
FINAL NOTICE

To: **Investment Services UK Limited and Mr Ram Melwani**

Of: Wellbeck House
3rd Floor
66/67 Wells Street
London W1T 3PY

Date: 7 November 2005

TAKE NOTICE: The Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS (“the FSA”) gives you final notice about a requirement to pay a financial penalty:

1. ACTION

- 1.1. For the reasons listed below and pursuant to sections 66 and 206 of the Financial Services and Markets Act 2000 (the “Act”), the FSA:
- (1) imposes a financial penalty of £175,000 on Investment Services UK Limited (“ISUK”) in respect of breaches of Principles 2 and 3 of the FSA's Principles for Businesses and of Rules 2.1.1 R, 3.1.3 R (1), 3.1.3 R (2), 6.3.1 R and 7.3.2 R (1) of the FSA's Money Laundering Sourcebook; and
 - (2) imposes a financial penalty of £30,000 on Ram Melwani in respect of breaches of Statement of Principle 2 and Statement of Principle 7 of the FSA's Statements of Principle for Approved Persons and for being knowingly concerned in the above contraventions by ISUK.

2. REASONS FOR THE ACTION

2.1. ISUK has not met the required standards for conducting its business with due skill, care and diligence, has not taken reasonable care to organise and control its affairs responsibly and effectively and has not taken reasonable care to comply with its obligations under the FSA's Money Laundering Sourcebook ("ML"). In particular:

- (1) ISUK put in place arrangements that, in effect, allowed non-resident, high net worth individuals ("the individuals") access to banking facilities in the UK for the purpose of making investments without the bank in question ("the Bank") being aware that the individuals were using those accounts. Whilst ISUK was aware of the names of the individuals, who it claims were relatives or associates of their clients, ISUK did not take steps to verify their identities. The Bank was unaware that these individuals were using the accounts to carry out transactions with their funds. Although there is no evidence to show that the individuals and transactions were not legitimate, ISUK did not provide the Bank with the appropriate information to assess the risks to which it was exposed and the individuals were in effect being provided with anonymous accounts;
- (2) in respect of a number of clients, ISUK presented introduction certificates to the Bank which contained misleading statements about the extent of the due diligence ISUK had undertaken and the amount of documentation which ISUK held in relation to its clients;
- (3) in relation to the small number of clients taken on after December 2001, ISUK did not collect and record sufficient evidence of its clients' identity to comply with the FSA's Money Laundering Sourcebook. Although ISUK undertook some due diligence in respect of its clients, it had no formal procedures for identifying its clients or anti-money laundering ("AML") procedures during this time; and
- (4) between December 2001 and 31 December 2004, ISUK did not provide any AML training for its staff.

2.2. As Managing Director of ISUK, Ram Melwani was aware of the above contraventions by ISUK. He did not act with due skill, care and diligence nor did he take reasonable steps to ensure that ISUK complied with the relevant requirements and standards of the regulatory system in respect of his role.

2.3. Both ISUK's and Ram Melwani's breaches are viewed as being particularly serious because of the following:

- (1) although ISUK's clients were either personally known to the Melwani family or were introduced by existing clients, their profile represents a high risk in terms of money laundering. They are high net worth individuals operating via corporate vehicles established for trading purposes and incorporated in offshore jurisdictions. Several of these jurisdictions do not have anti-money

laundering controls that are equivalent to those operating in the UK. Three of these companies have issued bearer shares;

- (2) over £8 million entered the UK financial system without the Bank being aware of the identities of the owners of these funds or the source of these funds. The Bank was therefore not able to make an appropriate consideration of the risks involved in operating accounts for these individuals;
- (3) the lack of AML procedures has continued since before 1 December 2001. ISUK at all times disregarded its responsibility to verify the identity of its clients. The Bank placed some reliance on ISUK to carry out such due diligence. In addition, ISUK did not apply to the FSA for approval of its Money Laundering Reporting Officer under the Approved Persons regime, although it has now made that application;
- (4) the FSA identified ISUK's breaches of the FSA's regulatory requirements. If it had not done so, it is likely they would have continued; and
- (5) the use of Introduction Certificates by financial firms is an important facet of the UK's AML regime. The ability of a firm to rely in certain circumstances on the due diligence undertaken by another regulated firm is intended to avoid duplication of effort by firms and unnecessary burdens on consumers.

