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## FIRST SUPERVISORY NOTICE

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**To:** Direct Trading Technologies UK Ltd

**Reference Number:** 795892

**Address:** 4th Floor, 76 Cannon Street, London, EC4N 6AE

**Date:** 27 March 2025

### 1 ACTION

- 1.1 For the reasons given in this First Supervisory Notice, and pursuant to sections 55J(1)(a), 55J(1)(c)(i) and 55J(2(a)(ii) and sections 55L(2)(a) and (3)(a) of the Financial Services and Markets Act 2000 ("the Act"), the Financial Conduct Authority ("the Authority") has decided to impose on Direct Trading Technologies UK Ltd ("the Firm") a variation of the Firm's Part 4A permission to perform regulated activities ("the Variation") and the following requirements ("the Requirements").
- 1.2 The Authority has decided that the Requirements will come into immediate effect. The Authority has also decided to vary the Part 4A permissions granted to the Firm by removing all regulated activities for those to which the permission relates. The Variation will, however, take effect on 4 April 2025, to enable the Firm to comply with the Requirements set out below.
- 1.3 The Firm will no longer be permitted to conduct regulated activity once the Variation has taken effect.
- 1.4 The Authority has also decided to impose the following Requirements:

#### *Assets requirement*

- 1) Unless permitted by paragraph 3 below, the Firm must not, without the prior written consent of the Authority, in any way dispose of, withdraw, transfer,

deal with or diminish the value of any of its own assets and any funds it holds for, or to the order of, its customers (whether in the United Kingdom or elsewhere).

- 2) By 3:00 pm on 31 March 2025, the Firm must ensure that all client money and all money held under a Title Transfer Collateral Arrangement ("TTCA") has been returned to a client money account which is compliant with the Authority's rules relating to client money (as set out in CASS).
- 3) Paragraph 1 does not apply to:
  - (a) monetary payments or the disposal of assets made by the Firm in the ordinary course of business, amounting to no more than £5,000 whether as a single transaction or a combination of related transactions; and
  - (b) usual and proper salary payments made by the Firm (and which had been agreed prior to the imposition of the Requirements).
- 4) For the purposes of Paragraph 3, the following payments would not be regarded as payments made in the ordinary course of business:
  - (a) Payments of unusual or significant amounts to the Firm's controllers, shareholders, directors, officers, employees or any connected persons (whether as a single transaction or a combination of related transactions).
  - (b) The making of any capital distribution.
  - (c) The making of any gift or loan by the Firm to any party.
  - (d) Payments made as part of any financial restructuring or reorganisation of its business, from the sale of any part of the Firm's business (whether share or asset based).
- 5) By 5:00pm on 3 April 2025, the Firm must close all open trading positions whether held on the Firm's account or on account of its clients.

#### *Notification and reporting requirements*

- 6) By 5:00pm on 31 March 2025, the Firm must notify any client, insurer, liquidity provider or other relevant person that may be affected by the terms and effects of the Requirements. The wording of this communication and the method of delivery must be agreed in advance with the Authority.
- 7) By 5:00pm on 31 March 2025, the Firm must:
  - (a) Ensure that a prominent notice is displayed on the front page of its website, and any website that it controls, in terms, font and size to be agreed with the Authority, outlining the effect of the Requirements and providing a link to the relevant website and entry in the Financial Services Register relating to the Firm where the terms of those Requirements will appear.
  - (b) Ensure that, when any client of the Firm enters log in details to access an account, a prominent notice is immediately displayed to the client, in terms, font and size to be agreed with the Authority, outlining the effect of the Requirements and providing a link to the relevant website

address of the entry in the Financial Services Register relating to the Firm, where the terms of these Requirements will appear.

- 8) Within 24 hours of the notifications at Requirements 6 and 7 being made, the Firm must provide the Authority with:
  - (a) copies of the template notification sent to all recipients; and
  - (b) confirmation that, to the best of its knowledge, the Firm has sent notifications pursuant to the Requirements 6 and 7.
- 9) The Firm shall send to the Authority by email to [Direct.Trading.Technologies.Reporting@fca.org.uk](mailto:Direct.Trading.Technologies.Reporting@fca.org.uk) by 12 noon every Friday, beginning on 28 March 2025 until such time as it is notified otherwise in writing by the Authority:
  - (a) up-to-date bank statements for all the Firm's bank, payments or electronic money accounts; and
  - (b) up-to-date trading statements for all the Firm's liquidity provider accounts.

The statements listed above should show all transaction flows for the rolling seven-day period.

- 10) By 5:00pm on 1 April 2025, the Firm must send the Authority copies of the correspondence it has sent to all of its known group members relaying the Requirements set out in paragraphs 6 and 7 above.

#### *Secure records*

- 11) The Firm must secure all books and records, preserve information and systems, and must retain such records in a form and at a location within the UK, to be notified to the Authority in writing no later than seven days after the coming into force of these Requirements, such that they can be provided to the Authority, or to a person named by the Authority, promptly on its request.
- 12) By 5:00pm on 4 April 2025, the Firm must provide written confirmation to the Authority that it is in compliance with the Requirements.
- 13) These Requirements shall take immediate effect and remain in force unless and until varied or cancelled by the Authority (either on the application of the Firm or of the Authority's own volition).

## **2 REASONS FOR ACTION**

### **Summary**

- 2.1 The Authority has concluded, on the basis of the facts and matters described below that, in respect of the Firm, it is necessary to exercise its power under section 55L(2)(a) and (3)(a) of the Act to impose the Requirements, and to exercise its power under section 55J(1) and (2)(a) of the Act to impose the Variation, on the Firm because it is failing, or is likely to fail, to satisfy certain of the Threshold Conditions.
- 2.2 Section 55L of the Act permits the Authority to impose requirements on the Firm, and section 55J of the Act permits the Authority to impose the Variation on the Firm, each because:

- 1) it is failing, or is likely to fail, to satisfy the Suitability Threshold Condition pursuant to paragraph 2E of Schedule 6 to the Act;
- 2) it is failing, or is likely to fail, to satisfy the Effective Supervision Threshold Condition pursuant to paragraph 2D of Schedule 6 to the Act
- 3) and it is desirable in order to advance one or more of the Authority's operational objectives, which includes securing an appropriate degree of protection for consumers and protecting and enhancing the integrity of the UK financial system pursuant to section 1C of the Act.

