
FINAL NOTICE

To: Terry John Farr
Date of Birth: August 1971
Date: 29 May 2019

1. ACTION

- 1.1. For the reasons given in this Notice, the Authority hereby makes an order, pursuant to section 56 of the Act, prohibiting Mr Terry John Farr from performing any function in relation to any regulated activity carried on by an authorised person, exempt person or exempt professional firm.

2. SUMMARY OF REASONS

- 2.1. The Authority has taken this action because during the period from 19 September 2008 until 25 August 2009, Mr Farr arranged nine Wash Trades in order to obtain unwarranted brokerage payments for no legitimate commercial purpose. This misconduct demonstrates a lack of honesty and integrity, and the Authority therefore considers that Mr Farr is not a fit and proper person to perform any function in relation to any regulated activity carried on by an authorised person, exempt person or exempt professional firm.

Mr Farr's involvement in the Wash Trades

- 2.2. During the Relevant Period and whilst employed as a Broker at Martins, Mr Farr arranged the nine Wash Trades set out at Annex 1 to this Notice in order to enable Trader A of UBS to make unwarranted brokerage payments of £172,053.23 to Martins for no legitimate commercial purpose.
- 2.3. In the course of their dealings, Mr Farr encouraged Trader A of UBS to believe that he was willing to attempt to influence the JPY LIBOR submissions of Panel Banks. Trader A in return entered into the Wash Trades to reward Mr Farr for his perceived assistance. Thus the brokerage Martins received as a result of the Wash Trades was not in consideration for any form of legitimate service and was unrelated to any proper purpose for which brokerage payments may be made.
- 2.4. As a consequence of the Wash Trades, Martins received unwarranted brokerage of £258,151.09 from UBS and RBS. Mr Farr knew that this unwarranted brokerage increased the bonus pool available to him and his colleagues on the JPY Desk during the Relevant Period. Accordingly, Mr Farr's motivation for arranging the Wash Trades was profit and his own personal financial gain.
- 2.5. The Authority considers Mr Farr's misconduct to be serious, and that it demonstrates dishonesty and a lack of integrity. As a result of his lack of honesty and integrity, the Authority considers that Mr Farr is not a fit and proper person to perform any function in relation to any regulated activity carried on by an authorised person, exempt person or exempt professional firm. The Authority has therefore made an order prohibiting Mr Farr from performing any such function. This action will advance the Authority's operational objectives of securing an appropriate degree of protection for consumers and protecting and enhancing the integrity of the UK financial system.

3. DEFINITIONS

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

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

"the Authority" means the body corporate previously known as the Financial Services Authority and renamed on 1 April 2013 as the Financial Conduct Authority;

“Broker” means an interdealer broker employed by Martins acting as intermediary in, amongst other things, deals for funding in the cash markets and interest rate derivatives contracts. Broker B is the Broker at Martins referred to in paragraph 4.13;

“EG” means the Authority’s Enforcement Guide;

“FIT” means the part of the Authority’s Handbook entitled “Fit and Proper test for Employees and Senior Personnel”;

“FRA” means Interest Rate Forward Rate Agreement;

“IRS” means Interest Rate Swap;

“JPY” means Japanese Yen;

“JPY Desk” means Martins’ Japanese Yen Desk which was created in January 2008 on the merger between the JPY Cash Desk and the JPY Forward Desk;

“JPY LIBOR” means the London Interbank Offered Rate for JPY;

“LIBOR” means the London Interbank Offered Rate, a benchmark reference rate;

“Martins” means Martin Brokers (UK) Ltd, a company which entered into administration in December 2014 and was dissolved on 7 December 2015;

“Martins Final Notice” means the Final Notice dated 15 May 2014 issued by the Authority to Martins;

“OBS” means off-balance sheet, referring to debts or assets that do not appear on a company’s balance sheet. IRSs and FRAs are OBS instruments;

“Panel Bank” means a bank with a place on the panel of the administrator of LIBOR (the British Bankers’ Association, during the Relevant Period) for contributing LIBOR submissions in one or more currencies;

“RBS” means Royal Bank of Scotland Plc;

“the Relevant Period” means the period from 19 September 2008 to 25 August 2009 inclusive;

“Trader” means a person at a bank trading interest rate derivatives or trading in the foreign exchange and money markets. Trader A and Trader B are the Traders referred to at paragraphs 4.9 and 4.13 respectively;

“the Tribunal” means the Upper Tribunal (Tax and Chancery Chamber);

“UBS” means UBS AG;

“Wash Trades” means risk-free trades, with the same party, in pairs that cancel each other out and for which there is no legitimate commercial purpose. Such trades are also referred to as “flat switches”. The nine Wash Trades arranged by Martins are described individually at Annex 1 to this Notice; and

“yard” means one billion (i.e. one thousand million).

4. FACTS AND MATTERS

Martins’ Final Notice

- 4.1. Martins was an interdealer broking firm based in London that conducted business within the wholesale financial markets. It entered into administration in December 2014 and was dissolved on 7 December 2015.
- 4.2. On 15 May 2014, the Authority published a Final Notice disciplining Martins for its role in the attempted manipulation of LIBOR and its inadequate systems and controls. The Martins Final Notice sets out, amongst other things, that between 1 January 2007 and 31 December 2010, Martins breached Principles 3 and 5 of the Authority’s Principles for Businesses through misconduct relating to the calculation of JPY LIBOR.
- 4.3. The Martins Final Notice also described the method which Trader A of UBS used to reward certain Brokers at Martins for their attempts to influence the JPY LIBOR submissions of Panel Banks, namely by entering into Wash Trades which enabled Trader A to facilitate payments from UBS to Martins. In total, there were nine such Wash Trades.

Mr Farr's role at Martins

- 4.4. Mr Farr's career as a broker spanned almost 18 years. He joined Martins in August 1999 as a Broker in the Money Markets Division, where he was employed until December 2012.
- 4.5. Martins was organised into various "desks" of Brokers. The desks specialised in facilitating trades in different currencies and financial products on behalf of its clients. Mr Farr was initially a Broker on the JPY Cash Desk where he was promoted to the position of Manager in January 2007. This position entailed only limited line management responsibility in respect of other Brokers but the Authority considers it an indicator of Mr Farr's seniority. Subsequently the JPY Cash Desk merged with the JPY Forward Desk to become the JPY Desk, effective from January 2008. Mr Farr worked on the JPY Desk at Martins throughout the Relevant Period.
- 4.6. As a Broker on the JPY Desk, Mr Farr was responsible for arranging trades between institutional clients in return for brokerage. He dealt in a range of JPY products, including JPY Cash, JPY Forwards and JPY OBS products (including FRAs and IRSs).

