Financial Conduct Authority

FINAL NOTICE

To: **Cenkos Securities Plc**

Firm Reference Number: **416932**

Address: **6.7.8 Tokenhouse Yard, London EC2R 7AS**

Date: **8 August 2016**

1. ACTION

1.1. For the reasons given in this Notice, the Authority hereby imposes on Cenkos Securities Plc ("Cenkos") a financial penalty of £530,500.

1.2. Cenkos agreed to settle at an early stage of the Authority's investigation. Cenkos therefore qualified for a 30% (Stage 1) discount under the Authority's executive settlement procedures. Were it not for this discount, the Authority would have imposed a financial penalty of £757,800 on Cenkos.

2. SUMMARY OF REASONS

2.1. Cenkos is an AIM-listed company that provides various securities-related services to UK companies. It is an authorised firm which is an approved sponsor under the Authority's Sponsor Regime and a Nominated Adviser for the purposes of AIM.

2.2. Sponsors are critical to the integrity of the Premium Listed equity market in London. They perform a dual role which involves providing expert advice and guidance to current and prospective companies with a Premium Listing and providing key regulatory assurances to the Authority. As such, sponsors have an

essential role to play in assisting the Authority to meet its objectives of maintaining the integrity of the market and ensuring an appropriate degree of consumer protection.

2.3. Sponsors are supervised by the UKLA, a department within the Authority, which maintains a list of approved sponsors on the Authority's website. In order to give the market confidence that firms included on the sponsor list are competent to act as sponsors, the Authority has put in place a series of supervisory processes and has placed ongoing requirements under LR 8 on sponsor firms.

2.4. Due to the expert nature of the role of a sponsor, and the high standards attributed to a Premium Listing, the Authority expects firms providing Sponsor Services to put in place robust systems and controls, and act with due care and skill, in relation to their provision of Sponsor Services. However, during the Relevant Period, Cenkos failed to do so. In particular, Cenkos failed to put in place adequate systems and controls to ensure appropriate oversight of its Sponsor Services business, and to ensure that all Deal Teams were adequately supervised when carrying out Sponsor Services mandates. Deficiencies in Cenkos' systems and controls meant that some Deal Teams were left largely unchallenged and inadequately supervised which increased the risk that serious issues would occur, undetected, on those client mandates. However, two of the business areas providing Sponsor Services, Investment Funds and Equity Capital Markets, had a higher level of supervision and challenge and had practices which were more appropriate to meet the risks which those areas' Sponsor Services mandates posed.

2.5. This risk crystallised during the attempted transfer of the Client from AIM to a Premium Listing on the LSE's Main Market ("the Transaction"). Cenkos did not carry out its sponsor role with the level of diligence and professional care that the Authority would expect. Cenkos failed to identify and manage properly the key risks relating to whether the Client would be able to demonstrate its eligibility for a Premium Listing.

2.6. Cenkos represented to the Authority that the Client was eligible for a Premium Listing when it had not carried out adequate due diligence to support its submissions. Cenkos failed to progress critical due diligence work streams and key reports, which were necessary to inform their submissions to the Authority and the drafting of the prospectus. In fact, key reports had not been commenced by early June 2014, the target date for the Premium Listing. As Cenkos did not

undertake adequate due diligence, it was not in a position to ensure that the communications and information it provided to the Authority were accurate and complete.

2.7. Further, it failed also to properly understand and address the significant questions raised by the Authority during the Transaction regarding the Client's ability to demonstrate its eligibility, and it failed to consider the potential impact of the Gotham Report allegations on the Transaction, the timetable, and the risk of investor detriment.

2.8. Ultimately, the Transaction had to be abandoned, as Cenkos was unable to satisfy the Authority that the Client satisfied the eligibility criteria for a Premium Listing at that time. The questions regarding the Client's ability to demonstrate eligibility were highlighted by the Authority's vetting process and not in the course of Cenkos carrying out its Sponsor Services role. The Authority considers that Cenkos' failure as regards its Sponsor Services systems and controls, and its failure as regards the Transaction, were sufficiently serious as to have created a risk of impact to market confidence in the Sponsor Regime. Given the importance of sponsors in maintaining market confidence, the FCA regards these failings as particularly serious.

2.9. The Authority therefore imposes a financial penalty on Cenkos in the amount of £530,500 pursuant to section 88A of the Act in respect of breaches of LR 8.3.3R, LR 8.3.1AR and LR 8.6.6R.

2.10. In determining this penalty, the Authority acknowledges that, since the end of the Transaction, Cenkos has dedicated significant financial and non-financial resources to the development and implementation of a range of enhancements and improvements to its systems and controls relating specifically to Sponsor Services, including steps taken in consultation with the UKLA.

2.11. In this Notice the Authority makes no criticism of any person other than Cenkos. Further, any facts or findings in this Notice relating to Deal Teams should not be read as relating to all the members of that team, or even necessarily any particular individual in that team.

