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## FINAL NOTICE

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To: **Sapia Partners LLP**

Reference  
Number: **550103**

Address: **4th Floor, 3 More London Riverside, London SE1 2AQ**

Date: **20 April 2026**

### **1. ACTION**

1.1. For the reasons given in this Final Notice, the Authority hereby imposes on Sapia a public censure pursuant to section 205 of the Act.

1.2. Sapia agreed to resolve these matters. As part of the resolution, Sapia has agreed to make a voluntary payment of £19,637,950 to be distributed amongst WealthTek's clients pursuant to the distribution plan of WealthTek's Joint Special Administrators.

1.3. The Authority has considered Sapia's co-operation from the outset of the investigation (see paragraph 2.9 as well as paragraphs 6.6 and 6.7) including its acceptance of the failings identified in this Notice and its agreement (with the assistance of its ultimate parent company) to make the voluntary payment, and

decided it is not appropriate to impose a financial penalty. Had it not been for these factors, the Authority would also have imposed a financial penalty of £10,588,600 in respect of the failings set out in this Notice. In that event, Sapia would have qualified for a 30% discount (stage 1) in accordance with the Authority's executive settlement procedure, which would have reduced the penalty to £7,412,000.

- 1.4. The public censure takes the form of this Final Notice, which will be published on the Authority's website.

## **2. SUMMARY OF REASONS**

- 2.1. Throughout the Relevant Period, Sapia was responsible for ensuring compliance with regulatory obligations in respect of any client money held by Sapia. This included any client money held by Sapia for the clients of Sapia's network of appointed representatives (or 'ARs').
- 2.2. In 2013, Sapia began working with Vertus (the former name of WealthTek), and appointed it as one of its ARs during the Relevant Period. Sapia also entered into an arrangement to hold client money attributable to the activities of Vertus, in respect of which Sapia was required to comply with the requirements in CASS 7.
- 2.3. Given the nature, scale and complexity of its business and activities, it was important that Sapia paid due regard to there being proper segregation of duties and functions in relation to client money in order to manage the risk of loss or diminution in value of client money through misuse or poor administration of client money. Indeed, in 2017 Sapia recognised the importance of such segregation, in particular the importance of segregation between the making of payments out of the Client Money Accounts and the carrying out of reconciliations.
- 2.4. Notwithstanding the importance of proper segregation, during the Relevant Period Sapia failed to take sufficient steps to ensure that in practice there was segregation between those persons who were making payments out of the Client Money Accounts and carrying out reconciliations in respect of them. The only persons who in practice were involved in those processes held roles at Vertus with the same individuals involved in both processes.
- 2.5. Further, in practice Sapia relied on those who held roles at Vertus for the purposes of approving payments out of its Client Money Accounts and conducting

reconciliations in respect of those accounts, even in circumstances where the client money was attributable to the activities of Vertus in its capacity as Sapia's AR.

- 2.6. As a consequence, Sapia breached Principle 10 and the Client Money Organisational Arrangements Rule.
- 2.7. The Authority notes that in 2018 Sapia took steps to exit WealthTek as an AR, and in 2019 Sapia initiated a large-scale project to exit AR relationships connected to retail business. This included Vertus. The project concluded in 2020 and since then Sapia has sought to enhance its approach to regulatory compliance including in relation to CASS, taken the decision to no longer hold client money and has not had, as part of its AR network, any ARs who have retail clients.
- 2.8. Sapia's failure to introduce adequate organisational arrangements in relation to the client money it held exposed its clients to the risk of loss of their money from those accounts (for example, the misuse or poor administration of client money). Sapia's failings persisted for 6 years from 2014 to 2020, during which period funds of approximately £150 million were deposited into the Client Money Accounts and were at risk.
- 2.9. The Authority therefore hereby imposes on Sapia a public censure. In determining that censure is the appropriate sanction and deciding to not impose a penalty, the Authority has had regard to: Sapia's full co-operation from the outset of the investigation, including in response to requests for information and its acknowledgment of the failings in relation to the Relevant Period of 1 January 2014 to 31 October 2020; that its failings referred to in this Notice were not deliberate or reckless; and Sapia's decision, prompted by the Authority, to make the voluntary payment of £19,637,950 referred to above.