2.4. The breaches by ISUK and Ram Melwani merit a significant penalty. In fixing the amount of such penalty, however, the FSA has recognised that the actual and potential impact of these breaches has been mitigated by the remedial action undertaken by ISUK. In particular, ISUK:

- (1) on being informed by the FSA of the requirement to notify the Bank in respect of the unidentified individuals, ISUK took immediate remedial action, including full disclosure to the Bank within a short period of time. The Bank has since continued to maintain its business relationship with ISUK and offer its banking facilities to ISUK's clients; and
- (2) ISUK has engaged professional advisors to review its AML procedures and to assist in ongoing monitoring of ISUK's compliance with applicable legal and regulatory requirements. All staff have now received AML training.

2.5. While ISUK's and Ram Melwani's breaches are viewed as serious, it is acknowledged that there is no evidence that money laundering has in fact taken place. It is also accepted that neither ISUK nor Ram Melwani deliberately sought to mislead the Bank.

2.6. Both ISUK and Ram Melwani have been open and co-operative with the FSA during its investigation. Were it not for the co-operation shown and the remedial action taken by ISUK, the financial penalties proposed would have been significantly higher.

3. RELEVANT STATUTORY PROVISIONS AND REGULATORY REQUIREMENTS

3.1. Under Section 2(2) of the Act, one of the FSA's regulatory objectives is the reduction of financial crime.

3.2. Section 64(1) of the Act states that:

The Authority may issue statements of principle with respect to the conduct expected of approved persons.

3.3. Section 66 of the Act states that:

(1) *The Authority may take action against a person under this section if-*

(a) *it appears to the Authority that he is guilty of misconduct; and*

(b) *the Authority is satisfied that it is appropriate in all the circumstances to take action against him.*

(2) *A person is guilty of misconduct if, while an approved person-*

(a) *he has failed to comply with a statement of principle issued under section 64; or*

(b) *he has been knowingly concerned in a contravention by the relevant authorised person of a requirement imposed on that authorised person by or under this Act.*

(3) *If the Authority is entitled to take action under this section against a person, it may-*

(a) *impose a penalty on him of such amount as it considers appropriate; or*

(b) *publish a statement of his misconduct.*

3.4. Section 138 of the Act authorises the FSA to make rules applying to authorised persons with respect to the carrying on of their business. Section 146 of the Act allows the FSA to make rules in relation to the prevention and detection of money laundering in connection with the carrying on of regulated activities by authorised persons. The rules in the FSA's Money Laundering Sourcebook ("ML") were made under these powers.

3.5. Section 206(1) of the Act states that:

If the Authority considers that an authorised person has contravened a 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.

Relevant Rules

- 3.6. ML 2.1.1 R imposes a general duty on firm to have arrangements which are designed to ensure that it is able to comply, and does comply, with ML:

A relevant firm must set up and operate arrangements, including the appointment of a money laundering reporting officer (MLRO) in accordance with the duty in ML 7, which are designed to ensure that it, and any appointed representatives that act on its behalf, are able to comply, and do comply, with the rules in this sourcebook.

- 3.7. ML 3.1.3 R imposes a general duty on firm to identify their clients:

- (1) *A relevant firm must take reasonable steps to find out who its client is by obtaining sufficient evidence of the identity of any client who comes into contact with the relevant firm to be able to show that the client is who he claims to be.*
- (2) *If the client with whom a relevant firm has contact is, or appears to be, acting on behalf of another, the obligation is to obtain sufficient evidence of both their identities.*

- 3.8. ML 6.3.1 R provides that:

A relevant firm must take reasonable care to provide appropriate anti-money laundering training for its staff who handle, or are managerially responsible for the handling of, transactions which may involve money laundering.

- 3.9. ML 7.3.2 R (Record keeping arrangements) provides that:

- (1) *A relevant firm must make and retain, for the periods specified in (2), the following records:*
 - (a) *in relation to evidence of identity:*
 - (i) *a copy of the evidence of identity obtained under ML 3; or*
 - (ii) *a record of where a copy of the evidence of identity can be obtained; or*
 - (iii) *when it is not reasonably practicable to comply with (i) or (ii), a record of how the details of the evidence of identity can be obtained;*

- 3.10. Under ML 7.3.2 R (2)(a), the specified period in relation to evidence of identity is five years from the end of the relevant firm's relationship with the client.

Relevant Principles

3.11. The FSA's Principles for Businesses are a general statement of the fundamental obligations of firms under the regulatory system. They derive their authority from the FSA's rule-making powers as set out in the Act and reflect the FSA's regulatory objectives:

- (1) Principle 2 (Skill, care and diligence) provides that: A firm must conduct its business with due skill, care and diligence; and
- (2) Principle 3 (Management and control) provides that: A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.