Remuneration on the JPY Desk

- 4.7. In addition to their basic salary, Brokers at Martins were paid a bonus that represented a percentage of net profit over a specified threshold generated on a quarterly basis. This threshold was referred to as the 'break-even' target. During the Relevant Period, 30 percent of net profit above the break-even target was paid to the Brokers and 70 percent was retained by Martins. Unlike many desks, the bonus pool was shared equally among the Brokers on the JPY Desk, which included Mr Farr.

Improper relationship with Trader A

- 4.8. The Wash Trades all occurred in the context of Mr Farr's improper relationship with Trader A of UBS.
- 4.9. Trader A was one of Mr Farr's main OBS clients during the Relevant Period. He was an important client to Mr Farr because Mr Farr needed Trader A's prices to show to his other OBS clients and Trader A was a counterparty in the majority of the OBS transactions Mr Farr brokered. Conversely, Mr Farr acknowledged that he was not important to Trader A as a broker. Rather, Mr Farr's importance to

Trader A arose from Trader A's belief that Mr Farr could assist him in influencing the JPY LIBOR submissions of Panel Banks.

- 4.10. Throughout the Relevant Period, Mr Farr encouraged Trader A to believe that he was willing to attempt to influence the JPY LIBOR submissions of Panel Banks at Trader A's behest. In consideration for this purported assistance, Mr Farr arranged the nine Wash Trades to enable Trader A to make unwarranted brokerage payments from UBS to Martins. Trader A was willing to execute the Wash Trades in order to pay brokerage to Martins as a reward for what he understood to be Mr Farr's efforts to influence the JPY LIBOR submissions of Panel Banks.
- 4.11. Mr Farr admitted to the Authority in interview that he lied to Trader A all the time, including about his purported efforts to influence the JPY LIBOR submissions of Panel Banks, in order to keep Trader A happy and to sustain the relationship between them. Mr Farr recalled that Trader A would ask him for assistance in attempting to influence the JPY LIBOR submissions of Panel Banks almost every day and Mr Farr led Trader A to believe that he would act upon his requests; however, he did not always do so and he told the Authority that when he did "go through the rigmarole" of doing so, he did not expect it to make much difference.
- 4.12. In addition to rewarding Mr Farr for his perceived assistance in attempting to influence the JPY LIBOR submissions of Panel Banks, the Authority also identified one instance where Trader A's motivation for executing a Wash Trade was, in part, to repay personal hospitality received from Mr Farr. In May 2009, Trader A stayed at the Four Seasons resort at Koh Samui whilst on holiday in Thailand. Mr Farr agreed with Trader A that Martins would meet the cost of his hotel accommodation. Mr Farr claimed £3,886.22 in expenses from Martins and then transferred this amount from his personal bank account to the personal bank account of Trader A. In exchange for this, Trader A offered to execute a Wash Trade with Mr Farr although, in doing so, he acknowledged that he was going to do this on a monthly basis anyway as a reward for what he understood to be Mr Farr's efforts in attempting to influence the JPY LIBOR submissions of Panel Banks.

The Wash Trades

- 4.13. Trader A of UBS entered into nine Wash Trades with Martins between 19 September 2008 and 25 August 2009. Broker B, a colleague of Mr Farr's who was also a Broker on the JPY Desk at Martins, assisted Mr Farr and Trader A in

achieving their objective of entering into the Wash Trades by procuring Trader B of RBS to act as counterparty to UBS in the Wash Trades.

- 4.14. RBS (through Trader B) was the counterparty to eight of the nine Wash Trades and paid brokerage on seven out of the eight Wash Trades in which RBS participated. Trader C of Bank A was the counterparty to the remaining Wash Trade (Wash Trade number 2), but Bank A paid no brokerage in respect of that transaction.
- 4.15. Details of each of the nine Wash Trades are set out at Annex 1 to this Notice and a diagram showing the mechanics of a representative Wash Trade (as compared with an ordinary swap trade) is at Annex 2.
- 4.16. The Wash Trades generated exceptionally large amounts of brokerage compared with normal activity on the JPY Desk. The average brokerage that Martins was paid for a typical Forward JPY trade was around £500, whereas the brokerage that RBS and UBS paid in respect of individual Wash Trades ranged from £6,402.62 to £52,928.46.
- 4.17. Over a three-year period encompassing the Relevant Period (between 1 January 2007 and 31 December 2009):
- (1) the Wash Trades contributed to six of the nine highest grossing days by brokerage for the JPY Desk and the other two days on which Wash Trades occurred were ranked 53rd and 62nd respectively (out of 761 days); and
 - (2) each Wash Trade accounted for at least 42 percent of daily desk revenue and the majority of the Wash Trades accounted for a significantly greater percentage of daily desk revenue. For example, Wash Trade number 3 accounted for 84 percent, Wash Trade number 6 accounted for 80 percent, Wash Trade number 5 accounted for 69 percent and Wash Trade number 4 accounted for 56 percent.
- 4.18. In total, the Wash Trades generated unwarranted brokerage of £258,151.09 (£172,053.23 from UBS and £86,097.86 from RBS) for Martins, and increased the bonus pool available for Mr Farr and the other Brokers on the JPY Desk.
- 4.19. Mr Farr encouraged Trader A of UBS to believe that he was influencing the JPY LIBOR submissions of Panel Banks' for his benefit and, on one occasion, procured

(via an expenses claim) that Martins paid for hotel accommodation for Trader A in Thailand. In return, Trader A entered into the Wash Trades and made unwarranted brokerage payments to Martins in respect of those transactions. The Wash Trades had no legitimate commercial purpose and the brokerage Martins received from UBS and RBS as a result of the Wash Trades was unrelated to any proper purpose for which brokerage payments may be made.

Examples of the Wash Trades

- 4.20. Some examples of the Wash Trades are set out below. The telephone calls below have been transcribed by the Authority from contemporaneous audio recordings.

