
FIRST SUPERVISORY NOTICE

To: **Vector Wealth Limited**

Reference Number: **578178**

Address: **8-10 Hill Street
Mayfair
London
W1J 5NG**

Date: **16 February 2022**

1 ACTION

1.1 For the reasons given in this First Supervisory Notice ("First Supervisory Notice"), and pursuant to section 55L(3)(a) of the Financial Services and Markets Act 2000 ("the Act"), the Financial Conduct Authority ("the Authority") has decided to impose the following requirements ("the Requirements") on Vector Wealth Limited ("Firm").

- 1) With immediate effect, the Firm must cease all regulated activities for which it has Part 4A permission, without the prior written consent of the Authority.
- 2) With immediate effect, the Firm must cease all unregulated activities relating to unlisted bonds without the prior written consent of the Authority and must remove the financial promotions for unlisted bonds from the Firm's websites including but not limited to www.vectorwealth.co.uk.
- 3) 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).
- 4) Within 5 working days of this First Supervisory Notice, the Firm must secure all records and preserve all information and systems and must retain these in a form and at a location within the United Kingdom, to be notified to the Authority in writing within 5 working days, such that they can be provided to the Authority, or to a person named by the Authority, promptly on its request.

- 1.2 Paragraph 1.1(3) does not apply to monetary payments or the disposal of assets made by the Firm in the ordinary course of business, amounting to no more than £1,000, whether as a single transaction or a combination of related transactions. The requirement in paragraph 1.1(3) also does not apply to:
- 1) Transactions giving effect to instructions initiated by customers.
 - 2) Payments of funds to the Firm's suppliers or other third parties in the ordinary course of business and in satisfaction of the Firm's contractual and legal obligations.
 - 3) Usual and proper salary payments made by the Firm.
- 1.3 For the purposes of paragraph 1.2, the following payments would not be regarded as payments made in the ordinary course of business:
- 1) Payments of unusual or significant amounts to the Firm's controllers, shareholders, directors, officers, employees or any connected persons.
 - 2) Payments of dividends.
 - 3) The making of any capital distribution.
 - 4) The making of any gift or loan by the Firm to any party.
 - 5) Payments made as part of any financial restructuring or reorganisation of its business, or from the sale of any part of the Firm's business (whether share or asset based).
- 1.4 These Requirements shall remain in force unless and until varied or cancelled by the Authority (either on the successful 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(3)(a) of the Act to impose the Requirements on the Firm because it is failing, or is likely to fail, to satisfy the Threshold Conditions 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.
- 2.2 The Authority has serious concerns relating to the Firm's business following admission by Mr A, the Firm's CEO and controller, that he cannot control his business. Furthermore, the Firm's website offers financial promotions which may induce retail investors to invest in unsuitable products.
- 2.3 The Authority considers that 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, it is unlikely that the Authority will receive adequate information from the Firm and the Firm appears to have inadequate non-financial resources.

3 DEFINITIONS

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

“the Act” means the Financial Services and Markets Act 2000;

“the Authority” means the Financial Conduct Authority;

“Connect” is the Authority’s online regulatory reporting system used by regulated firms to upload required regulatory information to the Authority;

“the Firm” means Vector Wealth Ltd;

“the Firm’s websites” include www.vectorwealth.co.uk and <https://forex.vectorwealth.co.uk>;

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

“MLRO” means Money Laundering and Reporting Officer;

“Mr A” is the SMF1 (Chief Executive Officer) and majority shareholder of the Firm;

“Mr B” is an individual who holds a 19.9% shareholding in the Firm;

“Mr C” is an employee of the Firm and SMF16 (Compliance Oversight) applicant for the Firm;

“Mr D” is an SMF3 (Executive Director) of the Firm;

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

“SIS” means speculative unlisted securities, as defined by the Handbook;

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

“unlisted bonds” means the bonds promoted on the Firm’s website: Vector Wealth Absolute Return Forex Bond 2; a bond for Firm Y; a bond for Firm Z; and Fixed Income Opportunity;

“Firm X” means a firm that holds a 19.9% shareholding in the Firm;

“Firm Y” means an unauthorised firm that Vector Wealth were promoting an unlisted bond investment opportunity for;

“Firm Z” means an unauthorised firm that Vector Wealth were promoting an unlisted bond investment opportunity for; and

“voluntary requirements” mean the requirements the Firm was invited to apply for by the Authority on 10 December 2021;