3.12. Guidance on Principle 3 is contained in the FSA's Handbook of Rules and Guidance. In particular, the Senior Management Arrangements, Systems and Controls sourcebook ("SYSC") provides:

"A firm must take reasonable care to establish and maintain such systems and controls as are appropriate for its business." (SYSC 3.1.1)

"A firm must take reasonable care to establish and maintain effective systems and controls for compliance with applicable requirements and standards under the regulatory system and for countering the risk that the firm might be used to further financial Crime." (SYSC 3.2.6)

3.13. The Statements of Principle and Code of Practice for Approved Persons (APER) were issued under Section 64 of the Act:

- (1) Statement of Principle 2 provides that: An approved person must act with due skill, care and diligence in carrying out his controlled function; and
- (2) Statement of Principle 7 provides 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.

4. Facts And Matters Relied On

The Statutory and Regulatory Background

4.1. Anti-money laundering requirements on financial sector firms were first imposed by the Money Laundering Regulations 1993 ("the Regulations"), which took effect on 1 April 1994. The Regulations require financial sector firms to have, amongst other things, such procedures of internal control and communication as may be appropriate for the purposes of forestalling and preventing money laundering.

- 4.2. Further, from 1990 the Joint Money Laundering Steering Group provided advice on best practice in anti-money laundering controls by issuing Guidance Notes for the Financial Sector (“the Guidance Notes”). Subsequent editions of the Guidance Notes took account of evolving best practice within the financial services industry.
- 4.3. The FSA has repeatedly stressed the importance of effective anti-money laundering controls and has on six previous occasions taken disciplinary action against regulated firms for failing to meet the FSA's anti-money laundering requirements.
- 4.4. It is fundamental to the health of the United Kingdom’s financial services industry that firms establish and maintain effective systems and controls for countering the risk that their products and services might be used to facilitate money laundering.
- 4.5. Firms are required to take special care in relation to high-risk products, services and clients, such as non-resident, high net worth individuals. A complete audit trail over the source of funds being placed in the financial system is vital in assisting the detection, investigation and prevention of financial crime.
- 4.6. The use of Introduction Certificates by financial firms is an increasingly important feature of the UK's anti-money laundering regime. The ability of a firm to rely in certain circumstances on the due diligence undertaken by another regulated firm is intended to avoid duplication of effort by firms and unnecessary burdens on consumers

Background to the Firm

- 4.7. ISUK is a bond broker, giving advice to and arranging the purchase for its clients of emerging market debt securities. It has six staff and has been authorised by the FSA since 1 December 2001 to undertake certain permitted activities including advising on investments and arranging (bringing about) deals in investments. It was previously authorised by the Securities and Futures Authority.
- 4.8. ISUK has a small number of clients - currently 23 - all of which are corporate entities incorporated in offshore jurisdictions. Most of these jurisdictions do not have anti-money laundering controls that are equivalent to those operating in the UK. The underlying beneficial owners of these companies are non-resident, high net worth individuals and some of these companies have issued bearer shares.
- 4.9. Some of these underlying beneficial owners already had access to the London financial markets, either directly or by way of trading vehicles. However, in order to participate in bond trading, ISUK introduced the majority of its clients to the Bank which opened bank accounts for those clients and provided securities dealing facilities.

