. Roles and responsibilities in the Firm were divided equally among each of the directors of the Firm with each director specialising in a particular area. Each director took part in strategic and tactical decision making for the Firm, and significant decisions were made as a group, including decisions in respect of the area each director specialised in. Mr White focussed on compliance monitoring, training and call reviews, while also being personally responsible for the completion of the final pre-trading KYC checklist with customers. The compliance staff at Accendo reported to Mr White.

Inadequate KYC information

4.13. Mr White failed to take reasonable steps to ensure that the account opening processes used by the Firm were not flawed and failed to gather and record sufficient customer information to enable brokers at the Firm to assess the suitability of investments for customers. Mr White was primarily responsible, along with input from the other directors, for the design of the KYC process, and was directly involved in the process in that he completed the final pre-trade checklist with customers. The Firm's KYC process included the following failings:

- (1) potential customers were able to open and fund trading accounts with the Principal, via an external link on the Firm's website, prior to the Firm having conducted any customer information gathering (although the Principal would have its own, separate procedure, for gathering the same information and the client would not be able to trade until the information was obtained by the Firm and separately by the Principal);
- (2) the collection and assessment of customer information was performed over several stages which were not clearly defined within the Firm's internal systems and controls;
- (3) the Firm did not undertake and/or record any assessment of customers' overall ATR or risk tolerance threshold in relation to the size of the account, beyond a check that their level of account funding did not exceed the Firm's self-imposed limit of 25% of the customer's liquid assets although each customer was always asked by Accendo on a transaction by transaction basis what they wanted to risk prior to the transaction being executed;
- (4) it was unclear from the Firm's assessment of the customers' net worth, and therefore potential investment capital, whether illiquid assets were included;
- (5) it was unclear whether the Firm considered the net worth of a customer, the customer's income, or a combination of both to assess the level of potential risk to which the customer was exposed through the account;
- (6) the KYC process did not determine the customer's trading strategy, for example, the frequency with which the Firm's customers were seeking to undertake CFD transactions or the number of concurrent open positions and

in particular the amount that the customer wished to place at risk in any one transaction; and

- (7) brokers gathered customer information (and information updates) via a series of closed, rather than open, questions, which limited the amount of relevant information gathered.

- 4.14. Brokers made recommendations despite this lack of information, thereby putting customers at risk of receiving unsuitable advice prior to deciding whether to enter into a transaction with the Principal via the Firm.

Suitability record keeping

- 4.15. Mr White failed to take reasonable steps to ensure that the Firm's assessment of the suitability of its customers for CFD trading was not flawed in that:

- (1) An initial review of the Firm's customer information for 82 customers conducted by the Skilled Person identified that the Firm failed to take reasonable care to ensure that the suitability of customers for CFD trading was properly documented, for instance, in the Firm's customer suitability checklist. On the information recorded by the Firm at the time of allowing the customer to trade, the Skilled Person could not establish the suitability of 16 (19.5%) of the sample of 82 customers to trade in CFDs although it was later established by the Skilled Person (as mentioned below) that for a much smaller proportion of customers the transactions were in fact unsuitable.
- (2) After a subsequent customer contact exercise the Skilled Person determined that three customers (3.7%) of the sample of 82 customers were unsuitable to trade in CFDs due to a lack of affordability. For seven customers (8.5%) the suitability to trade in CFDs was unable to be determined because the customers either refused to provide information to the Skilled Person or were unable to be contacted by the Skilled Person. In respect of a further two customers (2.4%) their suitability to trade in CFDs was unable to be determined for reasons unspecified by the Skilled Person.

- 4.16. Mr White openly acknowledged the flaws in the sales to the FSA and observed that *“the onus was too much on the client to have an input into their own assessment of suitability, rather than us discussing it and coming to our own conclusion.”*

Over Funded Customers

- 4.17. Nine of the 82 customers (11%) from the Skilled Person’s sample deposited monies into their trading accounts with the Firm beyond a level that was suitable for them. Mr White failed to take reasonable steps to ensure that over-funding did not occur. In particular, the over funding of customer accounts by customers putting too much money into them resulted in customers trading in CFDs which were unsuitable for them, as they traded at greater levels of exposure than were suitable for them although each customer was always asked by Accendo what they wanted to risk prior to each transaction.