#### Suitability and Effective Supervision Threshold Conditions

- 2.3 The Authority has identified serious concerns relating to the Firm in that its conduct appears to demonstrate that it poses a significant risk of harm to consumers. Specifically, the Authority has serious concerns that the Firm:
  1. is not a fit and proper person in relation to the regulated activities which it carries on or seeks to carry as required by the Threshold Conditions at paragraph 2E of Schedule 6 to the Act;
  2. is not capable of being effectively supervised as required by the Threshold Conditions at paragraph 2D of Schedule 6 to the Act.
- 2.4 The Authority considers that the imposition of the Requirements should take immediate effect because the matters set out in this First Supervisory Notice demonstrate that the Firm is unable to manage its affairs in a sound and prudent manner and is putting customers at risk. The Authority considers that the Variation should take effect on 4 April 2025 to enable the Firm to comply with certain of the Requirements. The Authority considers that the Requirements and Variation should remain in force until varied or cancelled by the Authority (either on the application of the Firm or of the Authority's own volition).

### **3 DEFINITIONS**

- 3.1 The definitions below are used in this First Supervisory Notice:

"the Accountant" means the individual retained on a contract by the Firm as its accountant during the audit of the Firm's financial statements for the period 1 January 2023 to 31 December 2023.

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

"the Auditors" means the appointed auditors of the Firm;

"the Authority" means the Financial Conduct Authority;

"Company A" means the entity referred to in paragraph 4.8;

"Company B" means the entity referred to in paragraph 4.15;

"Director A" means one of the Firm's directors;

"Director B" means one of the Firm's directors;

"the Firm" means Direct Trading Technologies UK Ltd;

“Handbook” means the Authority’s online handbook of rules and guidance (as in force from time to time);

“Liquidity Provider A” means an entity domiciled in Vanuatu and which provides liquidity to the Firm in connection with certain of the Firm’s foreign exchange activities;

“the Requirements” means the terms imposed on the Firm by this First Supervisory Notice as outlined in section 1 above;

“the SMF” means a senior manager of the Firm that held the senior management function 9;

“SMF” means senior management function holder;

“SUP” means the Supervision Manual, part of the FCA Handbook;

“the Threshold Conditions” are the minimum requirements that firms need to meet in order to be authorised and to continue carrying on regulated activities as set out in Schedule 6 to the Act;

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

“Variation” means the terms imposed on the Firm by this First Supervisory Notice as outlined in section 1 above.

## **4 FACTS AND MATTERS**

### **Background**

- 4.1 The Firm was incorporated on 4 July 2017 and was authorised on 18 September 2018. It has permissions to arrange (bring about) deals in investments, deal in investments as agent, deal in investments as principal, with a matched principal broker limitation, make arrangements with a view to transactions in investments, and agree to carry on a regulated activity.
- 4.2 The Firm provides services such as online foreign exchange trading, contracts for difference trading, and certain other services relating to foreign exchange contracts.
- 4.3 The Firm’s client base appears to be split between elective professional and professional clients. As of 11 February 2025, the Firm had 11 customers who had a total account equity of \$30,956.45 on the Firm’s platform.
- 4.4 The Authority understands the Firm generates revenue from:
  - a) its brokerage business, by charging customers a commission fee for trades placed on its platform;
  - b) offering consulting and “white label” services, whereby the Firm offers access to its trading software to a third party who can license and use this software under their own branding; and
  - c) offering clients a subscription to its portal to access real-time market data, research, news and analysis.

## **Failings and risks identified**

- 4.5 On 7 January 2025, the Authority received a notification from the Auditors under section 342 of the Act. The Auditors stated that during their recent audit of the Firm's financial statements for the year ended 31 December 2023, the Firm had provided the Auditors with documentation which the Auditors reasonably believed to have been fabricated.
- 4.6 On 14 January 2025, the Authority held a conference call with the Auditors to discuss their notification and, during the call, the Auditors outlined a series of concerns arising from their audit. Following the call, the Authority requested that the Auditors provide a written description of their concerns, together with copies of the relevant underlying documentation.

### Irregularities in the Firm's accounting and other records

- 4.7 The Authority has reviewed the information provided by the Auditors and has identified a number of serious concerns relating to the Firm's accounting and other records. The relevant facts are described below.
- 4.8 On 24 April 2024, the Auditors emailed the Firm and asked it to explain the relationship between the Firm and Company A, and an invoice issued by Company A to the Firm for US\$202,800. The Firm initially explained to the Auditors that Company A was a payment service provider, and the invoice related to collection services. The Firm later provided the Auditors with a different explanation for the invoice, explaining that Company A also acted as an intermediary that distributed licences on behalf of the Firm and that the invoice related to the costs of Company A distributing of those licences. The Firm did not provide the Auditors with a written contract between it and Company in relation to this expenditure.
- 4.9 On 16 May 2024, the Auditors wrote to the Firm noting that it would expect to see income recorded in the Firm's financial statements corresponding to any licenses distributed by Company A. The Auditors asked the Firm to explain where it had recorded this income in its financial statements. Since the invoice related to the distribution of 312 licences, the Auditors considered that the Firm ought to have received \$443,040 in income corresponding to the issue of licences ( $\$1,420 \times 312$  units). The Firm confirmed to the Auditors that it recorded the income relating to the Company A invoice in the Firm's client liability account.
- 4.10 On 12 November 2024, the Auditors requested that the Firm provide a reconciliation of the \$443,040 of income on the Company A ledger of the Firm's client liability account to identify any funds which might have been incorrectly included.
- 4.11 The Firm provided the reconciliation on 28 November 2024. The Auditors reviewed the reconciliation and asked the Firm how it had performed the reconciliation. The Auditors noted that the Firm's proposed treatment of the income from Company A did not appear correct because it seemed to involve a reduction of the client liability ledger and a corresponding \$443,273 adjustment (represented as income) to the "FX difference" ledger. The Auditors asked the Firm to revisit and review its reconciliation.
- 4.12 On 9 December 2024, the Firm emailed the Auditors and proposed further adjustments in an effort to balance its client liability account. The Firm proposed crediting swaps charges in the relation to the Firm's liquidity provider, Liquidity Provider A. A swap charge, also known as a rollover fee, is an overnight charge that contracts for difference and margin traders pay to the counterparty to the trade for maintaining (rolling) a trading position until the next day. The swap charge is

calculated on the total exposure of trading positions held by the trader. The Firm also proposed to adjust its balance sheet by shifting a £203,839 payment from the client liabilities ledger and designating the payment as a "marketing expense". The Auditors asked the Firm to explain the proposed adjustments in relation to the swaps charges and to explain why these had been previously omitted from the Firm's balance sheet.