ISUK withheld identity of some underlying beneficial owners from the Bank

- 4.10. ISUK introduced its largest client ("client A") to the Bank in March 2002. The principal of client A was well known to the directors of ISUK when introduced to the Bank. In early 2003, ISUK requested that the Bank open a second account for client A. However, unbeknown to the Bank, whilst most of the funds in this second account belonged to client A's beneficial owner (whose identity had been already disclosed to the Bank), acquaintances and relatives of the beneficial owner were also using the account to invest in several million pounds worth of emerging market debt securities. ISUK was aware of this: whereas the Bank treated all trades on that second account as being for the benefit of client A and its beneficial owner, ISUK accounted for the trades of each of the individuals separately. It split client A's second account in its own books into several separate sub-accounts (each sub-account belonging to a separate individual or group of individuals). ISUK was instructed to establish this arrangement by the beneficial owner of client A.
- 4.11. ISUK misunderstood its obligations: it did not inform the Bank that these other individuals were funding transactions on this account. This was a serious breach of FSA requirements. Although ISUK verified the identity of the main investor, when asked by the Bank on two separate occasions to confirm the source of funds in the account, ISUK on each occasion did not inform the Bank that other individuals were using the account. Instead, ISUK certified to the Bank that it held "*Information verifying the Applicant's source of wealth and funding for transactions.*" While ISUK held some information in relation to source of funds (and claims that the Bank may also have been aware of some of this information), ISUK did not hold information on the individuals' source of wealth.
- 4.12. ISUK operated similar arrangements in relation to several other of its clients that had accounts at the Bank.
- 4.13. The Bank was operating these accounts under the impression that the funds belonged to its clients. It was unaware of the real situation until April 2005 when the FSA told ISUK to disclose the ownership of the funds in these accounts to the Bank, which ISUK promptly did.
- 4.14. By not disclosing to the Bank the existence of the other individuals and by not adequately verifying their identity or the source of their funds, ISUK did not conduct its business in accordance with FSA requirements. The Guidance Notes which were issued in 2001 and 2003 recommend that identification evidence should usually be verified for any principal beneficial owner of funds being invested who is not the account holder or named investor. Although ISUK knew these other individuals, its failure to verify their identities was a breach of ML 3.1.3 R (2). The use of accounts in this manner could allow anonymous access to the London financial Markets and the Bank was unable to make an appropriate consideration of the risks involved in operating the accounts. Accordingly, ISUK acted in breach of Principle 2 of the FSA's Principles for Businesses by not acting with due skill, care and diligence.

ISUK provided inaccurate KYC information to the Bank

- 4.15. ISUK introduced its clients to the Bank by way of letters of introduction, together with the provision of some due diligence documentation. Over time, the Bank's AML systems and controls developed and became more stringent. As a result the Bank required ISUK to sign pro-forma "Introduction Certificates" in respect of the information held by ISUK for each of its clients. ISUK specifically represented to the Bank on 20 May 2003 and on 18 October 2004 that it was in possession of copies of the following documents or information in relation to each client which it had introduced to the Bank:
- (1) documents to establish the continuing legal existence of the client (e.g. most recent audited accounts);
 - (2) a register showing current shareholders and directors details (or equivalent) to establish the underlying beneficial owners of the client and those with the principal control over the client's assets. Where the client is owned by another corporate or trust, ISUK represented that it had independently verified the identity of the ultimate beneficial owner;
 - (3) information establishing that the client is operating as a legitimate enterprise and within its legal capacity;
 - (4) identity documents and proof of residential address for all of the client's principal controllers and ultimate beneficial owners;
 - (5) information verifying the client's source of wealth; and
 - (6) information establishing the identity of those individuals authorised to sign documents and enter into trades on behalf of the client.
- 4.16. The FSA reviewed ISUK's client files in November and December 2004. The documents in those files did not wholly support the representations which ISUK had made to the Bank in the Introduction Certificates as some significant documentation was not present on some of ISUK's files. Documents or information that were missing from some of ISUK's client files included copies of identity documents for the ultimate beneficial owners along with information regarding the directors/shareholders of clients, the identity of signatories of clients, the continuing legal existence of clients and the clients' source of wealth and funding. ISUK failed to ensure that such evidence was in place before certifying to the Bank that it had held that material. Some of the Introduction Certificates were therefore misleading.
- 4.17. Not all the missing documentation may have been necessary for the Bank to assess the risks involved in this business but, given the high risk nature of ISUK's clients and the size of the transactions, information on beneficial ownership and source of funds is particularly important. For this reason, it is vital that Introduction Certificates contain accurate information on the due diligence undertaken and documentation held.

- 4.18. In not ensuring that evidence was in place before certifying to the Bank that it had been collected, ISUK has again contravened Principle 2 of the FSA's Principles for Businesses by failing to act with due skill, care and diligence.