Wash Trade number 1 – 19 September 2008

- 4.21. Shortly prior to the first two Wash Trades, Trader A of UBS explained to Mr Farr that if he kept the six month JPY LIBOR rate unchanged that day, Trader A would enter into a very substantial transaction in order to facilitate a large brokerage payment to Martins.
- 4.22. In a subsequent conversation later that day, Trader A explained that he would use Wash Trades to pay extra brokerage to compensate Mr Farr for his assistance with his LIBOR requests:

"TRADER A: [...] all I was thinking if you've you got any mates, mate, who'll do you like a net trade and I could like, you know, basically give you like fucking, I don't know, a trillion three-month LIBOR/TIBOR and take back a trillion three-month LIBOR/TIBOR and, obviously, you're net it with the other guy [...] what I'm saying is, look, that if you've got a mate who will like do a flat switch basically [...] I'd go in and out with him, yeah? So I'll pay them in two years¹ or whatever and I'll receive from them in two years. The coupon's the same [...] you don't charge them any bro, but I'll get charged bro both sides obviously [...] Do you want to do that?"

FARR: Yeah, I do see. Okay.

¹Two years' refers to the duration of the IRS.

TRADER A: *That's the way we're going to do it. All right?*

FARR: *All right. That's excellent."*

- 4.23. In order to arrange the Wash Trades, Mr Farr needed to find a Trader at another bank who would be willing to act as counterparty to Trader A of UBS. Accordingly, on 19 September 2008, Broker B called Trader B of RBS and asked if he would 'flat switch' 150 billion JPY at a fixed rate of 1.0575 for a term of two years and, in return, offered to send lunch round for the whole of Trader B's desk. Trader B agreed to Broker B's request.
- 4.24. In a follow up conversation on the same day, Broker B asked Trader B to increase the trade to JPY 250 billion in order to generate more brokerage and disclosed that the Trader at UBS on the other side of the transaction was Trader A. Trader B refused to increase the trade to JPY 250 billion but agreed to an increase to JPY 200 billion.
- 4.25. On 19 September 2008, Trader A entered into Wash Trade number 1, arranged by Mr Farr. The counterparty to this Wash Trade was RBS (through Trader B). During a telephone conversation later that day, Mr Farr confirmed with Trader A that UBS would be paying brokerage on each of the trades comprising Wash Trade number 1 and thanked him for it. Trader A replied *"Oh mate, forget it. If you help me I'll help you."* Mr Farr went on to explain what percentage of that brokerage would be paid into the bonus pool for the Brokers on the JPY Desk: *"...I mean we're batting for ourselves at the moment so we get like 30 percent of the net [...] so it's good mate. [...] Thanks very much"*.
- 4.26. Martins received £35,854.70 in brokerage for Wash Trade number 1 – £25,610.50 from UBS and £10,244.20 from RBS.

Wash Trade number 4 – 28 January 2009

- 4.27. In a telephone conversation on 27 January 2009, Trader A told Mr Farr that he would do a big two-year trade on 29 January 2009, saying that: *"We'll do bro both sides because, you know, you really helped me out on the LIBORs this month, mate."*
- 4.28. In a subsequent telephone conversation the following day, Trader A said to Mr Farr *"Let's just do this two-year thing today"* and suggested that Broker B speak

to Trader B of RBS with a view to arranging the Wash Trade. Mr Farr then confirmed that Trader B had already agreed to enter into the Wash Trade as counterparty to UBS. Later in the call, Trader A requested that, in return for the Wash Trade, Mr Farr assist him in attempting to influence the LIBOR submission of Panel Bank A: "... *In return, try and get [Panel Bank A] lower than 69 [...] [Panel Bank A] is still at 69 and the fix is at 68*" to which Mr Farr replied, "*Yeah, I'll push that today. I'll see if I can ... he's a bit of an arse to talk to but I will ... I'll try and sort if I can have a word with him. I'll try.*"

4.29. On 28 January 2009, Trader A entered into Wash Trade number 4 arranged by Mr Farr. The counterparty to this Wash Trade was RBS (through Trader B).

4.30. Martins received £27,264.78 in brokerage for Wash Trade number 4 – £19,474.84 from UBS and £7,789.94 from RBS.

Wash Trade number 5 – 25 February 2009

4.31. On 25 February 2009, Mr Farr and Trader A had the following Bloomberg exchange:

[...]

FARR: *anything cooking i can try desperate for a decent trade gone pear shaped this month*

TRADER A: *we can switch 2yrs...today*

[...]

TRADER A: *in mean time ... low 1m and 3m ... we must keep 3m down ... and high 6m ... act 6m unchanged today ... try for low on all of em ... from tomorrow need 6m high as a drug addict*

FARR: *ok ill do my best for those tday*

[...]

TRADER A: *we can do 150b 2yrs bro both sides...ask [Trader B] ... will that help?*

FARR: *ok mate that will make us make3 budget for the month so massive yes*

[...]"

4.32. During a subsequent telephone conversation on the same day, Trader A told Mr Farr that they could arrange the Wash Trade through a colleague of his, Trader D of UBS. Mr Farr showed his gratitude by stating "*I owe you one, mate. I'll make*

it up to you when I come over” meaning that he would provide Trader A with hospitality. In response, Trader A told Mr Farr that he didn’t expect to be entertained in return for the Wash Trades and Mr Farr replied “Yeah, I know, you need the LIBOR stuff. I know that’s really important. I know how important it is...”.

4.33. On 25 February 2009, Trader A entered into Wash Trade number 5 arranged by Mr Farr. The counterparty to this Wash Trade was RBS (through Trader B).

4.34. Martins received £52,928.46 in brokerage for Wash Trade number 5 – £29,404.70 from UBS and £23,523.76 from RBS.

4.35. On 2 March 2009, Mr Farr and Trader A had the following telephone conversation in which Mr Farr thanked Trader A profusely for executing Wash Trade number 5:

“[...]

FARR: Mate you don’t even realise how much that helped out; massively helped out. It went from being a loss month to actually making budget and now at least we’re going to be hopefully batting for ourselves now this month so mate it was massive, massive favour. I do appreciate it.

[...]

TRADER A: Well anything I can do to help you guys out towards month, it’s just like I’m happy to do it towards month end because it sort of suits me as well if I’ve had a good month I don’t mind doing it.