Compliance monitoring

- 4.18. Mr White failed to take reasonable steps to ensure that Accendo had a robust compliance monitoring programme in place in that:
- (1) call monitoring of account opening calls was limited to a sample review of less than 10% of calls without listening to all relevant calls in their entirety;
 - (2) the Firm’s call monitoring template for deal calls lacked adequate content and appropriate prompts; and
 - (3) the Firm failed to monitor pre-trade KYC check-list calls conducted by the Firm’s approved persons.
- 4.19. Mr White was specifically responsible for the design, implementation and management of the compliance monitoring system, and was therefore directly responsible for the above failings.

Training and qualifications of advisors

4.20. Mr White failed to take reasonable steps to ensure that the Firm's advisors were adequately trained given the following:

- (1) only three out of 16 individuals at the Firm who held the CF30 function and who advised on derivatives were permitted to carry out this activity as they had passed the derivatives examination from the list of examinations maintained by the Financial Services Skills Council (the "Skills Council") although all 16 individuals held the securities examination from the Skills Council which the Firm had mistakenly thought was the correct examination for them to hold; and
- (2) despite Accendo having a training and competence scheme, it failed to employ appropriate processes to ensure the effectiveness of the training provided.

Execution-only versus advisory transactions

4.21. Mr White failed to take reasonable steps to ensure that Accendo and its brokers always correctly distinguished between trades that were execution-only and those that were advisory transactions. The FSA's review of nine transactions (which formed part of a sample of 29 transactions reviewed by the FSA) which were characterised by the Firm as execution-only, found that in all cases brokers gave advice to customers with regard to CFD positions.

4.22. Mr White stated that broker's training on distinguishing between execution-only and advised transactions "*could have been much more robust*" and that "*there was a confusion amongst the brokers with regard to the grey area in between.*"

5. FAILINGS

5.1. The relevant statutory and regulatory provisions, to the extent not set out in the body of this Notice, are set out in the Annex to it.

5.2. By reason of the facts and matters referred to at paragraphs 4.11 to 4.22 above, the FSA considered that Mr White breached Principles 6 and 7 of the FSA's Statement of Principle.

5.3. Mr White failed to exercise due skill, care and diligence in managing Accendo, in breach of Statement of Principle 6, in that he failed to take reasonable steps to ensure that:

- (1) CF30 holders held the above prescribed qualification to advise in respect of CFDs;
- (2) the Firm had a robust compliance monitoring programme in place as call monitoring of account opening calls was limited to a sample review of less than 10% of calls and Mr White failed to ensure that a greater proportion of calls were listened to; and
- (3) the Firm's call monitoring template had adequate content and appropriate prompts.

5.4. Mr White failed to take reasonable steps to ensure that Accendo complied with the relevant requirements and standards of the regulatory system, in breach of Statement of Principle 7, in that he failed to take reasonable steps to ensure that:

- (1) the account opening processes used by the Firm were adequate and appropriate, which caused the Firm to gather insufficient customer information to enable advisors to assess the suitability of transactions for customers and to ensure the suitability of CFDs for its customers was properly documented, in particular, although each customer was always asked by Accendo what they wanted to risk prior to each transaction the Firm failed to:
 - (a) undertake any proper assessment of customers' overall ATR or risk tolerance threshold in relation to the size of the account; and
 - (b) determine customers' trading strategy;
- (2) customers were suitable to trade in CFDs at the account funding levels the Firm on occasion recommended to them; and
- (3) it distinguished between execution-only and advisory trades.

6. SANCTION

- 6.1. On 6 March 2010, the new penalty framework, referred to in the Decision Procedure and Penalties Manual (“DEPP”) came into force. Mr White’s misconduct covers a period straddling before and after 6 March 2010. However, the FSA considers that the gravamen of the misconduct is pre 6 March 2010. Accordingly, the FSA has assessed the financial penalty under the regime prescribed for approved persons in Chapter 6 of the version of DEPP in force prior to 6 March 2010, which formed part of the FSA Handbook during the Relevant Period. In determining the appropriate level of financial penalty the FSA has also had regard to Chapter 7 of its Enforcement Guide.
- 6.2. The principal purpose of imposing a financial penalty is to promote high standards of regulatory conduct by deterring persons who have committed breaches from committing further breaches, helping to deter other persons from committing similar breaches and demonstrating generally the benefits of compliant behaviour (DEPP 6.1.2G).
- 6.3. The FSA will consider the full circumstances of each case when determining whether or not to take action for a financial penalty. DEPP 6.5.2G set out, at the relevant time, guidance on a non-exhaustive list of factors that might be of relevance in determining the level of a financial penalty. The factors included the following:

DEPP 6.5.2(2)G: The nature, seriousness and impact of the breach in question

- 6.4. Although the FSA found no evidence that the conduct in issue was deliberate or reckless, we have concluded that there was a significant risk to customers arising from the deficiencies in the monitoring of the suitability of customer communications, and this risk was identified by the FSA, not by Mr White.