3. DEFINITIONS

3.1. The definitions below are used in this Final Notice.

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

“AIM” means the Alternative Investment Market;

“the Authority” or “the FCA” means the body corporate previously known as the Financial Services Authority and renamed on 1 April 2013 as the Financial Conduct Authority;

“Cenkos” means Cenkos Securities Plc;

“the Client” means Quindell Plc;

“DEPP” means the FCA’s Decision Procedure and Penalties Manual;

“Deal Team” means the team working on a particular Sponsor Services mandate;

“FPPR” means Financial Position and Prospects Report;

“the Gotham Report” means the research piece published by Gotham City Research LLC, on 22 April 2014, regarding the Client;

“LR” means the United Kingdom Listing Authority’s Listing Rules;

“LSE” means the London Stock Exchange;

“Main Market” means the LSE’s largest regulated market for listed securities which consists of two listing segments – Premium and Standard Listing;

“NBC” means Cenkos’ New Business Committee;

“Nominated Adviser” means a firm or company which has been approved by the LSE to advise firms seeking to obtain and/or maintain an AIM listing;

“Premium Listing” means a category of official listing, which meets a higher standard of regulation and corporate governance than is required for a Standard Listing;

“the Readers” means members of the UKLA who review a sponsor’s submissions in connection with an application for a Premium Listing;

“the Relevant Period” means the period commencing on 1 April 2012 and ending on 19 August 2015;

“Sponsor Regime” means the regime as set out under section 88 of the Act;

"Sponsor Service(s)" means a service relating to a matter referred to in LR 8.2 that a sponsor provides or is requested or appointed to provide, including preparatory work. A full definition is contained in the Authority's glossary;

"SST" means the UKLA's Sponsor Supervision team;

"Standard Listing" means a category of official listing which meets the requirements laid down by EU legislation, but not the additional regulation and corporate governance required for a Premium Listing;

"the Suite of Reports" means the working capital report, the FPPR and various comfort letters from the Client's advisors to the Client's directors and sponsor to assist with the verification of the financial information concerning the Client;

"the Transaction" means the attempted transfer of the Client from AIM to a Premium Listing on the official list of the FCA and admission to the LSE's Main Market;

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

"the UKLA" means the United Kingdom's Listing Authority, a department within the FCA; and

"the 2013 Announcement" means the RNS announcement dated 21 February 2013 in which the Client stated its intention to move to a Premium Listing.

4. FACTS AND MATTERS

Company Background

4.1. Cenkos' principal activities are the provision of corporate finance advisory and corporate broking services. Cenkos' clients are predominantly UK small and mid-cap companies. In providing Sponsor Services, Cenkos advises clients on a range of transactions, from obtaining a Premium Listing to issuing a prospectus for a share issue. Cenkos has been a sponsor since 2006 and remains an active sponsor.

4.2. During the Relevant Period, Cenkos had five investment banking business areas each with their own Corporate Finance staff. Sponsor Services were performed by Corporate Finance staff from a number of teams in the five business areas, with support from Finance and Compliance. For the majority of the Relevant Period, there were no overarching reporting lines specific to Sponsor Services and

there was no one person or committee (other than the Executive Board) to whom all Sponsor Services staff ultimately reported. No one was designated with responsibility for oversight of Sponsor Services.

Sponsor obligations

4.3. Sponsors are required to comply with the Listing Rules at all times, which contain particular requirements which sponsors must adhere to when advising firms on a Premium Listing. These include, amongst others, the requirements to: act with due care and skill in relation to a Sponsor Service; take such reasonable steps as are sufficient to ensure that any communication or information it provides to the FCA in carrying out the Sponsor Service is, to the best of its knowledge and belief, accurate and complete in all material respects; and have appropriate systems and controls in place to carry out its role as sponsor in accordance with Chapter 8 of the Listing Rules.

Premium Listing

4.4. Companies seeking a Premium Listing of their equity securities must satisfy certain regulatory criteria, requiring them to meet higher standards of regulation and corporate governance than a Standard Listing.

4.5. An applicant for a Premium Listing must satisfy the eligibility requirements set out in Chapter 6 of the Listing Rules. These include requirements for the provision of historical financial information to the Authority, as set out in LR 6.1.3 R to 6.1.3E G.

4.6. LR 6.1.3 R requires a new applicant to have published or filed historical financial information that covers at least the last three financial years, including the consolidated accounts for the applicant and all its subsidiary undertakings, audited without modification; and the latest balance sheet date must not be more than six months prior to the date of the prospectus. LR 6.1.3B R further requires that the historical financial information must represent at least 75% of the new applicant's business for the full three year track record. This is to put prospective investors in a position to make an informed assessment of the business for which admission is sought and, as is further explained in LR 6.1.3E G, investors are then able to consider the new applicant's revenue earning record in light of its particular competitive advantages, the outlook for the sector in which it operates and the general macro-economic climate. In determining whether the financial information covers at least 75% of the new applicant's business, consideration

must also be given to acquisitions that it has made during the three year period per LR 6.1.3C G and further financial information may be required on those entities per LR 6.1.3D R.