Failure to obtain and record sufficient evidence of clients' identity

- 4.19. The FSA's review of ISUK's client files also revealed that, since 1 December 2001, ISUK has not taken reasonable steps to obtain sufficient evidence of the identity of its clients and to make a record of that evidence. Documents that are missing from some of the ISUK client files include identity documents for the ultimate beneficial owners along with information regarding to the directors/shareholders of clients, the continuing legal existence of clients and the clients' source of wealth and funding.
- 4.20. This process does not reflect the recommendations in the "JMLSG Guidance Notes" in relation to verifying identity through documents obtained from an official or recognised independent source nor does it reflect the recommendations in the JMLSG Guidance Notes in relation to verifying the identity of beneficial owners. No alternative procedures were used.
- 4.21. ISUK did not maintain any procedure for obtaining, recording and updating evidence of the identity of its clients since 1 December 2001. Whilst the Melwani family knew and had regular contact with most of the principals of its clients, ISUK only obtained documentary information relating to its clients at the request of the Bank and without giving any separate consideration to its own AML obligations under the FSA's rules. In addition, although ISUK appointed a Money Laundering Reporting Officer, ISUK did not apply to the FSA for his approval as Controlled Function 11.
- 4.22. In not collecting and recording sufficient evidence, ISUK has contravened ML 3.1.3 R (1) and ML 7.3.2 R (1). In not maintaining any procedure for obtaining, recording and updating this evidence, ISUK has contravened Principle 3 of the FSA's Principles for Businesses and has breached ML 2.1.1 R.

Lack of AML staff training

- 4.23. Prior to January 2005, ISUK did not provide any AML training for any of its staff. ISUK failed to take reasonable steps to ensure that staff who handle, or are managerially responsible for the handling of, transactions which may involve money laundering are adequately trained. The absence of training may have contributed to ISUK's other breaches and is itself a breach of ML 6.3.1 R.

Ram Melwani was knowingly concerned in ISUK's breaches

- 4.24. As ISUK's managing director and its key individual, Ram Melwani was aware of ISUK's breaches. In particular:
- (1) he put in place the arrangements that allowed a number of non-resident, high net worth individuals access to banking facilities in the UK, with the effect that the individuals did not disclose their existence to the bank providing the

facilities. He did not disclose the existence of these individuals to the Bank until requested to do so by the FSA and he did not take any steps to verify their identity (apart from one) nor to obtain verification of the source of their wealth;

- (2) he signed all of the Introduction Certificates on behalf of ISUK, without first taking steps to verify that ISUK held the documents and information that would support the representations in the Introduction Certificates, instead relying on his recollection and understanding of documents held by the Bank; and
 - (3) he failed to ensure that account opening procedures were in place at ISUK-relying instead on the Bank's procedures - and he did not obtain and record sufficient evidence of ISUK's clients' identities.
- 4.25. In acting in this manner, Ram Melwani has also contravened Statement of Principle 2 (An approved person must act with due skill, care and diligence in carrying out his controlled function) and Statement of Principle 7 (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).

5. RELEVANT GUIDANCE ON SANCTION

- 5.1. The FSA's policy on the imposition of financial penalties is set out in Chapter 13 of the Enforcement Manual ("ENF") which forms part of the FSA Handbook. The principal purpose of the imposition of a financial penalty is to promote high standards of regulatory conduct by deterring firms and approved persons who have breached regulatory requirements from committing further contraventions, helping to deter other firms and approved persons from committing contraventions and demonstrating generally to firms and approved persons the benefit of compliant behaviour.
- 5.2. ENF 13.3.4 states that the criteria listed in ENF are not exhaustive and all relevant circumstances of the case will be taken into consideration.
- 5.3. In determining whether a financial penalty is appropriate and its level, the FSA is required to consider all the relevant circumstances of the case. ENF 13.3.3 indicates the factors that may be of particular relevance in determining the level of a financial penalty. The FSA considers the following factors to be particularly relevant.

The seriousness of the misconduct or contravention.

- 5.4. The level of financial penalty must be proportionate to the nature and seriousness of the contravention.