DEPP 6.5.2(4)G: Whether the person on whom the penalty is to be imposed is an individual

- 6.5. The FSA recognises that a financial penalty imposed on an individual can have the same deterrent effect as a greater penalty imposed on a firm and has taken account of that possibility in this case.

DEPP 6.5.2(5)G: The size, financial resources and other circumstances of the person on whom the penalty is to be imposed

- 6.6. Mr White has provided verifiable evidence that payment of the full financial penalty would place him in a position of serious financial hardship, and the FSA has taken account of that evidence.

DEPP 6.5.2(6)G: The amount of benefit gained or loss avoided

- 6.7. The FSA has not determined that Mr White deliberately set out to accrue additional profits or avoid a loss through the way in which he operated the systems and controls and processes at Accendo.

DEPP 6.5.2(8)G: Conduct following the breach

- 6.8. In deciding the appropriate disciplinary sanction, the FSA recognised the following factors which mitigate the seriousness of the findings:
- (1) following a visit from the FSA, Mr White ensured that Accendo took significant steps to improve its systems and controls, record-keeping and training and competence procedures, including instructing an external compliance consultant to undertake a review of the systems and controls relevant to its sales procedures;
 - (2) Mr White has cooperated fully with the FSA's investigation;
 - (3) Accendo agreed to make appropriate redress to customers - as a result Accendo has identified redress payable of £19,298;
 - (4) after speaking to customers the skilled person identified little evidence that the Firm's customers had actually been unsuitable for CFD trading. Relevantly, however, the skilled person was unable to form a view as to the suitability of some customers to trade in CFDs, prior to speaking to those customers, due to a lack of recorded information kept by the Firm; and
 - (5) all brokers held the securities qualification which the Firm mistakenly thought was the correct qualification for them to hold. All brokers were

supervised by staff who held the derivatives qualification and upon becoming aware of their mistake the Firm arranged for all brokers to sit the correct derivatives examination which all brokers attained by the end of July 2010.

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

- 6.9. The FSA has taken into account the fact that Mr White has not been the subject of previous disciplinary action by the FSA.

DEPP 6.5.2(10)G: Other action taken by the FSA

- 6.10. The FSA has taken into account the results of its action taken against other approved persons for similar conduct.
- 6.11. The FSA considered the appropriate level of financial penalty to be £22,000 before any discount for early settlement. However, as Mr White has provided verifiable evidence that this penalty would cause him serious financial hardship, the penalty has been reduced to £12,500 before any discount for early settlement.

7. PROCEDURAL MATTERS

- 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 is to be paid in 3 annual instalments. The first instalment of £3,333.33 must be paid by Mr White to the FSA within one year of the date of the Final Notice. The following instalment of £3,333.33 must then be paid within two years of the date of the Final Notice. The third instalment of £3,333.34 must then be paid within three years of the date of the Final Notice. If the date of payment for any given payment falls on a public holiday (including Saturdays and Sundays) then that payment is deemed to be due on the first business day immediately following the public holiday concerned.

- 7.4. If Mr White realises any assets which enable him to pay the outstanding amount of the financial penalty in full, he will do so within 14 days of those assets being realised.

If the financial penalty is not paid

- 7.5. If any instalment is not paid by the due date for that instalment then the financial penalty becomes payable immediately and in full. The FSA may recover the outstanding amount as a debt owed by Mr White and due to the FSA.

Publicity

- 7.6. Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this notice relates. Under those provisions, the FSA must publish such information about the matter to which this notice relates as the FSA considers appropriate. The information may be published in such manner as the FSA considers appropriate. However, the FSA may not publish information if such publication would, in the opinion of the FSA, be unfair to you or prejudicial to the interests of consumers.
- 7.7. The FSA intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

FSA contacts

- 7.8. For more information concerning this matter generally, contact Kate Tuckley (direct telephone line: 020 7066 7086/fax: 020 7066 7087) of the Enforcement and Financial Crime Division of the FSA.