FARR: Yeah mate it’s massive, massive, you don’t realise how big that is for us.

TRADER A: Yeah all right well that’s fine I don’t mind doing it just try and like help me out on my stuff yeah?

FARR: Yeah of course mate that’s a fucking priority don’t worry all right.

[...]”

4.36. Trader A’s reference to helping out on “my stuff” was a reminder that, in return for the Wash Trades, Trader A expected Mr Farr to assist him in attempting to influence the LIBOR submissions of Panel Banks.

Mr Farr's awareness of the improper nature of the Wash Trades

- 4.37. Mr Farr was a broker with considerable experience as well as being a Manager on the JPY Desk and he knew that the Wash Trades were improper trades which were intended to generate brokerage for no legitimate commercial purpose. Despite this, he arranged the nine Wash Trades.
- 4.38. In particular, Mr Farr knew that the Wash Trades, and his role in arranging them, were improper, as evidenced by the following:
- (1) Mr Farr himself characterised two proposed Wash Trades as being *"a bit dodgy"* on two separate occasions in conversations with Traders and as being a *"bro paying exercise basically"*. Furthermore, Trader E of Bank B and Trader F of Bank C both agreed with Mr Farr's observation that the proposed trades would be *"a bit dodgy"* when declining to enter into the Wash Trades.
 - (2) Mr Farr was aware that the four Traders who participated in the Wash Trades (Traders A, B, C and D) had concerns about how the Wash Trades were recorded and, in some cases, he assisted them in attempting to conceal the Wash Trades from their employers. For example, in the context of arranging a Wash Trade, Trader A telephoned Mr Farr and expressed his anxiety in relation to the visibility of the Wash Trade at UBS explaining: *"What I'm doing, mate, don't fucking put it on chat [...] don't put it on fucking chat, all right [...] Send the SwapsWires², send one now and then send one in about 40 minutes [...] I'm not really meant to do it, am I?"*. Mr Farr replied *"No, no, sure. Sure. Sure. Sure."*
 - (3) Mr Farr asked Traders at other client banks to participate in Wash Trades but they refused because they evidently regarded them as improper. For example, on 28 January 2009, Mr Farr telephoned Trader F of Bank C and asked *"Is there any way you might be able to do something for me in a switch in 2-year semi³ flat, no bro, with UBS? In and out, same rate, same amount."* Trader F replied *"UBS both sides?"* and then immediately confirmed *"Oh, mate, no interest."*

² This is a reference to the trade confirmation system known as SwapsWire.

³ 'Semi' denotes semi-annual, meaning that the frequency of payments of the fixed/floating rate is twice a year.

- (4) Mr Farr himself demonstrated that he was conscious of the inappropriate nature of the Wash Trades and therefore the need for secrecy. For example, when Mr Farr telephoned Trader C of Bank A to request his participation in a Wash Trade, he made it clear that he could not discuss the matter within the earshot of other Traders, saying *"Hello, mate. Ah, can I ... can I speak to you on the line, mate? It's a bit ... can't really say it on the box"*⁴. When Trader C of Bank A declined to participate in the Wash Trade, Mr Farr immediately telephoned Trader F of Bank C, once again, saying *"Are you on the line? I can't really say it on the box."* When Trader F of Bank C also refused to participate in the Wash Trade Mr Farr requested that he *"keep that one schtum anyway obviously"*.

5. FAILINGS

Lack of fitness and propriety

- 5.1. The statutory and regulatory provisions relevant to this Notice are referred to in Annex 3 to this Notice.
- 5.2. In light of the facts and matters described above, the Authority considers that Mr Farr's conduct was dishonest and lacked integrity. Accordingly, he is not a fit and proper person to perform any function in relation to any regulated activity carried on by an authorised person, exempt person or exempt professional firm.
- 5.3. The Authority considers that arranging Wash Trades to obtain unwarranted brokerage for no legitimate commercial purpose is inherently dishonest and, furthermore, Mr Farr's conduct in relation to the Wash Trades was dishonest and lacking in integrity because:
- (1) As a Broker, Mr Farr was expected to act in the financial interests of his client, UBS. However, in arranging the Wash Trades, Mr Farr repeatedly sought to make a financial gain for Martins and a personal financial gain for himself at the expense of UBS.
 - (2) Mr Farr repeatedly misled UBS by arranging improper trades designed to generate unwarranted brokerage payments to Martins. He routinely lied to

⁴ 'Box' refers to the "squawk box" which is an intercom speaker that Brokers and Traders used to speak with and pass information to each other. Where a Broker spoke with a Trader via the squawk box, what he said would be projected through the Trader's intercom speaker and would therefore be audible to anyone in the vicinity. Where a Broker wanted to speak with a Trader privately, he would speak to him 'on the line', i.e. on a telephone line.

Trader A and encouraged him to believe that he was willing to attempt to influence the JPY LIBOR submissions of Panel Banks as a means of bringing about Wash Trades, in order to obtain unwarranted brokerage payments from UBS.

- (3) On one occasion, Mr Farr procured (via an expenses claim) that Martins paid for hotel accommodation for Trader A; once again, this was as a means of bringing about a Wash Trade, in order to obtain unwarranted brokerage payments from UBS.
- (4) Mr Farr was aware that the Wash Trades were improper. He was aware that all of the Traders who agreed to participate had concerns about how the Wash Trades were recorded, and assisted them in concealing them from their employers. Moreover, four Traders refused Mr Farr's requests to participate in the Wash Trades and Mr Farr knew that this was because they regarded such trades as improper. In addition, Mr Farr himself demonstrated that he was conscious of the inappropriate nature of the Wash Trades and therefore the need for secrecy, and he proactively sought to conceal the Wash Trades in his dealings with Traders. He himself contemporaneously characterised the Wash Trades as being "*a bit dodgy*" on two separate occasions. Trader E of Bank B and Trader F of Bank C both endorsed Mr Farr's observation that the proposed trades would be "*a bit dodgy*" when refusing to participate.