### **3. DEFINITIONS**

- 3.1. The definitions below are used in this Notice:

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

"**AR**" means an appointed representative for the purposes of section 39 of the Act;

**"the Authority"** means the Financial Conduct Authority;

**"the Bank"** means the bank where the Client Money Accounts were held;

**"CASS"** means the section of the Handbook entitled 'Client Assets Sourcebook';

**"Client Money Accounts"** means Sapia's client money accounts held at the Bank, which held client money attributable to Vertus' activities;

**"Client Money Organisational Arrangements Rule"** means CASS 7.12.2 R for the period 1 June 2015 to the end of the Relevant Period, and CASS 7.3.2 R from the beginning of the Relevant Period to 31 May 2015;

**"DEPP"** means the section of the Handbook entitled 'Decision Procedure and Penalties Manual';

**"the Handbook"** means the Authority's Handbook of rules and guidance;

**"the Principles"** means the section of the Handbook entitled 'Principles for Businesses';

**"the Relevant Period"** means the period 1 January 2014 to 31 October 2020;

**"Sapia"** means Sapia Partners LLP and formerly named Sapia Capital Partners LLP, Partnership number OC354934 incorporated on 14 May 2010;

**"SYSC"** means the section of the Handbook entitled 'Senior Management Arrangements, Systems and Controls';

**"the Tribunal"** means the Upper Tribunal (Tax and Chancery Chamber); and

**"Vertus"** or **"WealthTek"** means WealthTek LLP, Partnership number OC355200 incorporated on 24 May 2010, a firm which held various permissions under the Act and which entered into investment bank special administration on 6 April 2023. During the Relevant Period, the full name of WealthTek was Vertus Asset Management LLP. On 13 January 2021, the firm changed its name to WealthTek, which has since remained its name. The firm is referred to in this Notice as Vertus or WealthTek.

## **4. FACTS AND MATTERS**

### **Regulatory requirements relevant to client money**

- 4.1. Principle 10 provides that a firm must arrange adequate protection for clients' assets when it is responsible for them.
- 4.2. In addition to Principle 10, firms that hold client money are required to comply with the Authority's rules set out in CASS. This includes the rules in CASS 7 that relate specifically to client money.
- 4.3. One of the rules in CASS 7 is the Client Money Organisational Arrangements Rule, which throughout the Relevant Period required firms to:

*"...introduce adequate organisational arrangements to minimise the risk of the loss or diminution of client money, or of rights in connection with client money, as a result of misuse of client money, fraud, poor administration, inadequate record-keeping or negligence."*

- 4.4. Further, SYSC 5 contains provisions that make clear the importance of firms' ensuring an appropriate segregation of functions/duties within the firm. Those provisions are relevant to a firm's activities generally, including (but not limited to) its handling of client money.

### **Sapia**

- 4.5. Sapia was founded in 2010 and was authorised by the Authority on 15 August 2011 to carry out a number of regulated activities. Initially, Sapia provided corporate finance advice and investment management services. At authorisation, and at its request, a restriction was imposed on Sapia's authorisation that it could control but not hold client money.
- 4.6. In order to broaden its financial services business, Sapia began working with Vertus as described further below (beginning at paragraph 4.9) and adopted the AR model which allows a person (the AR) to carry on regulated activities under the regulatory responsibility of an authorised principal firm (Sapia). In accordance with section 39 of the Act, the principal assumes responsibility for the activities of

the AR. Accordingly, it was the responsibility of Sapia to ensure that each of its ARs complied with the Authority's rules applicable to its activities.

- 4.7. Sapia was acquired in November 2018 by a new shareholder, which made the voluntary decision to de-risk Sapia's AR portfolio. This resulted in it offboarding ARs which had exposure to retail clients.
- 4.8. The Authority raised a number of CASS-related concerns with Sapia during 2018 and 2019 and required Sapia to appoint a skilled person to conduct a review under section 166 of the Act in relation to its systems and controls in relation to CASS (such section 166 being unrelated to Vertus). Following that review, Sapia (with support from its new shareholder) undertook large-scale remediation work and agreed to the imposition of a requirement under section 55L of the Act that prevented Sapia from holding client money.