- 4.13 The Firm explained that Liquidity Provider A was meant to have adjusted the closing price once the trade was closed amending the closing price to take into consideration the swap charges, adding or subtracting the relevant amount. The Firm explained to the Auditors that when considering how to deal with the \$443,273 of income (which it has recorded to the "FX difference" ledger), it had discovered that Liquidity Provider A had in fact not been adding the swap charges as agreed, although the Firm had been paying out these sums to its clients. This had created a discrepancy of £170,453.69 between the income received from Liquidity Provider A and the sums paid to its clients.
- 4.14 The Authority has serious concerns that the Firm's systems failed to identify £170,453.69 in swaps charges that the Firm says it failed to collect from its Liquidity Provider A. Given the nature of the Firm's matched principal broker trading model, the Authority considers that the Firm does not have robust governance arrangements to ensure that those with management responsibility had effective oversight of its business.

*Payment to Company B*

- 4.15 On 11 December 2024, the Auditors asked the Firm to explain the marketing costs recorded in the Firm's December 2023 financial statements, and the £205,300 payment to Company B. The Auditors asked the Firm to provide a written contract for the expenditure and to explain: (i) why Company B, a US company, was taking bookings for UK trade shows; and (ii) why £205,300 of expenditure had originally been recorded within the client liability ledger.
- 4.16 In response, the Firm confirmed that there was no written contract in place between the Firm and Company B, but invoices were available. The Firm later provided the Auditors with a PDF email chain to support the expenditure. The Firm confirmed that Company B provided marketing services at various events and considered it was Company B's prerogative to do so. The Firm also confirmed that the £205,300 payment was initially added to the client liability ledger owing to internal confusion at the Firm. The Firm stated that the payment was made by the SMF directly and so, despite purporting to be unaware of the purpose of the payment, treated it as client liability for accounting purposes.
- 4.17 The Auditors explained to the Authority that it had very serious concerns as regards the Company B invoice because:
- (1) There is no written agreement to support the payment, and the invoice contained less detail than one would expect for a transaction of this value.
  - (2) The physical address recorded on the invoice did not appear to be associated with Company B, but instead appeared to relate to a restaurant chain in Georgia, USA.
  - (3) Company B appeared to be registered in Panama.
  - (4) The payment of the invoice was made and authorised by the SMF and individuals with the same surname as the SMF were connected with the restaurant chain in Georgia.
  - (5) The business address given on the invoice for Company B was registered to individuals with the same surname as the Accountant.

- (6) The invoice was for marketing expenses to be paid to a US entity taking bookings and providing physical materials for UK trade shows and that it was unclear why the Firm would contract an overseas supplier to support the physical delivery of materials and marketing support for UK-based trade shows.
  - (7) When asked for documentation to support the payment, the Firm provided the Auditors with a PDF email chain and the Auditors queried the authenticity of that document.
- 4.18 The Firm has since investigated the matter and provided its conclusions from that investigation to the Auditors. The Firm informed the Auditors that its investigation concluded that the email string provided to the Auditor to support the payment to Company B was falsified by the Accountant, and provided the Auditors with an investigation report and "Accountant Declaration Letter" the annexes of which included the onboarding documents for Company B. The investigation report concluded that the payment to Company B was made because Company B (i) was in fact a client of the Firm and opened a trading account on 8 February 2022; and (ii) the client had requested a redemption from its trading account on 5 January 2023.
- 4.19 This information seemingly contradicts information the Firm provided to the Authority. On 2 February 2024, the Authority requested information from the Firm, including details of its client lists for a specified period. On 16 May 2024, the Firm provided an anonymised client list covering the period January 2021 to December 2023. On 30 July 2024, the Authority sent the Firm an information requirement pursuant to section 165 of the Act, requesting that the Firm provide a complete client list. Alongside the information requirement, the Authority explained in Annex 2 of the requirement the consequences of failing to comply with the section 165 information requirement without reasonable excuse. On 2 August 2024, the Firm responded to the information requirement dated 30 July 2024 and sent Supervision an anonymised client list.
- 4.20 The client lists provided by the Firm to the Authority in response to the information requirement dated 30 July 2024 contain no client whose details match the client information provided in the "Accountant Declaration Letter on 03 Feb 2025". Within the anonymised client lists, there is no record of any account being opened on the account opening date of 8 February 2022, or even the funded date of 10 March 2022 (even allowing for the possibility, however inexplicable, that the Firm may have recorded 'account open' date as the date the account was funded). Additionally, of the 20 accounts reportedly opened by the Firm in the year of 2022, none were identified as being domiciled in Panama. The client list provided by the Firm to the Authority therefore contained no evidence to suggest that the Firm had opened a trading account for a client, domiciled in Panama, on 8 February 2022 (or at all).
- 4.21 The Authority also notes that the Firm did not provide onboarding documentation relating to Company B to the Auditors, when the Auditors first queried the transaction, and the information relating to Company B and provided by the Firm to the Auditors in December 2024 (see paragraph 4.16) is inconsistent with the subsequent suggestion that Company B was, in fact, a client of the Firm.
- 4.22 The Authority considers that there is no reasonable explanation for the Firm either providing inaccurate information to the Authority in response to an information requirement or providing inaccurate information to its Auditors. The Authority therefore has serious concerns that the Firm may have provided false or misleading information to the Authority or the Auditors and that the transaction relating to Company B may not have been made for the purposes stated by the Firm.



- 4.23 Consequently, the Authority has serious concerns that the Firm may not have appropriate systems and controls to prevent financial crime and concerns that the Firm, at least in relation to this transaction, may have been used for a purpose connected with financial crime.