6. SANCTION

Prohibition order

- 6.1. The Authority considers Mr Farr's misconduct to be serious, and that it was dishonest and lacked integrity. As a result of his lack of honesty and integrity, the Authority considers that Mr Farr is not fit and proper to perform functions in relation to regulated activities. The Authority therefore considers that it is appropriate and proportionate in all the circumstances to make an order prohibiting Mr Farr from performing any function in relation to any regulated activity carried on by an authorised person, exempt person or exempt professional firm. This action will advance the Authority's consumer protection and integrity operational objectives.

- 6.2. In making the prohibition order, the Authority has had regard to the guidance in Chapter 9 of EG (the relevant provisions of which are set out in Annex 3 to this Notice).

7. REPRESENTATIONS

- 7.1. Annex 4 contains a brief summary of the key representations made by Mr Farr, and how they have been dealt with. In making the decision which gave rise to the obligation to give this Notice, the Authority has taken into account all of the representations made by Mr Farr, whether or not set out in Annex 4.

8. PROCEDURAL MATTERS

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

- 8.1. The following statutory rights are important.

Decision-maker

- 8.2. The decision which gave rise to the obligation to give this Notice was made by the Regulatory Decisions Committee.

Publicity

- 8.3. 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 a 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 Mr Farr or prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.
- 8.4. The Authority intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

Authority contact

- 8.5. For more information concerning this matter generally, contact Inma Castro at the Authority (direct line: 020 7066 1122; email: inma.castro@fca.org.uk).

Sadaf Hussain
Head of Department
Enforcement and Market Oversight Division
Financial Conduct Authority