4 FACTS AND MATTERS

Background

- 4.1 Vector Wealth was incorporated on 25 November 2009 and Mr A was appointed Director and sole shareholder on 25 November 2009.
- 4.2 It was authorised by the Authority on 5 March 2013 to conduct investment activities. Vector Wealth holds the following Part 4A permissions:
 - Arranging (bringing about) deals in investments
 - Making arrangements with a view to transactions in investments
 - Agreeing to carry on a regulated activity
- 4.3 The Firm previously traded as Fifth Quarter Asset Management (UK) Limited from 23 March 2012 to 24 October 2019 and as Vanguard Capital Group Limited from 24 October 2019 to 11 March 2020 before it changed its name to Vector Wealth Limited on 11 March 2020.
- 4.4 The Firm changed its registered office from First Floor Devonshire House, One Mayfair Place, London W1J 8AJ to 8-10 Hill Street, London W1J 5NG on 11 June 2021.
- 4.5 The current Directors at the Firm are Mr A and Mr D.

Approved persons

- 4.6 Vector Wealth has 2 approved persons which hold SMF functions.
 - Mr A holds SMF1 Chief Executive, SMF3 Executive Director, the SMF16 Compliance Oversight, and SMF17 MLRO functions. He has held these since 9 December 2019 and their equivalent under the prior approved persons regime since the firm was authorised on 5 March 2013.
 - Mr D holds the SMF3 Executive Director function. He was approved by the Authority to hold this function on 6 September 2021.
- 4.7 Vector Wealth currently has a further approved person application being assessed by the AUTHORITY for Mr C for the SMF16 Compliance Oversight role currently held by Mr A.

Controllers

- 4.8 Mr A is currently a controller of the Firm as he has a 20% or more shareholding). 20% is the threshold at which a shareholder would need to register with the Authority as a controller and be assessed under the Authority's change in control regime.
- 4.9 On 10 March 2020 the firm changed its name to Vector Wealth Ltd. Shortly thereafter on 13 May 2020 Firm X acquired shares in the Firm although Mr A remained majority shareholder:
 - 80.1% Mr A
 - 19.9% Firm X
- 4.10 On 13 May 2021 the number of shareholders increased again but Mr A remains majority shareholder:

- 50.2%: Mr A
- 19.9%: Mr B
- 19.9%: Firm X
- 10%: Mr D

Failings and risks identified

Roles of SMF1 (Chief Executive) and majority shareholder

4.11 On 7 September 2021 Mr A copied Authorisations into an email that he sent to "X". In this email Mr A stated:

"I would have replied earlier but I was down in SA doing some bird shooting and just now going through my emails. I have no clue who this [Mr B] character is. I know it is your company to distribute as you see fit but a heads up would have been nice. Anyway it is what it is and hopefully you did your due diligence and none of these characters will do anything to cause us or myself in particular to have egg on my face..."

4.12 This email gave the Authority two serious concerns. Firstly, Mr A admits to not knowing who [Mr B] is, despite him owning 19.9% of Vector Wealth (the Firm Mr A is the majority shareholder of). Secondly, Mr A suggests ("*...I know it is your company to distribute as you see fit...*") that the Firm is not run and controlled by Mr A.

4.13 On 20 October 2021 Supervision spoke with Mr A on the phone. Mr A stated that he:

- had no control over the Firm;
- did not know Mr C and Mr D; and
- did not have access to Vector Wealth's new office since it was relocated on 11 June 2021.

4.14 Authorised firms upload information to the Authority through the Connect online reporting system in order to comply with regulatory reporting requirements but each user is allocated a unique login. On the 20 October 2021 call, Mr A asserted that third parties had used the personal Connect login details belonging to Mr A but did not elaborate.

4.15 On 11 November 2021 Supervision sent an information requirement under s165 of the Act to the Firm. On 3 December 2021 Mr A responded on behalf of the Firm.

"Outline the roles and responsibilities (or proposed roles and responsibilities) of:

[...]

ii. Mr [C] (applicant SMF 16 Compliance Oversight)

I cannot speak for that since as mentioned earlier I am not brought in on the day to day activities of the Company. Heck I don't even have a key for the building and the one time I went there I had to be admitted by the reception and only got to the meeting room...

iii. Mr [B]

I have never met and spoken with him and have no idea what his role is.

iv. Mr [D] (SMF3 Executive Director)

I have never met and spoken with him and have no idea what his role is"

