

## 1. Warning Notice Statement 21/4

- 1.1 The Financial Conduct Authority (the FCA) gave a firm a warning notice on 24 August 2021 proposing to take action in respect of the conduct summarised in this statement.

**IMPORTANT:** A warning notice is not the final decision of the FCA. The firm has the right to make representations to the Regulatory Decisions Committee (RDC) which, in the light of those representations, will decide on the appropriate action and whether to issue a decision notice. The RDC is a Committee of the FCA Board which decides whether the FCA should give certain statutory notices described as within its scope by the FCA's Handbook.

If a decision notice is issued, the firm has the right to refer the matter to the Upper Tribunal which would reach an independent decision on the appropriate action for the FCA to take, if any.

If either the RDC or the Upper Tribunal decides that no further action should be taken, the FCA will publish a notice of discontinuance provided it has the firm's consent.

- 1.2 The following is a summary of the reasons why the FCA gave the firm a warning notice:

- The FCA considers that:
  - Between 29 January 2015 and 29 September 2015, the firm, which is an interdealer broker, had serious failings in relation to the financial crime risk arising from cum/ex trading by clients introduced by a particular group of related entities, in that it:
    - (a) had inadequate systems and controls to identify and mitigate the risk of being used to facilitate fraudulent trading and money laundering in relation to its cum-ex trading business, thereby breaching Principle 3 of the FCA's Principles for Businesses; and
    - (b) breached Principle 2 of the FCA's Principles for Businesses as it did not exercise due skill, care and diligence in applying its AML policies and procedures, and in failing properly to assess, monitor and mitigate the risk of financial crime in relation to the clients introduced by those entities.
  - The clients were off-shore companies including British Virgin Islands and Cayman Islands incorporated entities and a large number of individual US 401k Pension Plans previously unknown to the firm. The clients had no apparent access to funds to settle the transactions and were controlled by a small number of individuals, some of whom had worked for the introducing entities.
  - The way these purported trades were conducted in combination with their scale and volume are highly suggestive of financial crime.
  - The firm's failings left the firm exposed to the risk that it could be used to further financial crime.