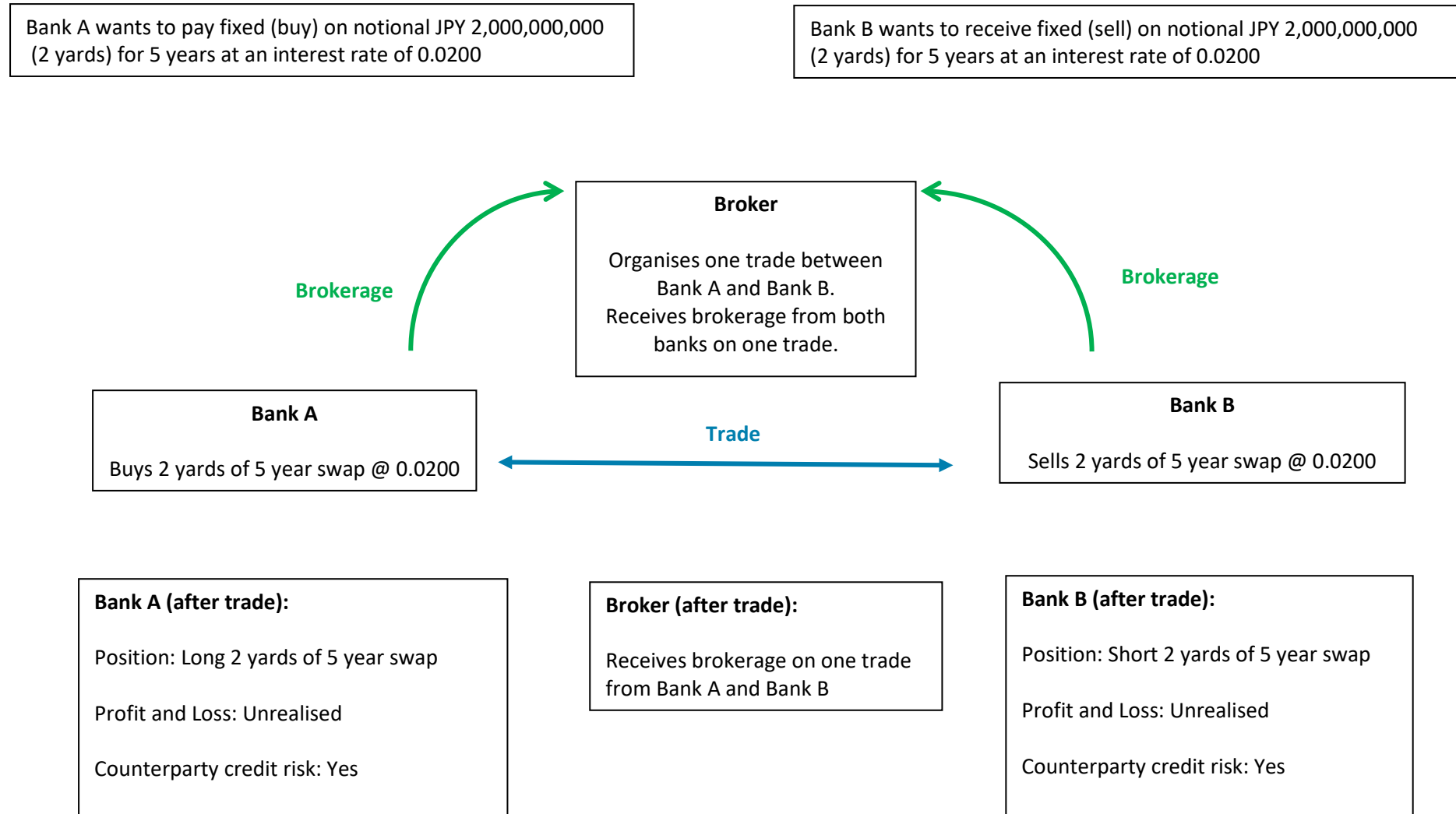
ANNEX 1

THE NINE WASH TRADES ARRANGED BY MARTINS

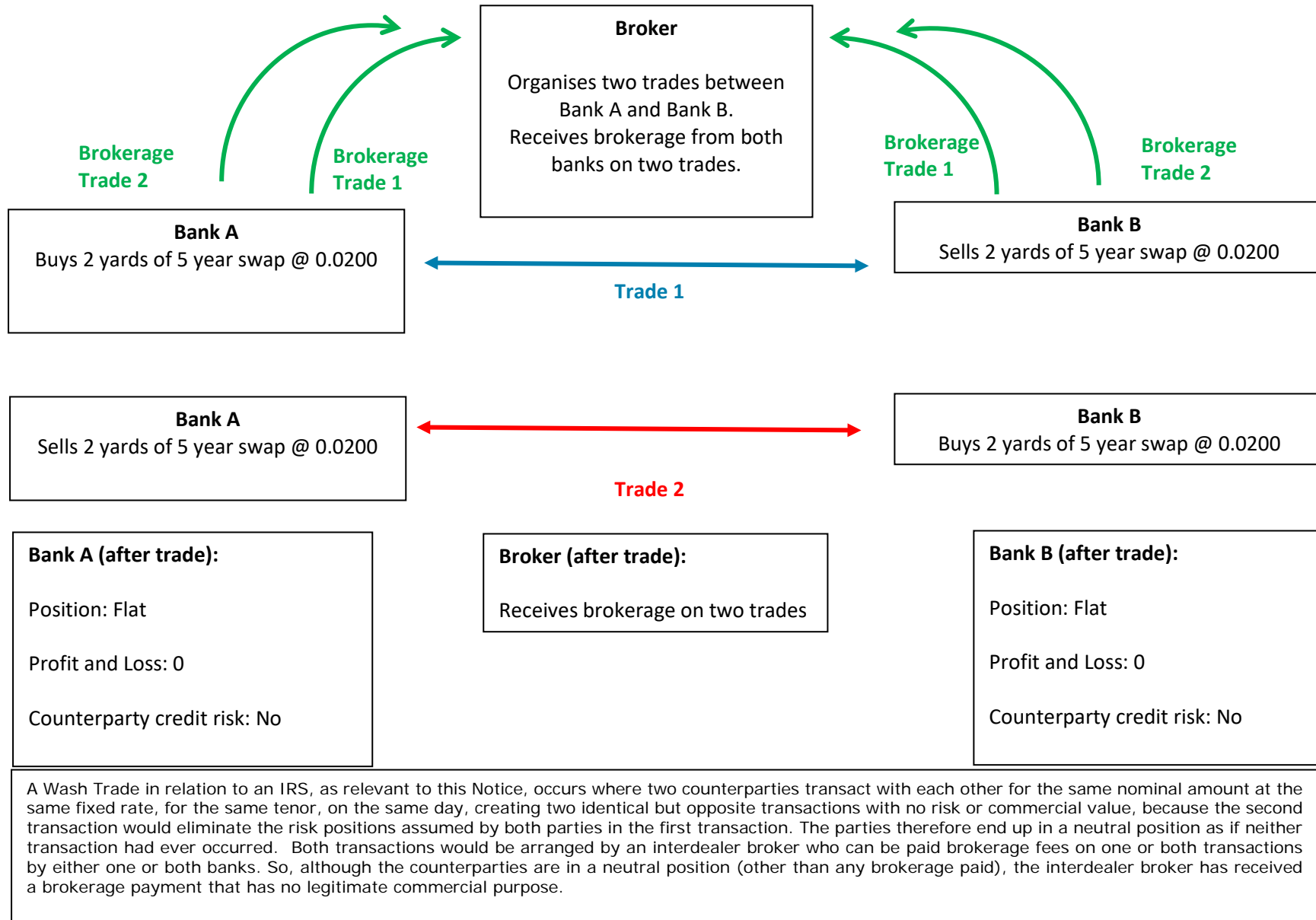
Wash Trade	Date	Party 1	Brokerage Amount	Party 2	Brokerage Amount
1	19 September 2008	UBS	£12,805.25	RBS	£10,244.20
		UBS	£12,805.25	RBS	£0.00
TOTAL			£25,610.50		£10,244.20
2	19 September 2008	UBS	£3,201.31	Bank A	£0.00
		UBS	£3,201.31	Bank A	£0.00
TOTAL			£6,402.62		£0.00
3	03 December 2008	UBS	£12,915.74	RBS	£0.00
		UBS	£12,915.74	RBS	£0.00
TOTAL			£25,831.48		£0.00
4	28 January 2009	UBS	£9,737.42	RBS	£0.00
		UBS	£9,737.42	RBS	£7,789.94
TOTAL			£19,474.84		£7,789.94
5	25 February 2009	UBS	£14,702.35	RBS	£11,761.88
		UBS	£14,702.35	RBS	£11,761.88
TOTAL			£29,404.70		£23,523.76
6	26 March 2009	UBS	£7,200.53	RBS	£5,682.12
		UBS	£7,102.64	RBS	£5,760.43
TOTAL			£14,303.17		£11,442.55
7	12 May 2009	UBS	£7,831.06	RBS	£6,264.85
		UBS	£7,831.06	RBS	£6,264.85
TOTAL			£15,662.12		£12,529.70
8	26 June 2009	UBS	£8,027.73	RBS	£6,422.19
		UBS	£8,027.73	RBS	£6,422.19
TOTAL			£16,055.46		£12,844.38
9	25 August 2009	UBS	£9,654.17	RBS	£7,723.33
		UBS	£9,654.17	RBS	£0.00
TOTAL			£19,308.34		£7,723.33
GRAND TOTAL			£258,151.09		
	Brokerage paid by UBS		£172,053.23		
	Brokerage paid by RBS		£86,097.86		
	Brokerage paid by Bank A		£0.00		

ANNEX 2

EXAMPLE: ORDINARY TRADE (SWAP)



EXAMPLE: WASH TRADE (SWAP)



ANNEX 3

RELEVANT STATUTORY AND REGULATORY PROVISIONS

1. The Authority's statutory objectives, set out in section 1B of the Act, include the consumer protection and integrity operational objectives.
2. Section 56 of the Act provides that the Authority may make an order prohibiting an individual from performing a specified function, any function falling within a specified description or any function, if it appears to the Authority that that individual is not a fit and proper person to perform functions in relation to a regulated activity carried on by an authorised person, exempt person or a person to whom, as a result of Part 20 of the Act, the general prohibition does not apply in relation to that activity. Such an order may relate to a specified regulated activity, any regulated activity falling within a specified description, or all regulated activities.

The Fit and Proper test for Employees and Senior Personnel

3. The Authority has issued guidance on the fitness and propriety of individuals in FIT.
4. FIT 1.3.1G states that the Authority will have regard to a number of factors when assessing the fitness and propriety of a person. FIT 1.3.1B states that, in the Authority's view, the most important considerations will be the person's honesty, integrity and reputation, competence and capability and financial soundness.
5. FIT 2.1.1G and 2.1.3G set out that in determining a person's honesty, integrity and reputation, the Authority will have regard to all relevant matters including whether the person has contravened any of the requirements and standards of the regulatory system or equivalent standards or requirements of other regulatory authorities (including a previous regulator).