### **Vertus**

- 4.9. During the Relevant Period, Vertus was an independent wealth management firm offering discretionary management, advisory and execution only services to both retail clients and intermediaries.
- 4.10. Sapia began working with Vertus in 2013, and Sapia appointed it as an AR during the Relevant Period. This resulted in Sapia holding client money and it therefore applied to the Authority to vary the restriction referred to at 4.5 above so that it could hold (as well as control) client money; the Authority agreed to that variation. Sapia took steps to exit the AR relationship with Vertus from 2018, and from January 2020 Vertus was authorised by the Authority and from that point was no longer an AR of Sapia.
- 4.11. Throughout the Relevant Period, client money attributable to the activities of Vertus was held in Sapia's Client Money Accounts. This included for several months after Vertus was itself authorised by the Authority.

## **Sapia's client money controls framework**

### Segregation of duties relating to client money

- 4.12. Sapia has not identified any policy or procedure document that was in effect prior to 2015 which sets out its approach to compliance with the CASS rules and how in practice it ensured an appropriate segregation of duties in relation to client money.
- 4.13. Although Sapia did have a CASS Compliance Policy in place in 2015, it was not detailed and did not refer specifically to segregation of duties. The 2015 CASS Compliance Policy was stated to be a shared document between Sapia and Vertus, and it covered, at a high level, topics including: due diligence on third parties; acknowledgement letters; treatment of cheques, dividends and interest; large transactions; IT systems; payment procedures; reconciliations; and reporting of any CASS breaches.
- 4.14. Sapia prepared its first Client Money Policy in February 2017. It is not clear when this policy (which appears to have remained in draft form for a period) actually came into force, though Sapia later updated it in 2019. The Client Money Policy covered various topics by reference to areas of CASS, such as: CASS firm type; reconciliations; records and accounts; resolution packs; and notifications to the Authority.
- 4.15. Both the 2017 and 2019 versions of the Client Money Policy stated that "*the firm operates with people having a segregation of duties*" and referred to three key areas: "*management approval for payments out of the account*"; "*segregated reconciliation*"; and "*segregated reconciliation review and sign-off*".
- 4.16. Save as set out above, Sapia's policies and procedures relating to client money did not address segregation of duties in relation to client money further.
- 4.17. The Authority notes, however, that a 2018 annual monitoring document prepared by Sapia in relation to Vertus includes a section on apportionment of responsibilities. It asks "[d]oes the apportionment and allocation of significant responsibilities achieves [sic], as far as is possible, the segregation of duties within the Firm and the prevention of conflicts of interest". It is not apparent from this document (or other material that Sapia has provided in the course of the

investigation) how Sapia satisfied itself appropriate segregation was achieved in respect of client money and compliance with CASS. This is notwithstanding the importance that Sapia placed on segregation as a control, as illustrated by the policies referred to in paragraph 4.15 above.

#### Controls in relation to making payments from Client Money Accounts

- 4.18. As explained above, Sapia was permitted to hold client money from 2013. The Authority understands that a two-step approval process was in place in order for a payment to be made out of the Client Money Account. This process required two different individuals to access the Bank's platform to make a payment; one individual was required to input the details of the payment into the banking platform, and another was required to validate the payment. Whilst Sapia has provided a document suggesting that at one time a role may have been intended in this process for both Sapia and Vertus personnel, the Authority understands that in practice payments out of the Client Money Accounts during the Relevant Period were approved by Vertus personnel.
- 4.19. In March 2015, Sapia's CASS Compliance Policy stated that "*for a payment to be made out of the [Client Money Account], please note there are different methods due to the complexities of the Investment Management accounts at [the] Bank.*" The policy refers to further guidance that was accessible via a link to a further document. However, Sapia has not been able to locate a copy of this document.
- 4.20. Further, the firm's 2015 CASS auditor found that there was no formal process in place for the review or sign-off of large or unusual transactions. In its response to this audit finding, Sapia stated that as the business carried out by the firm was discretionary portfolio management, there was no business that would give rise to large or suspicious transactions on the basis that Sapia is responsible for the generation of such a transaction. On the anticipation of services changing, Sapia committed to implementing formal controls in this respect. Rather than adopt a pre-instruction review/sign-off process, Sapia indicated the control would likely be based on a daily review of transactions over a specified size. The Authority therefore infers that, in practice, Sapia did not require formal pre-approval of large or unusual transactions.
- 4.21. The 2017 Client Money Policy included a section titled "*Minimising misuse of client money / fraud*", which stated that Sapia operated with segregation of duties and

involved "*Management approval for payments out of the account*". This statement also appeared in the 2019 policy. However, neither version of the policy specified how this approval process was to operate in practice.