#### Failure to address shortfall within the client money account

- 4.24 Money that a firm receives or holds for, or on behalf of, a client during or in connection with, its MiFID business or otherwise, is client money for the purposes of the Authority's Client Assets Sourcebook ("CASS") rules.
- 4.25 During the course of its financial audit of the Firm's accounts for the year ending 31 December 2023, the Auditors identified a discrepancy in the Firm's accounting of its client liability account, used by the firm to account for client money held under a title transfer collateral arrangement ("TTCA"). TTCA is an arrangement by which a client transfers full ownership of their money or a safe custody asset, such as a derivative contract (including an option, a swap or a future), to a firm for the purpose of securing or otherwise covering present or future, actual, contingent or prospective obligations.
- 4.26 The Authority has reviewed information received from the Auditors which appears to show a £179,000 shortfall in the Firm's client liability account. The Firm appears not to have itself identified this, despite having been informed in November 2024 by the Auditors of another discrepancy in the Firm's client liability account which, following an internal investigation (also referred to at 4.10 above), the Firm explained to the Auditors had been caused by the *"inadequate reconciliation processes and insufficient oversight"* at the Firm.
- 4.27 CASS 7.15.29R(1) states that when a discrepancy arises between a firm's client money resource and its client money requirement identified by a firm's internal client money reconciliations, the firm must determine the reason for the discrepancy and ensure that any shortfall is paid into a client bank account by the close of business on the day that the reconciliation is performed.
- 4.28 The Authority has serious concerns that the arrangements the Firm has put in place to address the accounting irregularities identified during the audit, have resulted in a substantial shortfall within the Firm's client money account, placing the Firm in breach of CASS 7.15.29R(1) and raising serious concerns that the Firm does not have adequate controls to ensure compliance with the regulatory requirements relating to client money arrangements.

#### Inadequate internal investigation and remediation

- 4.29 The Authority has serious concerns about the way in which the Firm has approached its internal investigation into the accounting irregularities and serious misconduct identified by the Auditors.
- 4.30 On 2 January 2025, the Auditors wrote to Director A and Director B in their capacity as directors of the Firm to convey their serious concerns over information being provided in support of the payment to Company B.
- 4.31 On 16 January 2025, Director A wrote to the Auditors on behalf of the Firm. Director A said that, in relation to the Company B transaction, the Firm had conducted an internal review to verify Firm's business activity, and provided the Auditors with email correspondence, bank statements, invoices, and wire transfer records to support its review.

- 4.32 On 24 January 2025, the Auditors wrote to the Directors noting that the information provided had not addressed their concerns, and that it appeared the documentation provided by the Firm to support the payment to Company B had been fabricated.
- 4.33 On 27 January 2025, the Firm stated that the email appeared to be altered because of a "glitch" which the Firm was trying to fix, though the Firm wrote to the Auditors on 29 January 2025 to advise they were taking action: (i) immediately to investigate the altered email and conduct an internal review; (ii) to suspend the Accountant, and another employee; and (iii) to provide a report of the Firm's findings and proposed actions.
- 4.34 On 31 January 2025, Director A wrote to the Auditors on behalf of the Firm. Director A stated that the Firm had conducted a thorough internal investigation, attached a report of the investigation, and confirmed the Firm had taken the following actions:
- "1. Disciplinary measures in relation to certain staff..  
2. Governance Improvements: We have strengthened our governance framework, including board-level oversight of all financial transactions and audit-related communications.  
3. Reversal of Errors: The misclassified transaction will be reversed, and the FX variance discrepancy will be corrected in our financial statements.  
4. Enhanced Training: Mandatory training programs on regulatory compliance, ethical standards, and financial reporting integrity have been implemented for all staff.  
5. Strengthened Controls: Additional layers of oversight and approval have been introduced to ensure the accuracy and integrity of financial records and communications".*
- 4.35 The Authority has concerns that the Firm's initial internal review conducted on 16 January 2025 in response to the Auditors' concerns:
- (a) appears to have only partially responded to the concerns raised by the Auditors, focusing only on the geographical location of the supplier, rather than the concern that the address for the supplier was associated with a restaurant.
  - (b) was carried out by the Firm which failed to identify the apparently falsified documents and failed to identify any authentic documentation to support the payment to Company B.
- 4.36 In relation to the Firm's internal investigation, the Authority has further concerns that:
- (a) As set out at paragraphs 4.19 to 4.20 above, the investigation report contains conclusions which appear to contradict information about its client base provided to the Authority in response to an information requirement.
  - (b) The report does not refer to the role of the Firm's management in the context of the issues identified, including the apparent lack of challenge or oversight of alleged actions of certain of its staff and which resulted in false documentation being provided to the Auditors on the Firm's behalf. This raises serious concerns as to whether the Firm is conducting its business with integrity, in addition to the fact that the Firm's internal controls appear to have been unable to identify or prevent accounting irregularities and the alleged serious misconduct of one of its employees.
  - (c) The evidence supplied by the Firm to the Auditor, which the Firm had

explained was produced in support of the Firm's internal investigation, includes a document containing an apparent "admission" from a member of staff at the Firm for the apparent falsification of documents, which the Authority has concerns with. For example, the form of the document (an Excel spreadsheet) was unusual and it contains obvious errors, such as the misspelling of the name of the person who purports to have signed it, and a date which is evidently wrong.

- (d) The report does not address the accounting irregularities concerning the \$443,040 income received from Company A in December 2023, which was originally reconciled to the client liability account, rather than to the Firm's balance sheet. The Firm has previously confirmed to the Authority that it carried out a monthly reconciliation of TTCA balances to the management accounts to "*ensure accuracy and completeness*". The Firm informed the Auditors that the reclassification of the income from Company A as a client liability could impact the TTCA reconciliation. The Authority has serious concerns that the monthly reconciliation of TTCA balances failed to identify that the Company A income had been incorrectly reconciled to the client liability account, and the Authority would have expected the Firm's reconciliation process to have proactively identified the significant discrepancy which the Company A income was covering. Given the importance of protecting client funds and managing a Firm's liquidity risk in a prudent manner, the Authority is concerned that the report contains no consideration of this issue, the root cause behind the failing and the fact it was not identified in the first instance. The report also does not adequately address certain of the accounting irregularities identified by the Auditors (as identified at paragraph 4.26), other than to state that the Firm will address any shortfall in the client liability account.
- (e) Despite certain of the senior managers having been aware of or, in the case of the SMF, involved in certain of the transactions subject to investigation, the report contains no consideration as to whether the participation of those senior managers (including the SMF) in the investigation itself posed any risk of potential conflicts of interest. In the circumstances, the Authority would have expected an independent third party to have conducted the Firm's investigation.
- (f) The report's findings lack detail. Whilst the report outlines various "*immediate corrective actions*", it fails to explain why the various actions had been taken or provide further details. The report outlined various "*long-term preventative measures*": enhanced oversight of all financial transactions, reconciliations and audit-related communications; mandatory training for staff; and updates to the Firm's policies and procedures. The report does not, however, assign responsibility for implementing these measures and no timeline is given for their implementation.