The Authority's policy for exercising its power to make a prohibition order

6. The Authority's policy in relation to prohibition orders is set out in Chapter 9 of EG.
7. EG 9.1.1 states that the Authority may exercise this power where it considers that, to achieve any of its statutory objectives, it is appropriate either to prevent an individual from performing any function in relation to regulated activities or to restrict the functions which he may perform.

8. EG 9.5.1 sets out that where the Authority is considering whether to make a prohibition order against someone who is not an approved person, the Authority will consider the severity of the risk posed by the individual and may prohibit him where it considers this is appropriate to achieve the Authority's statutory objectives.
9. EG 9.5.2 provides that, when considering whether to exercise its power to make a prohibition order against such an individual, the Authority will consider all the relevant circumstances of the case. These may include, but are not limited to, the factors set out in EG 9.3.2. Those factors include: whether the individual is fit and proper to perform functions in relation to regulated activities (noting that criteria are set out in FIT 2.1, 2.2 and 2.3); the relevance and materiality of any matters indicating unfitness; the length of time since the occurrence of any matters indicating unfitness; and the severity of the risk which the individual poses to consumers and to confidence in the financial system.

ANNEX 4

REPRESENTATIONS

1. Mr Farr's representations (in italics), and the Authority's conclusions in respect of them, are set out below.

Mr Farr's acquittal in criminal proceedings

2. *Mr Farr stood trial on two counts of conspiracy to defraud in relation to the Yen LIBOR rate, and was found not guilty on both counts. The accusations in those proceedings, which he strongly denied, encompassed the trades in question in these proceedings. It is highly unfair now to take action in respect of those trades.*
3. *In the criminal proceedings, it was an agreed fact between both parties that Wash Trades do not constitute the criminal or regulatory offence of market abuse under the Act.*
4. *The Authority appears to be trying to punish him in another way because he was acquitted. Had he been found guilty, it seems unlikely that the Authority would still have investigated him in respect of the trades in question. It is notable that the Authority is not pursuing Mr Farr in relation to alleged LIBOR manipulation, which suggests they are of the view that the rule against "double jeopardy" does not permit this.*
5. These proceedings do not infringe the "double jeopardy" rule. The criminal offence with which Mr Farr was charged did not include his arrangement of the Wash Trades, albeit they were referred to in the proceedings: the prosecution contended that the Wash Trades were one of the ways in which Trader A rewarded Mr Farr for his part in the alleged conspiracy.
6. It is correct that the Wash Trades did not constitute "market abuse" under the Act. However, that is irrelevant to these proceedings, since the allegation that Mr Farr lacks fitness and propriety does not involve any allegation of market abuse.
7. Had Mr Farr been convicted of LIBOR manipulation, it is likely that the Authority would have pursued a prohibition against him based on the conviction which, in itself, would have been likely to have provided a clear basis for concluding that Mr Farr was not fit and proper. In the light of his acquittal, the Wash Trades, without more, provide a clear basis for prohibition (for the reasons set out in this Notice) so the Authority has not revisited the allegations which were the subject of the criminal charges of which Mr Farr was found not guilty.

The trades were not dishonest

8. *The trades in question executed by Mr Farr were not dishonest. He denied they were dishonest at the time of his criminal trial and still does.*
9. *He thought it was fine to do these trades at Martins. The trades were executed in front of his colleagues and with the knowledge of his superiors, including the head of his desk. They were booked through Martins' normal dealing system and the figures would have been seen and checked by the back office, and probably by the desk head, who would have had an interest in reviewing the business done by the desk each day; they could also be seen by any senior member of staff.*
10. *The trades generated revenue for Martins, which was what Mr Farr, as a broker, was there to do. When describing the trades in question as "dodgy", Mr Farr did not mean that he regarded it as wrong for him to arrange them; he was using the term loosely to describe the fact that the Traders to whom he was speaking might have internal rules which meant that they, at their banks, could not enter into them. When asking another Trader to "keep that one schtum" in relation to the possibility of such a trade, he was motivated only by a wish to ensure that others, who might have been listening in on the box, did not know that he had secured a favourable deal.*
11. *Mr Farr was assured by Trader A at some point by telephone that Trader A had obtained authority from his own boss to enter into the trades in question.*
12. *The trades in question were legitimate payment for services provided by Martins to Trader A on an ongoing basis. Trader A did relatively little business with Martins, and the trades were a "top-up" of commissions in return for Mr Farr having to deal with a non-stop barrage of questions all day from Trader A.*
13. *Also, Mr Farr worked for a brokerage house, not a bank. As such, he learned about the broking role on the job, and did not receive the training on what was, or was not, acceptable which he would have received if he had worked for a bank. With his knowledge now about what is and is not acceptable, Mr Farr would not enter into trades of the kind in question again, but at the time he did not overstep the guidelines he had then.*
14. *It is inherently and self-evidently improper to arrange a Wash Trade in the manner set out in this Notice. It is a means of obtaining brokerage payments from banks without providing anything legitimate in return.*

15. There is evidence that Mr Farr knew that the trades were improper when he arranged them: see paragraphs 4.37 and 4.38 of this Notice. In relation to his representations about certain parts of that evidence, the Authority does not accept Mr Farr's explanation about his use of the word "*dodgy*", which in its view has a natural meaning of being generally wrong and was not qualified by him in any way as being only applicable to the Traders in question. Likewise, his explanation of the request to "*keep that one schtum*" lacks credibility given that when he made that request he had previously checked that nobody was listening in to the conversations in question. Indeed, had anyone been listening in, the request would have alerted them to the fact that something significant had been said.
16. The Authority does not accept that the Wash Trades were legitimate payment for services rendered. This is implausible in the light of the matters referred to in the preceding paragraph, and at paragraph 4.38 of this Notice. Further, the Authority notes that there would have been other, transparent, ways of achieving the same objectives (such as increasing brokerage rates for business which had a commercial purpose).
17. The Authority notes that the comment by Trader A set out at paragraph 4.38(2) of this Notice ("*What I'm doing, mate, don't fucking put it on chat [...] don't put it on fucking chat, all right [...] Send the SwapsWires, send one now and then send one in about 40 minutes [...] I'm not really meant to do it, am I?*") is inconsistent with Trader A's having obtained authorisation to enter into Wash Trades, at least as at the date of that conversation (3 December 2008). Even if Trader A had secured his own boss's approval to the Wash Trades, this would not excuse Mr Farr's doing something he knew to be wrong; for the reasons set out above, the Authority considers this was clear to Mr Farr. Also, Mr Farr knew that Trader A was entering into the Wash Trades on the basis that he believed Mr Farr was influencing banks' LIBOR submissions; on Mr Farr's own account, he knew this was false because either he did not bother to speak to the banks or, when he did, it was without any expectation that they would make any changes to their submissions.
18. Mr Farr also knew that Trader B's willingness to enter into the trades on behalf of RBS was driven by Martins' payment of entertainment expenses. For example, in relation to Wash Trade number 5, Trader A advised Mr Farr to "*make sure you lush [Trader B] up a bit then*" and Mr Farr responded, "*Yeah I'll leave that down to [Broker B] mate*". Further, as Mr Farr knew, Trader A was influenced to enter into Wash Trade number 7 by Mr Farr having arranged for Martins to pay a substantial hotel bill on his behalf.