- 4.22. From 2017, the Client Money Policy also indicated that Sapia would only transfer client money to a third party where the client had authorised the firm to do so. The policy gave examples where this may arise but noted there may be other instances and, from 2019, the policy was amended to indicate those other instances would be approved by senior managers.
- 4.23. The CASS risk assessments that Sapia carried out in 2018 and 2019 recorded two risks in relation to payments from the Client Money Accounts: (1) the risk of invalid or incorrect instructions to transfer money from a client money account; and (2) of a client money account being used illegally. The risk assessments stated these risks were managed as follows:
- (a) Prior to an instruction being implemented, the payments were reviewed by Sapia's senior management. This was the case for payments greater than £1,000,000 on the basis that a two-step validation process was also in place.
  - (b) The firm's accounting team was separated from those responsible for client money processes.
- 4.24. In 2019, the two-step validation process for making payments from the Client Money Account referred to at paragraph 4.18 above was documented in Sapia's Payment Transfer Process policy. Four people were recorded by Sapia as being able to access, and make a payment from, the Client Money Accounts. All four of those individuals held roles at Vertus, and the policy did not provide that anyone else's approval at Sapia was required in order to sign-off a payment. The policy does not account for any other individual to sign in connection with the Client Money Accounts.

#### Reconciliations of the Client Money Accounts

- 4.25. From March 2015, Sapia's CASS Compliance Policy specified that:
- (a) internal reconciliations should be performed on a daily basis for the internal cashbook and client ledgers; and

- (b) external reconciliations should be performed on a weekly basis for the bank account and cashbook.
- 4.26. From February 2017, the Client Money Policy provided that external reconciliations should take place on a monthly basis. It also stated that: "*The firm will carry out reconciliations in accordance with the standard method of internal client money reconciliations*".
- 4.27. However, at no time during the Relevant Period did the CASS Compliance Policy or Client Money Policy include any provisions on who should, or should not, conduct the reconciliations required under CASS. This is notwithstanding the importance placed by Sapia on segregation of functions in relation to client money in its policies, as is evident from paragraph 4.15 above.
- 4.28. In practice, throughout the Relevant Period reconciliations of the Client Money Accounts were conducted by Vertus personnel. By way of illustration, Sapia's CASS core risk assessments in 2018 and 2019 set out that three individuals at Vertus were able to carry out reconciliations of the Client Money Accounts.
- 4.29. Sapia's records of the reconciliations carried out for the period March 2016 to March 2020 evidence that in practice:
- (a) there were only two individuals at Vertus involved in the reconciliations;
  - (b) those individuals were also involved in the process of approving payments out of the Client Money Accounts described above;
  - (c) one of the individuals prepared the reconciliations and the other person reviewed them; and
  - (d) generally, the individual reviewing and signing-off the reconciliations was more junior than the individual who had prepared them.
- 4.30. Sapia has not provided any evidence that the position prior to March 2016 in relation to reconciliations was different in any material respect, and accordingly the Authority infers that it was not.

### **Sapia's oversight and monitoring of Vertus**

- 4.31. As explained above, Sapia was in practice generally reliant on those at Vertus for the purposes of approving payments out of its Client Money Accounts and conducting reconciliations in respect of those accounts throughout the Relevant Period, including when Vertus was an AR.
- 4.32. From 2017, Sapia took steps to conduct monitoring of Vertus when it created a monitoring plan for Vertus which set out areas that would be monitored which were linked to areas of the Authority's Handbook. The frequency of the planned monitoring of Vertus varied between daily, weekly, monthly and quarterly, depending on the area. This plan also indicated there would be monthly monitoring calls, which would cover certain areas of the Handbook. However, this monitoring plan did not refer specifically to CASS or the requirements in CASS (for example reconciliations). Sapia did, however, separately take steps to gather and review reconciliations prepared by Vertus. From the records provided to the Authority, it appears the review was relatively limited in nature.
- 4.33. In 2018, Sapia implemented more frequent monitoring of Vertus. This was described as involving more frequent monitoring of reconciliations and monthly compliance monitoring reports. Sapia also began to take steps to offboard Vertus from its AR network.
- 4.34. Subsequent to Sapia deciding to increase its monitoring of Vertus as described in the previous paragraph, the Authority has seen evidence of more frequent monitoring visits to Vertus to obtain reconciliations records.