4.37 The Authority has reviewed the minutes of an extraordinary meeting of the Firm's Board held on 4 February 2025. These were provided by the Firm to the Auditors on 5 February 2025. Despite the severity of issues identified and the Firm's apparent steps to both investigate the circumstances giving rise to the issues and the purported corrective actions it was putting in place, the minutes of the meeting do not reference the issues concerning the audit, the Firm's internal investigation or the investigation report. This either suggests that the Firm's Board did not discuss the matter on 4 February 2025 or that, if it did, nothing relating to this discussion was recorded; in either case, the Authority considers that this raises serious concerns about the quality of the Firm's governance, decision-making and/or record keeping.

- 4.38 The Authority considers the Firm's internal investigation, and its proposed actions are wholly inadequate. Consequently, the Authority has serious concerns that the Firm may not have appropriate systems and controls, including to detect and prevent accounting irregularities and/or financial crime.

Inadequate financial crime systems and controls

- 4.39 The Firm appears to have an inadequate financial crime framework, and the Authority is concerned that it may be in breach of SYSC 6.1.1R and of Principle 3 (Management and control) of PRIN. In this regard, as outlined at paragraphs 4.36 to 4.38 above, the Firm's recent audit has found material deficiencies in the Firm's financial crime control processes which led to an employee of the Firm allegedly falsifying a document used to support a substantial payment.
- 4.40 Consequently, the Authority is concerned that the Firm presents an unacceptable level of risk that, due to the inadequacies of its financial crime control framework, it may be used to facilitate financial crime.

Failure to deal with the Authority in an open and cooperative manner

- 4.41 Principle 11 of PRIN states that a firm must deal with its regulators in an open and cooperative way and must disclose to the Authority appropriately anything relating to the firm of which that regulator would reasonably expect notice.
- 4.42 SUP 15.6.1R states that a firm must take reasonable steps to ensure that all information it gives to the Authority in accordance with a rule in any part of the Handbook (including Principle 11) is factually accurate and complete.
- 4.43 SUP 15.2.1G states that a firm is required to provide the Authority with a wide range of information to enable the Authority to meet its responsibilities for monitoring the firm's compliance with requirements imposed by or under the Act.
- 4.44 SUP 15.3.17R states that a firm must notify the Authority immediately if, among other things, one of the following arises and the event is significant:
- (1) it identifies irregularities in its accounting or other records, whether or not there is evidence of fraud (SUP 15.3.17(4)R); or
  - (2) it suspects that one of its employees may be guilty of serious misconduct concerning his honesty or integrity and which is connected with the firm's regulated activities or ancillary activities (SUP 15.3.17(5)R). "Employee" is defined widely in the Handbook, and includes an individual who is employed or appointed by a person in connection with a firm's business, whether under a contract of service or for services or otherwise. This evidently would include an individual who acted on the Firm's behalf in providing material information to the Auditors.

- 4.45 Between June 2024 and 28 February 2025, the Authority has been engaging with the Firm in relation to various matters, including the Firm's compliance with the CASS rules. As outlined in paragraph 4.30 above, from at least 2 January 2025, the Firm has been aware of serious accounting irregularities identified by the Auditors. As outlined at paragraph 4.34 above, since at least 31 January 2025, the Firm has been aware that a member of staff may have committed serious misconduct concerning their honesty or integrity in connection with the Firm's regulated activities. The Authority has not received any notification by or on behalf of Firm in relation to these matters.

- 4.46 SUP 10C.14.5R states that a firm must notify the Authority no later than ten business days after an FCA-approved SMF manager ceases to perform an FCA-designated senior management function. The minutes of the Firm's board meeting of 4 February 2025 record the SMF's resignation with immediate effect. The Firm has not notified the Authority of this.
- 4.47 The Authority recognises that it has received information relating to these matters via the Auditors. However, the fact that these matters were drawn to the Authority's attention by the Auditors does not excuse nor explain the Firm's complete failure to discharge its obligations to itself disclose this information. The Firm was under this specific obligation to do so, not least because it should have been self-evident to the Firm that the information was material to the Firm's ability to meet the Threshold Conditions.
- 4.48 On 26 March 2025, the Authority wrote to the Firm to explain that it intended to send official documentation, and asked the Firm to confirm that it was willing to accept service of this documentation by email. On 27 March 2025, the Firm responded to the Authority's email and confirmed the Firm was prepared to receive communications by email, albeit the Firm did not refer to 'service', but the Authority, nevertheless, considers the Firm to have agreed that it would accept service of documents via email. The Firm also advised that it intended *"to submit a Variation of Permissions (VoP) application to reflect recent strategic decisions made by Direct Trading Technologies. After careful consideration, we have decided to streamline our operations to focus exclusively on the White Label and other trading technology solutions. As part of this transition, we will be removing certain permissions that are no longer relevant to our business model. However, we would like to retain our advising permission, as it remains integral to supporting our clients with investment research we already offer. We anticipate refunding clients and closing the remaining trading accounts within 2 weeks and submitting the VoP application by the end of April."* The Firm did not provide evidence to demonstrate that it had taken any steps proposed and did not provide with this email an explanation as to what had prompted the Firm to make the *"recent strategic decisions"* to *"streamline"* its business." The Authority notes that, although it had understood that the Firm's SMF 9 had resigned from his position with immediate effect, the SMF 9 was copied on the Firm's email to the Authority.

## 5 CONCLUSION

- 5.1 The regulatory provisions relevant to this First Supervisory Notice are set out in the Annex.

### **Analysis of failings and risks**

#### Breach of Threshold Conditions

- 5.2 The Authority has serious concerns about the Firm's compliance with the Threshold Conditions. The Threshold Conditions are minimum requirements that firms need to meet to be authorised and to continue carrying on regulated activities.
- 5.3 Section 55L of the Act permits the Authority to impose requirements on the Firm and section 55J permits the Authority to vary the Firm's permission because it is failing, or likely to fail to satisfy:
- 1) the Suitability Threshold Condition pursuant to paragraph 2E of Schedule 6 to the Act; and
  - 2) the Effective Supervision Threshold Condition pursuant to paragraph 2D of

Schedule 6 to the Act.