4.7. The Authority may consider that a new applicant does not have representative historical financial information, and that its equity shares are not eligible for a Premium Listing, if a significant part or all of the new applicant's business has one or more of the characteristics set out in LR 6.1.3E G. One such requirement in LR 6.1.3E G(4) is that there is no record of consistent revenue, cash flow or profit growth throughout the period of the historical financial information. Another in LR 6.1.3E G(5) is if a significant part or all of the new applicant's business has undergone a significant change in its scale of operations during the three year period of the historical financial information.

The Client

4.8. The Client was a company that had been listed on AIM following its reverse takeover of Mission Capital PLC in April 2011. It was a highly acquisitive, fast-growing and evolving company - as of 30 June 2011 it had a reported market capitalisation of approximately £3.38 million and as of 31 December 2013, just before the Client engaged Cenkos to provide Sponsor Services, the Client had a reported market capitalisation of £1,106 million. In the intervening period, the Client had acquired a number of smaller companies and assets.

4.9. The Client stated its intention to move to a Premium Listing in an RNS announcement on 21 February 2013 ("the 2013 Announcement"), citing its motivations as: better research coverage; the perception of maturity and stability associated with a Premium Listing, leading to more interest from institutional investors; and better access to capital. In a later RNS announcement, on 31 March 2014, the Client stated that a prospectus would be submitted to the UKLA by mid-April, with admission to Premium Listing targeted for early June 2014. This target date of early June was necessary because the Client had to publish the prospectus before the audited financial statements it contained were over six months old, as required under LR 6.1.3 R (1)(b).

4.10. From around December 2013 to 11 June 2014, the Client enlisted the services of Cenkos to act as its sponsor in relation to its proposed move from AIM to a Premium Listing. From 3 March 2014 to 11 June 2014 Cenkos corresponded with the Readers, the team within the Authority responsible for vetting the Client's application to Premium Listing. This involved Cenkos submitting to the Readers:

letters confirming the Client's eligibility for a Premium Listing; analysis of its acquisitions during the required three year track record period for the purposes of explaining how the 75% rule in LR 6.1.3B R would be met; and drafts of the Client's prospectus.

4.11. Despite submitting several drafts of the prospectus and eligibility letters to the Readers, Cenkos failed to establish in its interactions with the Readers how its Client met the eligibility criteria in LR 6.1.3B R. On 11 June 2014 the Client issued an RNS which stated that it had "been advised that it had not been able to satisfy LR 6.1.3 R at this time…" and the Transaction had to be abandoned. Following the failure of the Transaction, the matter was reviewed by SST and subsequently referred to the Authority's Enforcement and Market Oversight Division ("Enforcement") for investigation. Enforcement's investigation has focused on Cenkos' systems and controls in relation to Sponsor Services generally, as well as its conduct as regards the progression of the Transaction and its submissions to the Authority as regards the Client's eligibility for a Premium Listing.

Facts supporting the breaches

Supervision, oversight and support

4.12. For the majority of the Relevant Period, Cenkos did not have an overarching structure in place for Sponsor Services. Within the complex organisational and management structure no one person, group, or committee was designated with overall responsibility for oversight of Sponsor Services. Employees carrying out Sponsor Services, worked in separate business areas and reported to separate managers, who in turn reported to separate more senior managers, who in turn reported to the CEO. Further, the job descriptions for Sponsor Services managers did not set out clear management responsibilities.

4.13. For the most part, the formal systems and controls in place at Cenkos around Sponsor Services applied equally across the business areas that undertook Sponsor Services work. However, two of the business areas providing Sponsor Services, Investment Funds and Equity Capital Markets, had a higher level of supervision and challenge and had practices which were more appropriate to meet the risks which those areas' Sponsor Services mandates posed.

4.14. For the majority of the Relevant Period, the following interacted with Sponsor Services staff during the life of a Sponsor Services transaction: the New Business

Committee ("NBC") was responsible for the approval and take-on of new clients or new mandates for existing clients; Compliance provided ad-hoc support to Deal Teams if approached by Deal Teams during a mandate; and managers in Corporate Finance met to share know-how, on an ad-hoc basis, in relation to existing transactions and regulatory changes.

4.15. The NBC convened periodically when it was required to approve a new client or a new mandate for an existing client. The NBC considered the commercial aspects of a transaction and the material financial and reputational risks. The NBC relied on information provided to it by Deal Teams. This meant that key risks could fail to be identified by the NBC if they had not been identified by the Deal Teams. Until October 2014, the NBC was not designed to provide challenge on the more technical aspects of the Premium Listing requirements, including eligibility. As a result, there was an increased risk that a mandate for a Premium Listing could be approved even though the client could not demonstrate its eligibility.