### **Assessments of Sapia's client money organisational arrangements**

- 4.35. Sapia's CASS audit for 2015 identified concerns with Sapia's compliance with the Client Money Organisational Arrangements Rule, in particular the segregation of roles in relation to client money accounts. In response, Sapia stated that duties and responsibilities had been segregated, but did not explain in any detail how Sapia had reached the view that there was segregation and/or as to its sufficiency (for example in light of the matters in paragraph 4.29 above).
- 4.36. In 2017, Sapia considered its compliance with CASS. In respect of the Client Money Organisational Arrangements Rule, Sapia stated the control objective for

this rule was that "*client money is segregated from firms [sic] money*"; the documented control was stated to be that Sapia had separate bank accounts for its own money compared with client money. However, no additional control objectives or controls were recorded in relation to this rule (for example in relation to the segregation of functions and duties within the firm).

- 4.37. Sapia's 2017 CASS audit identified breaches of the Client Money Organisational Arrangements Rule. Sapia's response included that (as noted above) it had put in place sample monitoring around client money operational areas including reconciliations. However, Sapia did not identify in its response any measures concerning segregation of functions/duties, such as measures that would avoid payments out of the Client Money Accounts and reconciliations being conducted by the same staff at Vertus.
- 4.38. In 2018 and 2019, Sapia conducted the CASS risk assessments referred to at paragraph 4.23 above. The 2018 assessment did not reference the Client Money Organisational Arrangements Rule. Whilst the 2019 assessment did reference that rule, it categorised the risk associated with that rule as "Low" without stating a reason for that categorisation.
- 4.39. In May 2019, Sapia conducted a CASS control assessment in which it further considered its compliance with this rule and where an additional control objective was recorded as being "*adequate controls are in place to prevent misuse/fraudulent activity*". The control in place to achieve this objective was stated to be "Approved Persons Signature List and Reconciliations to review account balances", in respect of which Sapia stated that "*Segregation is applied, and financial controls means only these accounts can be used*".
- 4.40. Sapia's CASS Control and Risk Assessments in 2020 stated the same wording against the Client Money Organisational Arrangements Rule as is cited in the above paragraph.
- 4.41. It is not clear how Sapia satisfied itself as to the sufficiency of its segregation/controls in practice (the Authority notes paragraph 4.29 and 4.30 in this regard). Further, Sapia did not identify any other risks in relation to the Client Money Organisational Arrangements Rule and minimising the risk or loss of client money.

## **5. FAILINGS**

- 5.1. The regulatory provisions relevant to this Notice are referred to in Annex A.
- 5.2. The Authority considers that, by reason of the matters described in section 4 of this Notice, Sapia breached Principle 10 by failing to ensure adequate protection of client money for which it was responsible. Sapia also breached the Client Money Organisational Arrangements Rule, by failing to introduce adequate organisational arrangements to minimise the risk of the loss or diminution of client money, or of rights in connection with client money, as a result of misuse of client money, fraud, poor administration, inadequate record-keeping or negligence.
- 5.3. Sapia was responsible at all times for ensuring adequate protection for client money that it held in connection with activities attributable to its AR, Vertus. It was therefore essential that Sapia took appropriate steps to mitigate the risk that client money might be used without its clients' agreement and/or suffer loss or diminution in value through (for example) misuse or fraud.
- 5.4. Given the nature, scale and complexity of its business and activities, it was important that Sapia paid due regard to there being proper segregation of duties and functions in relation to client money in order to manage the risk referred to in the previous paragraph. Indeed, in 2017 Sapia recognised the importance of such segregation (see paragraph 4.15 above), in particular the importance of segregation between the making of payments out of the Client Money Accounts and the carrying out of reconciliations.
- 5.5. Notwithstanding the importance of proper segregation of duties/functions in relation to client money, during the Relevant Period Sapia:
  - (a) failed to take sufficient steps to put in place policies and procedures that reflected the importance of segregation of duties/functions in relation to its client money and to set out clearly what was required in practice in order to achieve it;
  - (b) failed to take sufficient steps to ensure that the individuals who were in practice permitted to approve payments out of the Client Money Accounts were different to those who conducted the reconciliations in respect of those accounts;