5.4 As a result of the facts and matters detailed above, the Authority considers that the Firm is failing or is likely to fail, to meet the Threshold Conditions above because:

- 1) The Firm may not have appropriate systems and controls in place to identify and prevent financial crime. In particular, the Firm's systems and controls were not adequate to detect or prevent a member of staff from allegedly falsifying documents in connection with a substantial shortfall in the Firm's client liabilities account. The Firm informed the Auditors that this amounted to a serious breach of ethical standards and regulatory compliance.
- 2) The Firm may not have robust governance and oversight arrangements. In particular, that the Firm appears not to have effective processes to identify, manage, monitor and report the risks it is or might be exposed to, and internal control mechanisms, including sound administrative and accounting procedures. The Firm informed the Auditors that serious control failings in this regard were caused by "lack of oversight and controls in the accounting and audit process".
- 3) Information obtained relating to the Firm's recent audit raise various serious concerns that the Firm has provided information to the Authority which is inaccurate and incomplete. The information about a client of the Firm set out in an internal investigation report provided to the Auditors seemingly contradicts information provided to the Authority in response to an information requirement. The report itself was prepared in order to address the serious concerns of the Firm's auditors, and the inconsistency raises some very serious concerns that the Firm's business may have been used for a purpose connected with financial crime.
- 4) The Firm has not been open and cooperative with the Authority and has failed to ensure that information was disclose to the Authority appropriately, despite otherwise being in dialogue with the Authority in connection with matters relating to its CASS compliance. The matters it has failed to disclose include:
  - a. A number of accounting irregularities identified by the Auditors;
  - b. A substantial deficit in the Firm's client liabilities account;
  - c. The immediate resignation of the SMF on 4 February 2025;
  - d. The alleged serious misconduct of one of the Firm's employees; and
  - e. The outcome of a Firm's internal investigation into its accounting irregularities and serious misconduct.

5.5 The Authority is concerned that the Firm appears to be failing, or is likely to fail, to meet the Effective Supervision and Suitability Threshold Conditions. In particular:

- 1) The Firm's affairs may not be being conducted in an appropriate manner having regard to the interests of consumers (COND 2.5.1A(1)(c)).
- 2) Those who manage the Firm's affairs may not have adequate skills and experience to do so (COND 2.5.1A(1)(e)).
- 3) The Firm's business may not be being, or may not be, managed in such a way as to ensure that its affairs will be conducted in a sound and prudent manner (COND 2.5.1A(f) and COND 2.7.1(2)).

## **Timing and duration of the Requirements and the Variation**

- 5.6 It is necessary to impose the Requirements to take immediate effect given the seriousness of the risks and the need to protect consumers. In view of the nature of the Firm's business and the fact that it will be necessary for the Firm to undertake certain regulated activities to give effect to client instructions and close existing positions, it is necessary for the Variation to come into effect at 4pm on 4 April 2025 (being seven days after the date of this Notice).
- 5.7 The Authority considers that it is necessary for the Requirements and the Variation to remain in place (once in effect) until such time as the Authority is satisfied it is appropriate to lift them.

## **6 PROCEDURAL MATTERS**

### **Decision-maker**

- 6.1 The decision which gave rise to the obligation to give this First Supervisory Notice was made by an Authority staff member under executive procedures according to DEPP 2.5.7 and DEPP 2.5.7B.
- 6.2 This First Supervisory Notice is given under section 55Y(4) and in accordance with section 55Y(5) of the Act.
- 6.3 The following statutory rights are important.

### **Representations**

- 6.4 The Firm has the right to make written representations to the Authority (whether or not it refers this matter to the Tribunal). The Firm may also request to make oral representations but the Authority will only consider this in exceptional circumstances according to DEPP 2.3.1AG. The deadline for providing written representations and notifying the Authority that the Firm wishes to make oral representations is 14 April 2025 or such later date as may be permitted by the Authority. Any notification or representations should be sent to the Executive Decision Making Secretariat ([EDMcaseinbox@fca.org.uk](mailto:EDMcaseinbox@fca.org.uk)).

### **The Tribunal**

- 6.5 The Firm has the right to refer the matter to which this First Supervisory Notice relates to the Tribunal. The Tax and Chancery Chamber is part of the Tribunal which, amongst other things, hears references arising from decisions of the Authority. Under paragraph 2(2) of Schedule 3 of the Tribunal Procedure (Upper Tribunal) Rules 2008, the Firm has 28 days from the date on which this First Supervisory Notice is given to it to refer the matter to the Tribunal.
- 6.6 A reference to the Tribunal can be made by way of a reference notice (Form FTC3) signed by or on behalf of the Firm and filed with a copy of this First Supervisory Notice. The Tribunal's contact details are: The Upper Tribunal, Tax and Chancery Chamber, 5<sup>th</sup> Floor, Rolls Building, Fetter Lane, London EC4A 1NL (telephone: 020 7612 9730; email: [uttc@hmcts.gsi.gov.uk](mailto:uttc@hmcts.gsi.gov.uk)).
- 6.7 Further information on the Tribunal, including guidance and the relevant forms to complete, can be found on the HM Courts and Tribunal Service website: <http://www.justice.gov.uk/forms/hmcts/tax-and-chancery-upper-tribunal>
- 6.8 The Firm should note that a copy of the reference notice (Form FTC3) must also be

sent to the Authority at the same time as a reference is filed with the Tribunal. A copy of the reference notice should be sent to the Executive Decision Making Secretariat ([EDMcaseinbox@fca.org.uk](mailto:EDMcaseinbox@fca.org.uk)).

### **Confidentiality and publicity**

- 6.9 The Firm should note that this First Supervisory Notice may contain confidential information and should not be disclosed to a third party (except for the purpose of obtaining legal advice on its contents).
- 6.10 The Firm should note that section 391(5) of the Act requires the Authority, when the First Supervisory Notice takes effect, to publish such information about the matter to which the notice relates as it considers appropriate.

### **Authority contacts**

- 6.11 Any questions regarding this matter generally or the executive procedures decision-making process should be directed to the Executive Decision Making Secretariat ([EDMcaseinbox@fca.org.uk](mailto:EDMcaseinbox@fca.org.uk)).