4.16. Prior to November 2014, no person or committee, including the NBC, had a specific remit to provide oversight and ongoing supervision or support to those carrying out Sponsor Services mandates. However, if a mandate altered materially post-approval, it was incumbent on Deal Teams to revert to the NBC to confirm their continued approval of the mandate.

4.17. There was no obligation on Deal Teams to report at key milestones, and there were no specific procedures in place regarding the escalation of key issues which occurred during mandates. Accordingly, there was no mechanism in place to assist all Deal Teams with the identification of issues by more senior persons or supervisory committees. The use of regulatory checklists was not mandated across all Sponsor Services teams to ensure that the requirements for a Premium Listing were considered and satisfied until October 2014. As a result, some Deal Teams carrying out Sponsor Services mandates were left inadequately supervised and unchallenged.

4.18. From September 2014 onwards, improvements were made to Sponsor Services' policies and procedures and the NBC's capability, both in terms of its composition and its operation. The form which was submitted to the NBC, summarising the transaction for which approval was sought, was amended to explicitly require Deal Teams to consider and confirm the eligibility of firms seeking a Premium Listing, their satisfaction of specific Listing Rules, and the experience and expertise of those working on Deal Teams. From November 2014, the

Investment Funds team was designated as a specialist resource for Deal Teams working on Sponsor Services mandates to approach for advice and to sit on the NBC when Premium Listing mandates were being proposed. However, until July 2015, there was still no person or committee designated to provide ongoing supervision and oversight to those performing Sponsor Services; and there was no obligation on Deal Teams to report at key milestones of a transaction or otherwise.

Delivery of training, policies and guidance to Sponsor Services

4.19. During the Relevant Period, Cenkos' policies and procedures in relation to Sponsor Services were contained within "the Corporate Finance Procedures Manual" and "the Short Form Sponsor Manual". Although the Corporate Finance Procedures Manual referred to the main areas of due diligence that should be carried out on transactions on which Cenkos may advise, the policies and procedures did not give clear guidance on how to interpret and fulfil the financial requirements for a Premium Listing. They also did not include guidelines on how to identify and manage the key risks of a Premium Listing transaction. Further, there were no recorded processes and practices for managing the due diligence process in order to ensure that the due diligence being relied upon was available in time to support the eligibility submissions and the drafting of the prospectus. There was no mechanism mandated across all Sponsor Services teams for checking if the policies and procedures in place were understood and adhered to by staff carrying out Sponsor Services.

4.20. Cenkos provided training and guidance to staff undertaking Sponsor Services on relevant regulatory updates and the delivery of Sponsor Services generally. However, for the majority of the Relevant Period training was monitored at a team level and the centralised system for recording training did not comprehensively reflect which staff had attended which training.

Appropriate staffing of Sponsor Services mandates

4.21. Cenkos' decision-making around appropriate staffing of Sponsor Services mandates was conducted on an informal basis, by Deal Team members themselves, and these decisions were not verified or approved outside the business area. The NBC was not explicitly required to consider and record its approval of a Deal Team's composition until after October 2014.

Cenkos' handling of the Transaction

4.22. Although Cenkos was not formally appointed as sponsor for the Client until January 2014, Cenkos was conducting preliminary work on the Transaction from December 2013. Early on in the Transaction, Cenkos decided not to engage reporting accountants to provide a Long Form Report (a standard report regularly produced by accountants to a firm seeking a Premium Listing as required by Cenkos' own policies), as the Client was an existing client and other due diligence reports could be relied upon to satisfy Cenkos of the suitability of the Client to be admitted to Premium Listing. These other reports included the working capital report, the FPPR and various comfort letters to assist with the verification of the financial information concerning the company ("the Suite of Reports"). However, none of the Suite of Reports was completed by early June 2014, the target date for the completion of the Transaction. The only report that was commenced was the legal due diligence report; a draft was circulated in April 2014 by the Client's legal advisor to Cenkos, the Client and the Client's advisors, but it was not progressed any further. Work on the remaining reports had not been commenced by June 2014.

4.23. Of particular significance is the working capital report. A company seeking a Premium Listing is required to satisfy the Authority that it has sufficient working capital for at least the next 12 months. This is contained in the working capital statement included in the prospectus and the sponsor's declaration to the Authority. Market practice is that the company and its accountants will prepare a working capital report to support the working capital statement which the sponsor will review and then conduct further due diligence if required. However, the working capital report had still not been commenced in early June 2014. The Authority found no evidence of Cenkos seeking to ensure that this report was progressed or considering the risk to the Transaction of not having a working capital report.

4.24. A key aspect of the sponsor's role is that it will be required to lead and coordinate a company's advisors; however, Cenkos failed to ensure that the Suite of Reports was progressed. A Suite of Reports produced earlier in the process might have identified some of the subsequent issues with demonstrating eligibility and would have helped Cenkos in putting together relevant and correct arguments to the Authority. The Authority considers that the steps taken up to June 2014 were inadequate and show that Cenkos was not overseeing the progress of the due diligence work stream with due care and skill.