- (c) permitted reconciliations to be signed-off by someone who was more junior than the person who prepared the reconciliations;
  - (d) relied in practice on individuals that held roles at Vertus for the purposes of approving payments out of its Client Money Accounts and conducting reconciliations in respect of those accounts, even when the client money was attributable to the activities of Vertus in its capacity as Sapia's AR; and
  - (e) failed to respond sufficiently to concerns that were expressed from 2015 onwards in relation to the sufficiency of the measures taken to comply with the Client Money Organisational Arrangements Rule and to ensure adequate protection for client money for which it was responsible.
- 5.6. Further, following Vertus becoming authorised by the Authority, for several months Sapia continued to permit client money attributable to Vertus' activities to be held in the Client Money Accounts and for payments to be made in and out of those accounts. Whilst Sapia sought in this period to procure the transfer of the funds in the Client Money Accounts to new client accounts with another provider, in the interim Sapia did not (for example) ensure that no payments were made using those funds pending the transfer of those monies to such new accounts.
- 5.7. As a result, the Authority considers that Sapia breached Principle 10 and the Client Money Organisational Arrangements Rule.
- 5.8. Sapia's failure to introduce adequate organisational arrangements in relation to the client money it held exposed its clients to the risk of loss of their money from those accounts (for example due to the misuse or poor administration of client money). Sapia's failings persisted for 6 years, during which period clients associated with Vertus deposited funds of approximately £150 million into the Client Money Accounts.

## 6. SANCTION

6.1. The Authority considers that a financial penalty of £10,588,600 (£7,412,000 after the application of a 30% discount (stage 1) in accordance with the Authority's executive settlement procedure) in respect of Sapia's breach of Principle 10 and associated Client Money Organisational Arrangements Rule is appropriate. However, the Authority has taken account of the fact that Sapia itself would not have been able to make a voluntary payment of £19,637,950, to be distributed to WealthTek's clients, and that this has only been possible with the financial support given to Sapia by its ultimate parent, Saphilux S.à.r.l.. For this reason, the Authority does not consider that it would be appropriate to require Sapia to pay a financial penalty, and instead hereby imposes a public censure in relation to Sapia. The Authority considers that a public censure and Sapia's payment for the benefit of WealthTek's clients supports the Authority's operational objective of securing an appropriate degree of protection for consumers.

6.2. The Authority's policy for imposing a financial penalty or publishing a statement of misconduct is set out in Chapter 6 of DEPP and DEPP 6.2.1G states that the Authority will consider the full circumstances of each case when determining whether or not to take action for a financial penalty or public censure. DEPP 6.2.1G also provides a list of relevant factors including those factors referred to below.

### The nature and seriousness of the breach (DEPP 6.2.1G(1))

6.3. In determining the appropriate sanction, the Authority has had regard to the seriousness of the breaches, the nature and extent of the breaches, their duration and the number of investors who were exposed to the risk of loss.

6.4. Although not deliberate or reckless, Sapia's failure to introduce adequate organisational arrangements in relation to client money held in the Client Money Accounts exposed it to the risk of loss from those accounts. The breach persisted for 6 years and during that period funds of approximately £150 million were deposited into the Client Money Accounts.

### The conduct following the breach (DEPP 6.2.1G(2))

6.5. The Authority has taken into account that Sapia acknowledged the failings raised by the Authority and, prompted by the Authority, made a voluntary payment of £19,637,950, to be distributed to WealthTek's clients.

6.6. Sapia has fully and comprehensively co-operated with the Authority from the outset of the investigation. In particular, Sapia accepted the failings raised by the Authority, provided relevant documents and information to the Authority and committed to reaching a resolution on the matter.

6.7. The Authority also notes that towards the end of the Relevant Period:

(a) In 2019 Sapia initiated a large-scale project to exit AR relationships connected to retail businesses. This included Vertus. This project concluded in 2020 and since then Sapia has not offered services to ARs who accept retail client investment.

(b) Sapia, from 2020, under the management of the new shareholder, enhanced its approach to regulatory compliance.

Disciplinary record and compliance history (DEPP 6.2.1G(3))

6.8. Sapia has not previously been the subject of disciplinary action by the Authority.

Financial penalty or public censure (DEPP 6.4.1G / DEPP 6.4.2G)

6.9. DEPP 6.4.1G provides that the Authority will consider all the relevant circumstances when deciding whether to impose a penalty or issue a public censure.