### **Decision made under executive procedures**

**Director, Market Interventions – Wholesale Intermediaries – Supervision, Policy and Competition**



## **Annex**

### **RELEVANT STATUTORY PROVISIONS**

1. The Authority's operational objectives established in section 1B of the Act include securing an appropriate degree of protection for consumers, and protecting and enhancing the integrity of the UK financial system.
2. Section 55L of the Act allows the Authority to impose a new requirement on an authorised person if it appears to the Authority that the authorised person is failing, or likely to fail to satisfy the Threshold Conditions (section 55L(2)(a)), or it is desirable to exercise the power in order to advance one or more of the Authority's operational objectives (section 55L(2)(c)).
3. Section 55N of the Act allows a requirement to be imposed under section 55L of the Act so as to require the person concerned to take specified action (section 55N(1)(a)), or to refrain from taking specified action (section 55N(1)(b)).
4. Section 55P of the Act allows a requirement to be imposed under section 55L of the Act prohibiting the disposal of, or other dealing with, any of an authorised person's assets (whether in the UK or elsewhere), or restricting such disposals or dealings.
5. Section 55J of the Act allows the Authority to vary the Part 4A permission of an authorised person if it appears to the Authority that the authorised person is failing, or likely to fail, to satisfy the Threshold Conditions (section 55J(1)), or it is desirable to exercise the power to advance one or more of the Authority's operational objectives (section 55J(1)(c)). The Authority may vary an authorised person's Part 4A permission by removing a regulated activity from those to which the permission relates (section 55J(2)(a)).
6. Section 55Y(3) of the Act allows a requirement to take effect immediately (or on a specified date) if the Authority, having regard to the ground on which it is exercising its own-initiative power, reasonably considers that it is necessary for the requirement to take effect immediately (or on that date).
7. Section 391 of the Act provides that:  
“[...]”
  - (5) When a supervisory notice takes effect, the Authority must publish such information about the matter to which the notice relates as it considers appropriate.
  - (6) But the Authority may not publish information under this section if in its opinion, publication of the information would, be unfair to the person with respect to whom the action was taken or proposed to be taken [or] prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.
  - (7) Information is to be published under this section in such manner as the Authority considers appropriate.”

### **RELEVANT REGULATORY PROVISIONS**

#### **FCA Handbook**

8. The section of the Handbook entitled “Threshold Conditions” (COND) gives guidance on Threshold Conditions. COND 1.2.3G provides that the Authority may exercise its

own-initiative powers under section 55L of the Act if, among other things, a firm is failing to satisfy any of the Threshold Conditions or is likely to do so.

9. COND 1.3.2G states that the Authority will consider whether a firm satisfies, and will continue to satisfy, the Threshold Conditions in the context of the size, nature, scale and complexity of the business which the firm carries on or will carry on if the application is granted.
10. COND 2.3.1A states that a firm must be capable of being effectively supervised by the Authority having regard to all the circumstances including (a) the nature (including the complexity) of the regulated activities that the firm carries on or seeks to carry on; (b) the complexity of any products that the firm provides or will provide in carrying on those activities; and (c) the way in which the firm's business is organised.
11. COND 2.3.3G states that in assessing the Threshold Conditions set out in paragraphs 2C and 3B of Schedule 6 to the Act (which includes the Effective Supervision Threshold Condition), factors which the Authority will take into consideration include, among other things, whether it is likely that the Authority will receive adequate information from the firm to enable it to determine whether the firm is complying with the requirements and standards under the regulatory system for which the Authority is responsible and to identify and assess the impact on its statutory objectives; this will include consideration of whether the firm is ready, willing and organised to comply with Principle 11 (Relations with regulators) and the relevant rules in the Authority Handbook on the provision of information to the Authority.
12. COND 2.5.4G states that in assessing the Threshold Conditions set out in paragraphs 2E and 3D of the Schedule 6 to the Act (which includes the Suitability Threshold Condition), factors which the Authority will take into consideration include, among other things, whether the firm: (a) conducts, or will conduct, its business with integrity or in compliance with proper standards; (b) has, or will have, a competent and prudent management; (c) can demonstrate that it conducts, or will conduct, its affairs with the exercise of due skill, care and diligence.
13. COND 2.5.6G states that in assessing the Threshold Conditions set out in paragraphs 2E and 3D of Schedule 6 to the Act (which includes the Suitability Threshold Condition), the Authority will have regard to particular considerations including, but not limited to, whether the firm:
  - (1) the firm has been open and co-operative in all its dealings with the Authority and any other regulatory body (Principle 11 (Relations with regulators)) and is ready, willing and organised to comply with the requirements and standards under the regulatory system (such as the detailed requirements of SYSC) in addition to other legal, regulatory and professional obligations; the relevant requirements and standards will depend on the circumstances of each case, including the regulated activities which the firm has permission, or is seeking permission, to carry on;
  - (1A) the firm has made arrangements to put in place an adequate system of internal control to comply with the requirements and standards for which the Authority is responsible under the regulatory system;
  - (8) the firm or a person connected with the firm has been dismissed from employment or a position of trust, fiduciary relationship or similar or has ever been asked to resign from employment in such a position; whether the Authority considers a resignation to be relevant will depend on the circumstances, for example if a firm is asked to resign in circumstances that cast doubt over its honest or integrity.

- (16) the firm has taken reasonable care to ensure that robust information and reporting systems have been developed, tested and properly installed;
- (17) the firm has in place appropriate systems and controls against financial crime.

*The Principles for Businesses ("PRIN")*

14. Principle 3 of PRIN states that a firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
15. Principle 11 of PRIN states that a firm must deal with its regulators in an open and co-operative way, and must disclose to the Authority appropriately anything relating to the firm of which that regulator would reasonably expect notice.

*Supervision Manual ("SUP")*

16. Chapter 15 of SUP sets out the Authority's rules and guidance on events and changes in condition that a firm must notify, usually as soon as possible, if the Authority is to be able to carry out its monitoring function effectively and react in good time to developments that may require a regulatory response.
17. SUP 15.3.1R states that a firm must notify the Authority immediately if it becomes aware, or has information which reasonably suggests, that any of the following has occurred, may have occurred or may occur in the foreseeable future:
  1. the firm is failing to satisfy one or more of the threshold conditions;
  2. any matter which could have a significant adverse impact on the firm's reputation; or
  3. any matter which could affect the firm's ability to continue to provide adequate services to its customers and which could result in serious detriment to a customer of the firm.
18. SUP 15.3.8G states that compliance with Principle 11 includes, but is not limited to giving the Authority notice of, among other things, any significant failure in the firm's systems or controls, including, but not limited to those reported to the firm by the firm's auditor.
19. SUP 15.3.17 requires that a firm must notify the Authority immediately if, among other things, one of the following events arises and the event is significant:
  1. It identifies irregularities in its accounting or other records, whether or not there is evidence of fraud; or
  2. It suspects that one of its employees may be guilty of serious misconduct concerning his honesty or integrity and which is connected with the firm's regulated activities or ancillary activities.
20. SUP 15.6.1R requires that a firm must take reasonable steps to ensure that all information it gives to the Authority in accordance with any rule in any part of the Handbook (including Principle 11) is:
  1. factually accurate, or in the case of estimates and judgements, fairly and properly based after appropriate enquiries have been made by the firm; and

2. complete, in that it should include anything of which the Authority would reasonably expect notice.
21. Chapter 15.7 of SUP specifies the form and method of notification. SUP 15.7.1R requires a notification to be given in writing. SUP 15.7.4R specifies the methods of notification.