Cenkos' approach to eligibility requirements

4.25. The Client was a highly acquisitive, fast growing and evolving company with multiple business streams; however, Cenkos failed to identify at the NBC or elsewhere that this created a potential risk as regards the Client's ability to demonstrate that it met the eligibility requirements in LR 6.1.3 R to 6.1.3E G. The papers submitted to the NBC about the Transaction were not sufficiently granular; only identified one risk which was that the company was "high profile"; and presented that each of the Listing Rule requirements for Premium Listing, including eligibility, had been met. The lack of risks identified was not questioned or challenged by the NBC, and Cenkos proceeded on the basis that demonstrating the Client's eligibility for a Premium Listing would be achievable.

4.26. Throughout the Transaction, Cenkos did not identify and manage appropriately the risk that the Client would not be able to satisfy the eligibility requirements under LR 6.1.3 R to 6.1.3E G as discussed in paragraphs 4.5 to 4.7. In fact, Cenkos did not carry out the necessary due diligence to support its assertions and submissions to the Authority in this regard.

Cenkos' approach to prospectus and eligibility submissions

4.27. On 3 March 2014, Cenkos submitted the first eligibility letter to the Authority. An eligibility letter is a letter to the Authority detailing the Client's compliance with the eligibility requirements. The Readers' response made clear that the Authority had significant questions regarding the Client's ability to demonstrate that it satisfied the eligibility requirements for a Premium Listing. Cenkos submitted two further eligibility letters and two drafts of the prospectus between 26 March and 25 May 2014. Upon each submission of the eligibility letters and draft prospectuses the Readers provided considerable comments questioning the Client's ability to demonstrate that it satisfied the eligibility requirements. Throughout the Transaction, Cenkos failed to fully understand and address the Authority's significant questions regarding the Client's ability to demonstrate its eligibility. At no stage did Cenkos re-evaluate the eligibility of the Client for a Premium Listing in light of the Authority's considerable comments.

4.28. The analysis of the 75% rule in LR 6.1.3B R provided by Cenkos to the Authority was incomplete on a number of occasions throughout the Transaction, as Cenkos had not fully addressed the evolution in the nature and size of its Client and its business during the required three year track record period. Even by 4 June 2014, the Authority's questions regarding the Client's ability to demonstrate that

it had satisfied the eligibility requirements had not been adequately answered. On this occasion it appears that Cenkos received some numbers relating to the Client and passed them on to the Authority without subjecting them to adequate challenge or analysis.

4.29. Cenkos failed to take adequate steps to ensure that the Client could demonstrate that it was eligible for a Premium Listing, and therefore the information presented in the eligibility submissions to the Readers was not accurate or complete, as it was based on an insufficient assessment of the Client and its eligibility. In turn, this made it difficult for the Readers to assess whether the disclosures in the drafts of the prospectus were accurate and complete.

Cenkos' approach to timetable

4.30. The Client confirmed in the 2013 Announcement that it was working towards a transition from AIM to a Premium Listing as soon as possible. Further announcements by the Client on 19 August 2013 and 3 October 2013 confirmed the Client's intention to move to a Premium Listing at "the appropriate time" which it considered to be at the point of reporting the full year results for 2013 in March 2014. On 18 February 2014 the Client reported that it continued to progress towards a Premium Listing and that at the time of its announcement of full year results for 2013, it would provide a more detailed update on the final anticipated timescale for the move to Premium Listing, which it expected to be completed shortly following the publishing of those results.

4.31. In an announcement on 31 March 2014, the Client reported that its move to a UK Premium Listing was progressing to plan and that the prospectus would be submitted to the Authority by April 2014, with a Premium Listing target date for early June 2014. This announcement by the Client required Cenkos to work towards this date in managing the various work streams being carried out by the Client and its other advisors.

4.32. In April 2014 Cenkos circulated a proposed timetable for the Client's move to a Premium Listing. It was very ambitious and did not take into account the significant questions that had already been raised by the Readers about the Client's ability to demonstrate that it met the eligibility criteria. Cenkos failed to re-evaluate whether this timetable was realistic in light of the considerable comments raised by the Authority on the eligibility letters and prospectuses, and the fact that due diligence would be required to provide the relevant assurances to the UKLA on the basis of due and careful enquiry. Cenkos did not adequately

manage the various work streams required to finalise the Suite of Reports and did not recognise, when issues were not resolved, that the timetable had become unrealistic. The tight timeframe placed undue pressure on the Readers to turn around the prospectus and did not allow Cenkos the time to address the comments raised by the Readers with the due care, skill and accuracy necessary.