- 4.16 Due to concerns that Mr A was no longer in control of the Firm, Supervision invited Mr A to sign a voluntary application on behalf of the Firm for the imposition of requirements on 10 December 2021. The voluntary requirements included for the firm to cease all regulated activity, to notify all customers of the voluntary requirements, and make a statement in a prominent place on their website of the voluntary requirements.
- 4.17 On 13 December 2021 Mr A spoke to Supervision. Supervision reminded Mr A of his obligations as an SMF who is responsible for the Firm to be clear and transparent with the Authority.
- 4.18 On 14 December 2021 Mr A sent an email to Supervision refusing to apply for voluntary requirements. The entirety of this email was *"Please note that at this time I do NOT wish to sign any voluntary requirement"*.
- 4.19 On 14 December 2021 Supervision sent an information requirement to Mr A. On 19 January 2022 the Firm's response identified contradictions in assertions made by Mr A that were a cause for concern with the Authority. For example, the Firm indicated that Mr A was familiar with Mr C and Mr D because he submitted the SMF applications for them on Connect. The Firm also indicated that Mr A submitted the changes of address to the Authority on Connect on 18 May 2021 and on 9 June 2021, which runs counter to Mr A assertions that he was not involved with the day-to-day activities of the Firm and did not possess an office key.

Financial promotions on the Firm's website

- 4.20 Currently two unlisted bonds (that fall under the Authority's definition of a SIS) are marketed on the Firm's main landing page of its website (www.vectorwealth.co.uk/investments). If a customer clicks on one of these promotions they are taken to a screen where they are asked to "Create an account".
- Vector Wealth Absolute Return Forex Bond 2 which is described as "Offering the potential for returns of 15%. REGISTER TO SEE FULL DETAILS".
 - A bond for Firm Y, which is described as "Property Bond offering 11% per annum return paid half yearly. REGISTER TO SEE FULL DETAILS."
- 4.1 There are two further unlisted bonds (also SIS) marketed on the Firm's website.
- A bond for Firm Z, which is described as "offering high fixed returns utilising strong relationships in the property market" and offers a "12% fixed return per annum". (<https://forex.vectorwealth.co.uk/property-invest/>)
 - A "Fixed Income Opportunity" bond, which offers a "15% fixed return". (<https://forex.vectorwealth.co.uk/opportunity/>)

- 4.2 Retail customers would be able to see a significant amount of detail about these four Unlisted Bonds which, given the high rate of returns being advertised, could entice them to invest in an extremely high-risk investments and could result in them losing all the money invested.
- 4.3 Furthermore none of the Unlisted Bonds includes the specific risk warnings required when promoting a SIS.

5 CONCLUSION

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

Analysis of failings and risks

- 5.2 Pursuant to paragraph 2C of Schedule 6 of the Act, the Firm must be capable of being effectively supervised by the Authority having regard to all the circumstances including the way in which the Firm's business is organised. The admission by Mr A as CEO and controller that he cannot control the Firm, that he is unfamiliar with fellow senior managers and significant shareholders, and that he cannot access the office support Supervision's concern that the Firm is not organised in such a way that it can be capably supervised. The Firm's responses contradict information provided by Mr A which further gives rise to Supervision's concerns about the way in which the Firm's business is organised and that the Firm cannot be effectively supervised. As a result the Firm appears to be failing to meet the Effective Supervision Threshold Condition.
- 5.3 Pursuant to paragraph 2D of Schedule 6 of the Act, the Firm's resources must be appropriate in relation to the regulated activities that the Firm carries on. Matters which are relevant in determining whether A has appropriate non-financial resources include whether the Firm's non-financial resources are sufficient to enable the Firm to comply with requirements imposed by the Authority in the course of the exercise of its functions. The admission by Mr A as CEO and controller that he cannot control the Firm, that he is unfamiliar with fellow senior managers and significant shareholders, and that he cannot access the office support Supervision's concern that the Firm may not comply with requirements imposed by the Authority in the exercise of its functions and is likely to fail to meet its Appropriate Resources Threshold Condition.
- 5.4 Pursuant to paragraph 2E to Schedule 6 of the Act, the Firm must be fit and proper, having regard to all the circumstances including the need to ensure the Firm's affairs are conducted in an appropriate manner, having regard in particular to the interests of consumers; whether the Firm has complied and is complying with requirements imposed by the Authority in the exercise of its functions, or requests made by the Authority, relating to the provision of information to the Authority and, where the Firm has so complied or is so complying, the manner of that compliance; and whether the Firm's business is being, or is to be, managed in such a way as to ensure that its affairs will be conducted in a sound and prudent manner. The admission by Mr A as CEO and controller that he cannot control the Firm, that he is unfamiliar with fellow senior managers and significant shareholders, and that he cannot access the office support Supervision's concerns that the affairs of the Firm cannot be managed in a sound and prudent manner. The Firm's responses contradict information provided by Mr A which further gives rise to Supervision's concerns about the Firm being able to conduct its affairs in a sound and prudent manner. The Firm therefore appears to be failing to meet its Suitability Threshold Condition.