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Tom Spender

FSA Enforcement and Financial Crime Division

ANNEX

RELEVANT STATUTORY PROVISIONS, REGULATORY REQUIREMENTS AND GUIDANCE

1. Relevant statutory provisions

- 1.1. The FSA's statutory objectives, set out in section 2(2) of the Act, include the protection of consumers.
- 1.2. The FSA has the power, pursuant to section 66 of the Act, to impose a financial penalty of such amount as it considers appropriate where it appears to the FSA that an approved person is guilty of misconduct and the FSA is satisfied that it is appropriate in all circumstances to take action against the approved person.
- 1.3. An approved person is guilty of misconduct if, while an approved person, he has failed to comply with a statement of principle issued under section 64 of the Act.

2. Statements of Principle and Code of Conduct for Approved Persons

- 2.1. The Statements of Principle and Code of Conduct for Approved Persons (“APER”) sets out the fundamental obligations of approved persons and also conduct which, in the opinion of the FSA, constitutes a failure to comply with a particular Statement of Principle. It also describes factors which the FSA will take into account in determining whether an approved person’s behaviour complies with it.
- 2.2. APER 3.1.3G states, as guidance, that, when establishing compliance with, or a breach of, a Statement of Principle, account will be taken of the context in which a course of conduct was undertaken, the precise circumstances of the individual case, the characteristics of the particular controlled function and the behaviour expected in that function.
- 2.3. APER 3.1.4G states, as guidance, that an approved person will only be in breach of a Statement of Principle when he is personally culpable. Personal culpability can arise where the approved person’s standard of conduct was below that which would be reasonable in all circumstances.

Statement of Principle 6

- 2.4. Statement of Principle 6 is set out in APER 2.1.2P and requires that an approved person performing a significant influence function must exercise due skill, care and diligence in managing the business of the firm for which he is responsible in his controlled function.

Statement of Principle 7

- 2.5. Statement of Principle 7 is set out in APER 2.1.2P and requires that an approved person performing a significant influence function must take reasonable steps to ensure that the business of the firm for which he is responsible in his controlled function complies with the relevant requirements and standards of the regulatory system.

- 2.6. APER 3.3.1E provides that in determining whether or not the conduct of an approved person performing a significant influence function complies with Statements of Principle 5 to 7, the following are factors which, in the opinion of the FSA, are to be taken into account:

- (1) whether he exercised reasonable care when considering the information available to him;
- (2) whether he reached a reasonable conclusion which he acted on;
- (3) the nature, scale and complexity of the Firm's business;
- (4) his role and responsibility as an approved person performing a significant influence function; and
- (5) the knowledge he had, or should have had, of regulatory concerns, if any, arising in the business under his control.

- 2.13. APER 4.7.2E to 4.7.10E provide examples of the types of behaviour that, in the opinion of the FSA, do not comply with Statement of Principle 7. These include:

- (1) failing to take reasonable steps to implement (either personally or through a compliance department or other departments) adequate and appropriate

systems of control to comply with the relevant standards of the regulatory system in respect of the relevant firm's regulated activities (APER 4.7.3E);

- (2) failing to take reasonable steps to monitor (either personally or through a compliance department or other departments) compliance with the relevant requirements and standards of the regulatory system in respect of the relevant firm's regulated activities (APER 4.7.4E); and
- (3) in the case of an approved person performing a significant influence function responsible for compliance, failing to take reasonable steps to ensure that appropriate compliance systems and procedures are in place (APER 4.7.10E).

2.14. APER 4.7.11G provides, as guidance, that the FSA expects an approved person performing a significant influence function to take reasonable steps both to ensure his firm's compliance with the relevant requirements and standards of the regulatory system and to ensure that all staff are aware of the need for compliance.

3. The FSA's approach to taking disciplinary action

3.1. The FSA's approach to taking disciplinary action is set out in Chapter 2 of EG. Imposing financial penalties and public censures shows that the FSA is upholding regulatory standards and helps to maintain market confidence, promote public awareness of regulatory standards and deter financial crime. An increased public awareness of regulatory standards also contributes to the protection of consumers.