6.10. DEPP 6.4.2G sets out factors that may be of particular relevance when the Authority determines whether it is appropriate to impose a public censure. The criteria are not exhaustive. The Authority considers that the factors below are particularly relevant in this case in that Sapia:

(a) did not profit as a result of its breach;

(b) accepted the failings raised by the Authority and committed to resolving the matter;

(c) agreed, with the assistance of its ultimate parent company, to make a voluntary payment of £19,637,950 to be distributed to WealthTek's clients; and

(d) has co-operated fully with the Authority during its investigation.

- 6.11. The serious nature of the breaches identified in this Notice would ordinarily have led the Authority to impose a penalty of £10,588,600 (£7,412,000 after the application of a 30% discount (stage 1) in accordance with the Authority's executive settlement procedure). However, the Authority considers that its objectives may appropriately be achieved by means of a public censure and a voluntary payment of £19,637,950 to be distributed to WealthTek's clients. In all the circumstances of this case the Authority does not consider that it would be appropriate to require Sapia to pay a financial penalty and hereby imposes a public censure in relation to Sapia.

## **7. PROCEDURAL MATTERS**

- 7.1. This Notice is given to Sapia under section 205 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 Jennifer Hepworth at the Authority (direct line: 020 70661908/email: [jennifer.hepworth@fca.org.uk](mailto:jennifer.hepworth@fca.org.uk)).

### **Dharmesh Gadhavi**

Head of Department

Financial Conduct Authority, Enforcement and Market Oversight Division

## **ANNEX A: RELEVANT STATUTORY AND REGULATORY PROVISIONS**

### **1. Relevant Statutory Provisions**

#### **The Financial Services and Markets Act 2000**

- 1.1 The Authority's statutory objectives, set out in section 1B of the Act, include:
- a) Protecting and enhancing the integrity of the UK financial system (section 1D(1) of the Act); and
  - b) Securing an appropriate degree of protection for consumers (section 1C(1) of the Act).
- 1.2 Section 205(1) of the Act provides:

*"If the Authority considers that an authorised person has contravened a requirement imposed on the person, it may publish a statement to that effect."*

### **2. Relevant Regulatory Provisions**

#### **Principles**

- 2.1 The Principles are a general statement of the fundamental obligations of firms under the regulatory system and are set out in the Authority's Handbook.
- 2.2 Principle 10 provides:

*"A firm must arrange adequate protection for clients' assets when it is responsible for them."*

#### **SYSC**

- 2.3 SYSC sets out various rules and guidance relating to the arrangements that a firm should put in place.
- 2.4 SYSC 5.1.6R provides that a common platform firm and a management company must ensure that the performance of multiple functions by its relevant persons does not and is not likely to prevent those persons from discharging any particular functions soundly, honestly and professionally.
- 2.5 SYSC 5.1.7R provides that the senior personnel of a common platform firm must define arrangements concerning the segregation of duties within the firm and the prevention of conflicts of interest.
- 2.6 SYSC 5.1.7AG provides that other firms should take account of the segregation of functions rules (SYSC 5.1.6R and SYSC 5.1.7R) as if they were guidance (and as if "should" appeared in those rules instead of "must") as explained in SYSC 1 Annex 1 3.3 R(1).
- 2.7 SYSC 5.1.10G states that, where a firm is unable to ensure the complete segregation of duties (for example, because it has a limited number of staff), it

should ensure that there are adequate compensating controls in place (for example, frequent review of an area by relevant senior managers).

- 2.8 SYSC 5.1.13R provides that the systems, internal control mechanisms and arrangements established by a firm in accordance with SYSC 5 must take into account the nature, scale and complexity of its business and the nature and range of financial services and activities undertaken in the course of that business.

### **CASS**

- 2.9 CASS sets out various rules intended to keep client money and assets safe.

- 2.10 The Client Money Organisational Arrangements Rule provides:

*"A firm must introduce adequate organisational arrangements to minimise the risk of the loss or diminution of client money, or of rights in connection with client money, as a result of misuse of client money, fraud, poor administration, inadequate record-keeping or negligence".*

### **DEPP**

- 2.11 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 of public censures and financial penalties (and their amount) under the Act.

### **Enforcement Guide**

- 2.12 The Enforcement Guide sets out the Authority's approach to exercising its main enforcement powers under the Act.