- 5.5 SIS's are extremely high risk and complicated investment products which are unsuitable for retail customers because they are unlikely to understand the investment they are making, the risks involved, and the potential to lose all of the money invested.
- 5.6 The financial promotions on the Firm's website are accessible to retail investors and as a result appear to breach COBS Rule 4.14.5R(1) of the Handbook which requires that the Firm must not communicate or approve a financial promotion in relation to a SIS, where that financial promotion is addressed to or disseminated in such a way that it is likely to be received by a retail investor.
- 5.7 Furthermore the financial promotions also appear to breach COBS 4.14.9R(1) of the Handbook because they do not include specific risk warnings that must be contained within financial promotions of SIS.
- 5.8 These apparent COBS breaches pose a serious risk that retail investors may suffer loss because they are able to view the products on the Firm's websites including the promise of high returns on investment. Furthermore the website lacks warnings that may otherwise dissuade retail investors about investing in these high-risk products.
- 5.9 The lack of appropriate non-financial resources and the inability to effectively supervise the Firm's activities in order to assess how they are impacting retail investors increases the Authority's concerns of the risk of harm to existing and potential retail investors. The Authority is unable to assess the amount that may already be invested in these SIS and the nature of the client base. By seeking an assets restriction, the Authority will be able to gather further information from the Firm about its activities while preventing the potential investment from retail investors and payments out to SIS.
- 5.10 The Authority has concluded, in light of the matters set out above, that it is necessary to exercise its own-initiative power under section 55L(3)(a) of the Act by imposing the Requirements to stop the Firm conducting regulated activities, unregulated activities relating to SIS and the dissipation of assets in order to protect the interests of consumers.
- 5.11 The Authority considers that the Requirements are a proportionate and appropriate means to address the current and immediate risks, and are desirable in order to advance the Authority's operational objective of consumer protection.

Timing and duration of the Requirements

- 5.12 It is necessary to impose the Requirements on an urgent basis given the seriousness of the risks and the need to protect consumers.
- 5.13 The Authority considers that it is necessary for the Requirements to remain in place indefinitely.

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 2.3.7G and DEPP 4.1.7G of the Handbook.

- 6.2 This First Supervisory Notice is given under section 55Y(4) of the Act 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 of the Handbook. The deadline for providing written representations and notifying the Authority that the Firm wishes to make oral representations is 2 March 2022 or such later date as may be permitted by the Authority. Any notification or representations should be sent to David Watkins at David.Watkins@Authority.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, 5th Floor, Rolls Building, Fetter Lane, London EC4A 1NL (telephone: 020 7612 9730; email: 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 David Watkins at David.Watkins@Authority.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 For more information concerning this matter generally, contact David Watkins at David.Watkins@Authority.org.uk.

6.12 Any questions regarding the executive procedures decision-making process should be directed to David Watkins at David.Watkins@Authority.org.uk.

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 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).
6. 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.”
7. Paragraph 2C of Schedule 6 to the Act provides that (1) the 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; (c) the way in which the firm's business is organised; (d) if the firm is a member of a group, whether membership of the group is likely to prevent the Authority's effective supervision of the firm; (e) whether the firm is subject to consolidated supervision required under any relevant implementing provisions; (f) if the firm has close links with another person (“CL”) (i) the nature of the relationship between the firm and CL, (ii) whether those links are or that relationship is likely to prevent the Authority's effective supervision of the for,, and (iii) if CL is subject to the laws, regulations or administrative provisions of a country or territory outside the United Kingdom (“the foreign provisions”), whether those foreign provisions, or any

deficiency in their enforcement, would prevent the Authority's effective supervision of the firm.

(1A) Paragraphs (a), (b) and (e) of sub-paragraph (1) do not apply where the only regulated activities that the person carries on, or seeks to carry on, are (a) relevant credit activities, and (b) if any, activities to which, by virtue of section 39(1D), sections 20(1) and (1A) and 23(1A) do not apply when carried on by the person.