4.33. On 22 April 2014 the Gotham Report was published, and as a consequence of the allegations it contained, the Client's share price suffered a significant fall. However, following the negative claims in the Gotham Report there was no consideration by Cenkos of the impact it might have on the Transaction; whether there was now a risk of investor detriment, pursuant to section 75(5) of the Act; whether there was a need to conduct further enquiries into the issues raised by the Gotham Report; and whether these enquiries could be completed by June 2014.

4.34. The Transaction was terminated on 11 June 2014 by the Client without the move to a Premium Listing being completed.

4.35. Since these events Cenkos has worked to identify and address the issues which arose on the Transaction, and to undertake an extensive remediation programme, in consultation with the UKLA, to improve and enhance its systems and controls around its Sponsor Services business.

5. FAILINGS

5.1. The statutory provisions and regulatory provisions and guidance relevant to this Final Notice are referred to in Annex A.

5.2. The Authority considers that during the Relevant Period Cenkos failed:

(1) to have appropriate systems and controls in place to carry out its role as a sponsor, in breach of LR 8.6.6 R; and

(2) in relation to the Transaction, (i) failed to act with due care and skill, in breach of LR 8.3.3R and (ii) failed to take reasonable steps to ensure any communication or information it provided to the FCA was, to the best of its knowledge and belief, accurate and complete in all material respects, in breach of LR 8.3.1A R.

LR 8.6.6R

5.3. LR 8.6.6 R requires a sponsor to comply, at all times, with the criteria set out in LR 8.6.5 R, a rule which, amongst other requirements, states at LR 8.6.5 R (3) that to be approved as a sponsor a firm must have appropriate systems and controls in place to carry out its role as sponsor. The systems and controls required to satisfy this requirement are set out in LR 8.6.12 R. The provisions of LR 8.6.12 R referred to below were guidance until 1 February 2015 and from that date became a rule.

5.4. Cenkos breached:

(1) LR 8.6.12 R (1), requiring clear and effective reporting lines for the provision of Sponsor Services (including clear and effective management responsibility), because (a) reporting lines for Sponsor Services were not clear and effective across Cenkos as a whole, and (b) there was unclear management responsibility within Sponsor Services;

(2) LR 8.6.12 R (2), requiring effective systems and controls for the appropriate supervision of employees engaged in the provision of Sponsor Services by the sponsor, because no one was designated with responsibility for providing ongoing supervision and support to Deal Teams after the NBC approved a mandate. Compliance and the Investment Funds team were available as a resource to the Deal Teams, but neither was required to provide ongoing or proactive supervision to the Deal Teams. As a result, certain Deal Teams outside Investment Funds and Equity Capital Markets, were left largely unchallenged and inadequately supervised when carrying out Sponsor Services mandates;

(3) LR 8.6.12 R (3), requiring effective systems and controls to ensure compliance with all applicable LRs at all times, including when performing Sponsor Services, for a number of reasons:

i. policies and procedures in relation to Sponsor Services did not give clear guidance on how to interpret and fulfil the financial requirements for a Premium Listing, and they did not include guidelines on how to identify and manage the key risks of a Premium Listing. There was no system mandated across all Sponsor Services teams for verifying that the policies and procedures in place were read, understood and complied with;

ii. training was delivered to staff undertaking Sponsor Services, but the centralised system for checking who had undertaken what training was not fully effective until later in the Relevant Period;

iii. Sponsor Services mandates were not checked on at key milestones or otherwise and regulatory checklists for Premium Listings were only mandated across all teams much later in the Relevant Period;

iv. the NBC was not set up to provide the necessary technical challenge when approving Sponsor Services mandates. The NBC did not have the in-depth knowledge of the LRs necessary to provide sufficient challenge around whether firms met the financial requirements for a Premium Listing. From October 2014, Cenkos made some improvements to the NBC process by requiring checklists to be provided to the NBC when considering Premium Listings, and to the technical expertise of the NBC by adding staff from the Investment Funds team to the composition of the NBC when approving a Premium Listing mandate; and

(4) LR 8.6.12 R (6), requiring effective systems and controls which require appropriate staffing arrangements for providing each Sponsor Service in line with the principles for sponsors in LR 8.3, because Deal Team composition was not always considered and challenged, and the requirement to document this assessment was not adhered to routinely until after October 2014.

5.5. However, two of the business areas providing Sponsor Services, Investment Funds and Equity Capital Markets, had a higher level of supervision and challenge and had practices which were more appropriate to meet the risks which those areas' Sponsor Services mandates posed.