The duration, frequency and nature of the breaches

- 5.5. ISUK has demonstrated that, from December 2001 to January 2005 it has paid insufficient regard to and/or has had insufficient understanding of the UK's AML regime and the FSA's requirements.
- 5.6. The provision of anonymous banking facilities for the individuals as described began in February 2003 and continued until March 2005, when disclosure was required by FSA, a period of over two years. During this period, over £8 million belonging to these individuals was transferred to the Bank.
- 5.7. The failure to disclose the existence of these individuals to the Bank is of particular concern. Consideration of the risks involved with dealing with a client is an integral part of the AML control environment of a regulated firm. Without a true understanding of this risk, a firm is unable to make appropriate decisions in relation to the operation of an account (e.g. whether to operate the account, the level of any additional due diligence required and the appropriate level of monitoring). Firms require accurate information regarding the client's identity and source of funds in order to do this. In this case, the beneficial owners and the source of funds had not been verified adequately by ISUK and were not disclosed to the Bank. In fact, ISUK had made certifications so that the Bank was operating these accounts under the impression that the funds belong to the individuals named by ISUK. The Bank was therefore not able to make an appropriate consideration of the risks involved in operating these accounts. The Bank has continued to operate the accounts following the provision of the relevant documents and information by ISUK.
- 5.8. ISUK took insufficient care when providing Introduction Certificates (or similar documentation) since at least 2001. The failure to take steps to verify whether it held requisite information and documentation in respect of clients before certifying that it held that information and documentation is of particular concern.
- 5.9. The failure to collect and record sufficient evidence of its clients' identity to comply with ML is also of concern. ISUK appears to have relied on the fact that the underlying principals were well known to the Melwani family or introduced by other clients. ISUK took no active role in identifying its clients in accordance with FSA Rules and only obtained such evidence of identity as the Bank requested.
- 5.10. AML training is a specific and clear requirement of ML. Training of staff is considered to be vital to a firm's AML systems and controls, especially when a firm is dealing with complicated, opaque corporate structures and high-risk client profiles. The absence of training in this case is likely to have been a contributory factor in the other breaches, as it is likely that appropriate training would have significantly reduced the risk of ISUK's non-compliance.
- 5.11. These breaches have existed since December 2001. Without FSA intervention, it is likely that these breaches would have continued.

The extent to which the contravention is deliberate or misconduct was deliberate or reckless

- 5.12. The FSA has not found that ISUK acted deliberately in breaching FSA Rules and Principles. It appears that ISUK's failings were the result of, and aggravated by, the misunderstanding by ISUK's senior management of its obligations to comply with AML requirements. It is the responsibility of senior management of regulated firms to ensure that appropriate systems and controls are in place to control their business and ensure compliance with regulatory requirements. ISUK's senior management instead relied on another firm's systems and controls (i.e. the Bank's), stating that this was a misunderstanding based on the fact that ISUK did not handle client money. This showed a disregard by ISUK for its obligations under FSA Rules and Principles.

Whether the person on whom the penalty is to be imposed is an individual, and the size, financial resources and other circumstances of the firm or individual.

- 5.13. Whilst ISUK is a relatively small firm in terms of number of staff, number of customers and turnover and the impact on the markets is relatively confined, ISUK's conduct falls short even of what can be properly expected of a firm of its size.
- 5.14. The firm has sufficient financial resources, such that this financial penalty, although significant, will not prejudice its solvency.
- 5.15. The FSA only has limited information surrounding Ram Melwani's financial circumstances, although he continues to be a director and shareholder in ISUK

Conduct following the contravention

- 5.16. The breaches were not identified by ISUK but came to light through the FSA's intervention. However, the FSA notes that, since the breaches were identified by the FSA's investigation, ISUK has engaged independent compliance consultants to review its AML procedures and to assist in the ongoing monitoring of ISUK's compliance with applicable legal and regulatory requirements. All staff have now received AML training.
- 5.17. ISUK has taken steps to settle this matter. This has helped the FSA to work expeditiously towards its regulatory objectives, which include reducing financial crime.

Disciplinary record and compliance history

- 5.18. Neither ISUK nor Ram Melwani have been subject to any previous enforcement action.

Previous action taken by the FSA

5.19. The FSA has had regard to previous cases involving breaches of Principles and ML. The FSA considers that several previous cases involved large retail organisations, whereas ISUK is a smaller firm with a small client base.

6. CONCLUSION

6.1. Taking into account the seriousness of the contraventions and the risk they posed, but also having regard to the remedial steps taken and the co-operation shown, the FSA imposes a financial penalty of £175,000 on ISUK and imposes a financial penalty of £30,000 on Ram Melwani.

6.2. The FSA considers the sanction to be a proportionate exercise of its enforcement powers and consistent with the FSA's publicly stated policies.

IMPORTANT

This Final Notice is given to ISUK and Ram Melwani in accordance with section 390 of the Act.

Manner of payment

The Penalties must be paid to the FSA.

If penalty not paid

If any of these amounts are outstanding on the dates on which they are due to be paid as set out above, the FSA may recover the outstanding amount as a debt owed and due to the FSA.

Publicity

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 ISUK or Ram Melwani or prejudicial to the interests of consumers.

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

FSA contacts

For more information concerning this matter generally, you should contact Hamish Armstrong at the FSA (direct line: 020 7066 1326 /fax: 020 7066 1327).

William Amos

FSA Enforcement Division