(2) The firm has close links with CL if (a) CL is a parent undertaking of the firm, (b) CL is a subsidiary undertaking of the firm, (c) CL is a parent undertaking of a subsidiary undertaking of the firm, (d) CL is a subsidiary undertaking of a parent undertaking of the firm, (e) CL owns or controls 20% or more of the voting rights or capital of the firm, or (f) the firm owns or controls 20% or more of the voting rights or capital of CL.

8. Paragraph 2D of Schedule 6 to the Act provides that (1) the resources of the firm must be appropriate in relation to the regulated activities that the firm carries on or seeks to carry on.

(2) The matters which are relevant in determining whether the firm has appropriate resources include (a) the nature and scale of the business carried on, or to be carried on, by the firm; (b) the risks to the continuity of the services provided by, or to be provided by, the firm; (c) the firm's membership of a group and any effect which that membership may have.

(3) Except in a case within sub-paragraph (3A), the matters which are relevant in determining whether the firm has appropriate financial resources include (a) the provision the firm makes and, if the firm is a member of a group, which other members of the group make, in respect of liabilities; (b) the means by which the firm manages and, if the firm is a member of a group, by which other members of the group manage, the incidence of risk in connection with the firm's business.

(3A) Where the only regulated activities that A carries on or seeks to carry on are (a) relevant credit activities, and (b) if any, activities to which, by virtue of section 39(1D), sections 20(1) and (1A) and 23(1A) do not apply when carried on by the firm, the firm has adequate financial resources if the firm is capable of meeting A's debts as they fall due.

(4) The matters which are relevant in determining whether A has appropriate non-financial resources include (a) the skills and experience of those who manage the firm's affairs; (b) whether the firm's non-financial resources are sufficient to enable the firm to comply with (i) requirements imposed or likely to be imposed on the firm by the Authority in the exercise of its functions, or (ii) any other requirement in relation to whose contravention the Authority would be the appropriate regulator for the purpose of any provision of Part 14 of this Act.

9. Paragraph 2E of Schedule 6 to the Act provides that the firm must be a fit and proper person having regard to all the circumstances, including (a) the firm's connection with any person; (b) the nature (including the complexity) of the regulated activities that A carries on or seeks to carry on; (c) the need to ensure that the firm's affairs are conducted in an appropriate manner, having regard in particular to the interests of consumers and the integrity of the UK financial system; (d) whether the firm has complied and is complying with requirements imposed by the Authority in the exercise of its functions, or requests made by the Authority, relating to the provision of information to the Authority and, where the firm has so complied or is so complying, the manner of that compliance; (e)

whether those who manage the firm's affairs have adequate skills and experience and have acted and may be expected to act with probity; (f) whether the firm's business is being, or is to be, managed in such a way as to ensure that its affairs will be conducted in a sound and prudent manner; (g) the need to minimise the extent to which it is possible for the business carried on by the firm, or to be carried on by the firm, to be used for a purpose connected with financial crime.

RELEVANT REGULATORY PROVISIONS

The Enforcement Guide

10. The Authority's approach in relation to its enforcement powers is set out in Chapter 8 of the Enforcement Guide (EG), certain provisions of which are summarised below.
11. 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)).
12. 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)).
13. 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)).
14. 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.
15. EG 8.3.2 states that the Authority will consider exercising its own-initiative power as a matter of urgency 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.
16. 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.

17. 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 (1) 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 exercise of own-initiative powers will be appropriate, to protect the consumers' interests. (2) 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 (3) 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 Authority'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 Authority, 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. (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.
18. 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.
19. COBS 4.14.5R states that (1) a firm or a TP firm must not communicate or approve a financial promotion in relation to a speculative illiquid security where that financial promotion is addressed to or disseminated in such a way that it is likely to be received by a retail client. (2) The restriction in (1) is subject to COBS 4.14.6R.
20. COBS 4.14.8R states that subject to COBS 4.14.5R and COBS 4.14.6R, a firm or TP firm must not communicate or approve a financial promotion which relates to a speculative illiquid security unless it contains (1) a risk warning that complies with 4.14(9)R; (2) if applicable, the date on which the financial promotion was approved; and (3) statements that comply with COBS 4.14.12R disclosing all costs, charges and commission.
21. COBS 4.14.9R states that (1) for the purposes of COBS 4.14.8R1, and subject to COBS 4.14.9R(2) and COBS 4.14.9R(3), the financial promotion must contain the following risk warning: *"You could lose all of your money invested in this product. This is a high-risk investment and is much riskier than a savings account."*