LR 8.3.3 R

5.6. LR 8.3.3 R requires the sponsor to act with due care and skill when carrying out its Sponsor Services. Cenkos failed to carry out its Sponsor Services, in relation to the Transaction, with due care and skill because:

(1) Despite the fact that the Client was a highly acquisitive, fast-growing and evolving company with multiple business streams, all of which potentially impacted its ability to demonstrate eligibility for a Premium Listing, Cenkos failed to identify that this was a key risk at the NBC approval stage. The

Transaction therefore proceeded on the basis of an incorrect assumption that demonstrating eligibility was not a key risk;

(2) Cenkos failed to undertake adequate due diligence to satisfy itself and the Authority of the eligibility of the Client for a Premium Listing. Cenkos did not ensure that the key due diligence work streams had been commenced and/or were adequately progressing. As late as June 2014, the date Cenkos was working towards as regards completing the Transaction, none of the Suite of Reports had been completed. In fact, none of the reports had been commenced except the legal due diligence report. As such, Cenkos' approach to due diligence did not meet a professional standard of care, and Cenkos failed to assess what due diligence would be required to provide the relevant assurances to the UKLA on the basis of due and careful enquiry (as required by LR 8.4.2 R (4));

(3) Throughout the Transaction, the Authority posed significant questions to Cenkos regarding its Client's ability to demonstrate that it met the eligibility requirements in relation to its financial history. Cenkos failed to fully understand and address the Authority's questions, and it failed to reconsider the eligibility criteria in light of the Authority's significant questions; and

(4) Cenkos failed to consider the impact the Gotham Report might have on the Transaction; whether there was now a risk of investor detriment, pursuant to section 75(5) of the Act; whether there was a need to conduct further enquiries into the issues raised by the Gotham Report; and whether these issues could be resolved by the target date of June 2014. Cenkos did not reflect on the timetable and re-evaluate when the Authority posed significant questions about its Client's ability to demonstrate its eligibility and the publication of the Gotham Report. Cenkos failed to recognise the timetable was becoming unrealistic and, in particular, it failed to realise that it had insufficient time to progress the Suite of Reports prior to the cut-off date for the publication of the prospectus of end of June 2014.

LR 8.3.1A R

5.7. Cenkos failed to take reasonable steps as were sufficient to ensure that any communication or information it provided to the FCA, in carrying out Sponsor Services in the course of the Transaction, were, to the best of its knowledge and belief, accurate and complete in all material respects because:

(1) Cenkos did not undertake adequate due diligence to verify the information provided to the Authority was accurate and complete. Cenkos failed to ensure the Suite of Reports was commenced or adequately progressed. A draft of the legal due diligence was completed but was not finalised, and no drafting of the other reports had commenced by June 2014, the target date for the completion of the Transaction;

(2) From March to June 2014, the Authority provided detailed comments, guidance and assistance to Cenkos indicating its concerns regarding Cenkos' ability to demonstrate that its Client had satisfied the eligibility requirements. However, throughout the Transaction Cenkos continued to submit to the Authority that the Client met the eligibility requirements without reassessing the eligibility requirements and without taking steps to satisfy itself of the position. This demonstrates that Cenkos was not taking reasonable steps sufficient to ensure that the information provided to the Authority was accurate and complete in all material respects, to the best of its knowledge and belief; and

(3) Cenkos did not adequately challenge the information provided to it by the Client to ensure that the information it subsequently provided to the Authority, to demonstrate how the Client could meet the 75% rule in LR6.1.3B R, was accurate, on point and complete. Cenkos provided the insufficient information to the Authority as it was unable to perform the appropriate analysis. The basis for the analysis was provided by the Client and was not adequately understood nor challenged by Cenkos.

6. SANCTION

6.1. The Authority's policy for imposing a financial penalty is set out in Chapter 6 of the DEPP, which is part of the Authority's Handbook.

6.2. In respect of conduct occurring on or after 6 March 2010, the Authority is required to apply a five-step framework to determine the appropriate level of financial penalty. DEPP 6.5A sets out the details of the five-step framework that applies in respect of financial penalties imposed on firms and these are applied to this case below.

Penalty for breaches of LR 8.6.6 R, LR 8.3.3 R and LR 8.3.1A R

6.3. The Authority considers that a single penalty calculation is appropriate in the circumstances because the Listing Rule breaches result from the same underlying failings at Cenkos.

Step 1: disgorgement

6.4. Pursuant to DEPP 6.5A.1 G, at Step 1 the Authority seeks to deprive a firm of the financial benefit derived directly from the breach where it is practicable to quantify this.

6.5. The Authority has not identified any financial benefit that Cenkos derived directly from its breaches.

6.6. The figure after Step 1 is therefore £0.

Step 2: the seriousness of the breach

6.7. Pursuant to DEPP 6.5A.2 G, at Step 2 the Authority determines a figure that reflects the seriousness of the breach. Where the amount of revenue generated by a firm from a particular product line or business area is indicative of the harm or potential harm that its breach may cause, that figure will be based on a percentage of the firm's revenue from the relevant products or business area.

6.8. The Authority considers that the revenue generated by Cenkos from Sponsor Services is an appropriate indicator of the harm or potential harm caused by its breaches of LR 8.3.3 R, LR 8.3.1A R and LR 8.6.6 R. The period of Cenkos' breach was from 1 April 2012 to 19 August 2015. From 1 April 2013, pursuant to section 88A of the Act, the Authority has had the power to impose a penalty on a sponsor. Therefore, the Authority considers the relevant revenue is that for the period from 1 April 2013 until 19 August 2015, an amount of £2,020,961.