#### *Senior Management Arrangements, Systems and Controls ("SYSC")*

22. SYSC sets out rules and guidance for firms in relation to systems and controls.
23. SYSC 4.1.1R(1) states that a firm must have robust governance arrangements, which include a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks it is or might be exposed to, and internal control mechanisms, including sound administrative and accounting procedures and effective control and safeguard arrangements for information processing systems.
24. SYSC 3.2.6R states that 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.
25. SYSC 6.1.1R states that a firm must establish, implement and maintain adequate policies and procedures sufficient to ensure compliance of the firm including its managers, employees and appointed representatives (or where applicable, tied agents) with its obligations under the regulatory system and for countering the risk that the firm might be used to further financial crime.

#### The Enforcement Guide

26. The Authority's approach in relation to its own-initiative powers is set out in Chapter 8 of the Enforcement Guide (EG), certain provisions of which are summarised below.
27. EG 8.1.1 reflects the provisions of section 55L of the Act by stating that the Authority may use its own-initiative power to impose requirements on an authorised person where, amongst other factors, the person is failing or is likely to fail to satisfy the threshold conditions for which the Authority is responsible (EG 8.1.1(1)), or it is desirable to exercise the power in order to advance one or more of its operational objectives (EG 8.1.1(3)).
28. EG 8.2.1 states that when the Authority considers how it should deal with a concern about a firm, it will have regard to its statutory objectives and the range of regulatory tools that are available to it. It will also have regard to the principle that a restriction imposed on a firm should be proportionate to the objectives the Authority is seeking to achieve (EG 8.2.1(2)).
29. EG 8.2.3 states that in the course of its supervision and monitoring of a firm or as part of an enforcement action, the Authority may make it clear that it expects the firm to take certain steps to meet regulatory requirements. In the vast majority of cases the Authority will seek to agree with a firm those steps the firm must take to address the Authority's concerns. However, where the Authority considers it appropriate to do so, it will exercise its formal powers under section 55L of the Act to impose a requirement to ensure such requirements are met. This may include where, amongst other factors, the Authority has serious concerns about a firm, or about the way its business is being or has been conducted (EG 8.2.3(1)), or is

concerned that the consequences of a firm not taking the desired steps may be serious (EG 8.2.3(2)).

30. EG 8.3.1 states that the Authority may impose a requirement so that it takes effect immediately or on a specified date if it reasonably considers it necessary for the requirement to take effect immediately (or on the date specified), having regard to the ground on which it is exercising its own-initiative powers.
31. EG 8.3.2 states that the Authority will consider exercising its own-initiative power where: 1) the information available to it indicates serious concerns about the firm or its business that need to be addressed immediately; and 2) circumstances indicate that it is appropriate to use statutory powers immediately to require and/or prohibit certain actions by the firm in order to ensure the firm addresses these concerns.
32. EG 8.3.3 states that it is not possible to provide an exhaustive list of the situations that will give rise to such serious concerns, but they are likely to include one or more of four listed characteristics, these include: 1) information indicating significant loss, risk of loss or other adverse effects for consumers, where action is necessary to protect their interests; 2) information indicating that a firm's conduct has put it at risk of being used for the purposes of financial crime, or of being otherwise involved in crime; 3) evidence that the firm has submitted to the Authority inaccurate or misleading information so that the Authority becomes seriously concerned about the firm's ability to meet its regulatory obligations; 4) circumstances suggesting a serious problem within a firm or with a firm's controllers that calls into question the firm's ability to continue to meet the threshold conditions.
33. EG 8.3.4 states that the Authority will consider the full circumstances of each case when it decides whether an imposition of a requirement is appropriate and sets out a non-exhaustive list of factors the Authority may consider, these include:
  - a. EG 8.3.4(1) includes the extent of any loss, or risk of loss, or other adverse effect on consumers. The more serious the loss or potential loss or other adverse effect, the more likely it is that the Authority's own-initiative powers will be appropriate, to protect consumers' interests.
  - b. EG 8.3.4(2) includes the extent to which customer assets appear to be at risk. Exercise of the Authority's own-initiative power may be appropriate where the information available to the Authority suggests that customer assets held by, or to the order of the firm, may be at risk.
  - c. EG 8.3.4(3) includes the nature and extent of any false or inaccurate information provided by the firm. Whether false or inaccurate information warrants the Authority's exercise of its own-initiative powers will depend on matters such as:
    - (a) the impact of the information on the FCA's view of the firm's compliance with the regulatory requirements to which it is subject, the firm's suitability to conduct regulated activities, or the likelihood that the firm's business may be being used in connection with financial crime;
    - (b) whether the information appears to have been provided in an attempt knowingly to mislead the FCA, rather than through inadvertence;
    - (c) whether the matters to which false or inaccurate information relates indicate there is a risk to customer assets or to the other interests of the firm's actual or potential customers.
  - d. EG 8.3.4(4) The seriousness of any suspected breach of the requirements of the legislation or the rules and the steps that need to be taken to correct that breach.

- e. EG 8.3.4(8) The firm's conduct. The Authority will take into account whether the firm identified the issue, brought it promptly to the Authority's attention and what steps the firm has taken or is taking to address the issue.
34. EG 8.3.4(9) includes the impact that use of the Authority's own-initiative powers will have on the firm's business and on its customers. The Authority will need to be satisfied that the impact of any use of the own-initiative power is likely to be proportionate to the concerns being addressed, in the context of the overall aim of achieving its statutory objectives.

Decision Procedure and Penalties Manual ("DEPP")

35. DEPP 2.5.7G provides that an Authority staff under executive procedures will take the decision to give a supervisory notice exercising the Authority's own-initiative powers (by removing a regulated activity, by imposing a limitation or requirement or by specifying a narrower description of regulated activity), including where the action involves a fundamental variation or requirement.
36. DEPP 2.5.7BG provides that an Authority staff of at least Director level will take the decision to give a supervisory notice exercising the Authority's own-initiative powers if the action involves a fundamental variation or requirement. DEPP 2.5.8G provides that a fundamental variation or requirement means: 1) removing a type of activity or investment from the Firm's permission; 2) refusing an application to include a type of activity or investment; or 3) imposing or varying an assets requirement (as defined in s.55P of the Act), or refusing an application to vary or cancel such a requirement.