19. The Authority considers that Mr Farr arranged trades which he knew to be improper, and this was clearly dishonest.
20. Even if it were true that others at Martins knew or suspected that improper trades were being carried out but chose not to object, that would not excuse Mr Farr. He is responsible for his own actions, even if his colleagues condoned them or chose to look the other way.
21. Likewise, a lack of compliance training or standards within Martins provides Mr Farr with no excuse for having done what he knew to be wrong. It is not necessary to have explicit guidelines forbidding the arranging of trades, the sole purpose of which is to pay commission to the broker, in order to know that it is improper to do so.
22. In fact, however, the evidence shows that only Mr Farr and Broker B were engaged in Wash Trades at Martins.

Mr Farr's personal profit was relatively small

23. *Only a relatively small part of the £258,151.09 obtained by Martins as a result of the trades in question was received by Mr Farr personally. As, where the team met its budgeted profit figures, 30% of the total profits were shared among eight individuals on the JPY Desk by way of bonus, his share of the total was only £9,000 or so.*
24. The Authority notes Mr Farr's calculation, but considers that this does not excuse dishonest conduct carried out for personal gain. Also, it is evident from what Mr Farr said to Trader A in respect of the Wash Trades (see paragraphs 4.25, 4.31, 4.32 and 4.35 of this Notice) that he was very grateful for the commission they generated and regarded it as highly significant in terms of its effect on the bonus pool available for distribution to the Brokers on the JPY Desk.

Mr Farr has been singled out

25. *Mr Farr appears to have been singled out for action by the Authority; although other individuals have also been investigated, some who benefitted from, or condoned, the alleged misconduct are facing no further action.*
26. The Authority notes that, within Martins, only Mr Farr and Broker B were involved in arranging the Wash Trades. Even if others had been involved, this would not be a reason to decline to take action against Mr Farr; rather, it would have been a

reason to take action additionally against the others involved. Also, it is on the public record that action has previously been taken against related parties, including Martins and other members of its staff, for matters including the Wash Trades.

The Authority has gone back on an assurance given

27. *In response to a question by Mr Farr's representative on the occasion of his compelled interview with the Authority, one of the investigators said that he did not think the Authority would be needing to see Mr Farr again. This appears to have changed.*
28. The investigator concerned is no longer with the Authority but the Authority has no record of his having said this. If he did, the natural interpretation of the words is that the Authority would not need to re-interview Mr Farr. This was indeed the case. The words do not bear the natural meaning that no further action would be taken against Mr Farr and do not provide any basis on which it can be said to be unfair to take action against Mr Farr in the light of that conversation.

The passage of time and the effect on Mr Farr and his family

29. *Mr Farr has not worked in a dealing room since 2011. He was arrested in December 2012 and has been unable to seek employment in the financial (or any other) sector since then, having been under investigation throughout that period. Specifically, he has been unable to seek employment following the end of the criminal trial three years ago because of the Authority's investigation. He has been attempting to forge a new career in grounds maintenance via a small company which he has set up with another person, with some success. A decision to prohibit him on grounds of dishonesty and lack of integrity would go against him in all sorts of ways and be a black mark against his name due to the publicity that would be involved.*
30. *He has been trying to recover from the stress and trauma of the investigations, which is not easy. He and his family have suffered enough, including financially, because his current work is not very lucrative.*
31. Misconduct involving dishonesty and a lack of integrity having been established as set out in this Notice, the stress and disruption to Mr Farr's (and his family's) life caused by the prior criminal proceedings are regrettable, but not a reason not to make a prohibition order: the prosecution was not brought by the Authority, and, as noted above, related to different allegations to those in these proceedings.

32. The Authority notes the general representations made by Mr Farr about the long time during which he has been under investigation. In considering those representations, the Authority has had regard specifically to whether, given the long time since the end of the Relevant Period, Mr Farr has suffered prejudice due to the time taken by the Authority in investigating the Wash Trades, and in bringing its proceedings. It has concluded that it was reasonable for the Authority to pause its investigation into Mr Farr pending the conclusion of the criminal proceedings against him. It does not consider that the period taken by the Authority to conclude its investigation thereafter and bring these proceedings was unreasonable. Further, the underlying facts of the Wash Trades themselves are relatively straightforward and a matter of record; the Authority notes that Mr Farr has not alleged, for example, that he is unable to recall any relevant facts due to the lapse of time, or that any other evidence has been lost as a result. Taking these factors into account, the Authority considers that the lapse of time since the Relevant Period has not caused Mr Farr prejudice in terms of the fair resolution of these proceedings and should not affect its decision on whether or not to impose a prohibition order.
33. Likewise, while the Authority acknowledges the stress and disruption caused by the Authority's own investigation and proceedings, these do not provide a basis not to issue a prohibition order.
34. The fact that Mr Farr may suffer damage to his new career by reason of a public finding of dishonesty (if the matters to which this Notice relates are published, which they usually are) is not a reason not to make either such a finding, or a prohibition order. If it were, this would be the case in almost all proceedings. Moreover, the true cause of the damage would be not the proceedings themselves but the underlying misconduct and the resulting risk posed by Mr Farr.
35. There are no other circumstances in this case which would justify not issuing a prohibition order as the dishonesty and lack of integrity is established.