6.9. The Authority has therefore determined a figure based on a percentage of Cenkos' relevant revenue. In deciding on the percentage of the relevant revenue that forms the basis of the Step 2 figure, the Authority considers the seriousness of the breach and chooses a percentage between 0% and 20%. This range is divided into five fixed levels which represent, on a sliding scale, the seriousness of the breach; the more serious the breach, the higher the level. For penalties imposed on firms there are the following five levels:

1) Level 1 – 0%

2) Level 2 – 5%

3) Level 3 – 10%

4) Level 4 – 15%

5) Level 5 – 20%

6.10. In assessing the seriousness level, the Authority takes into account various factors which reflect the impact and nature of the breach, and whether it was committed deliberately or recklessly. The Authority considers the following factors to be relevant to the seriousness of Cenkos' breach:

Impact of the breaches

(1) Cenkos represented to the Authority that the Client was eligible for a Premium Listing when it had not done the requisite due diligence to ensure that this was correct. In theory, this could have led to an ineligible firm obtaining a Premium Listing, which would have posed a potential risk to consumers and institutional investors. The UKLA acts as a gatekeeper to Premium Listing, so this risk is reduced. However, the UKLA places significant reliance upon the work a sponsor performs to provide key assurances to the UKLA to assist it in performing this role. Therefore it remains a potential risk that confidence in the Sponsor Regime could have been damaged had the Client obtained a Premium Listing without the requisite due diligence being carried out by Cenkos.

Nature of the breaches

(2) There were serious weaknesses in Cenkos' systems and controls in respect of Sponsor Services.

Whether the breaches were deliberate or reckless

(3) The Authority has not found that Cenkos acted deliberately or recklessly in committing the breaches.

6.11. DEPP 6.5A.2G(11) lists factors which are likely to be considered 'level 4 factors' or 'level 5 factors' in terms of seriousness. Of these, the Authority considers the following factors to be relevant:

(1) The breaches caused a significant risk of loss to consumers, investors, and other market users; and

(2) The breaches revealed serious and systemic weaknesses in Cenkos' systems and controls in respect of Sponsor Services.

6.12. The Authority has also taken into account the potential risk to market confidence in the Sponsor Regime.

6.13. DEPP 6.5A.2G(12) lists factors which are likely to be considered 'level 1 factors', 'level 2 factors' or 'level 3 factors' in terms of seriousness. Of these factors, the Authority considers that the breaches were committed negligently to be relevant.

6.14. Taking all of these factors into account, the Authority considers the seriousness of the breach to be level 4, and so the Step 2 figure is 15% of £2,020,961.

6.15. The Step 2 figure is £303,144.

Step 3: mitigating and aggravating factors

6.16. Pursuant to DEPP 6.5A.3 G, at Step 3 the Authority may increase or decrease the amount of the financial penalty arrived at after Step 2, but not including any amount to be disgorged as set out in Step 1, to take into account factors which aggravate or mitigate the breach.

6.17. The Authority considers that there are no aggravating or mitigating factors; however, the Authority acknowledges the extensive remediation programme which Cenkos has undertaken in order to enhance and improve its systems and controls around its Sponsor Services business.

6.18. Step 3 is therefore £303,144.

Step 4: adjustment for deterrence

6.19. Pursuant to DEPP 6.5A.4 G, if the Authority considers the figure arrived at after Step 3 is insufficient to deter the firm who committed the breach, or others, from committing further or similar breaches, then the Authority may increase the penalty.

6.20. In particular, the Authority considers the Step 3 figure of £303,144 to be too small in relation to the breaches to meet its objective of credible deterrence. The Authority has therefore imposed a multiplier of 2.5 to this figure, so that the

penalty is slightly higher than the fee that the firm would have earned from the Transaction had it been successful.

6.21. The figure after Step 4 is therefore £757,860.

Step 5: settlement discount

6.22. Pursuant to DEPP 6.5A.5 G, if the Authority and the firm on whom a penalty is to be imposed agree the amount of the financial penalty and other terms, DEPP 6.7 provides that the amount of the financial penalty which might otherwise have been payable will be reduced to reflect the stage at which the Authority and the firm reached agreement.

6.23. The Authority and Cenkos reached agreement at Stage 1 and so a 30% discount applies to the Step 4 figure. The figure at Step 5 is therefore £530,502.

Total Penalty

6.24. The Authority therefore imposes a total financial penalty of £530,500 on Cenkos.

7. PROCEDURAL MATTERS

Decision makers

7.1. The decision which gave rise to the obligation to give this Notice was made by the Settlement Decision Makers.

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

Manner of and time for Payment

7.3. The financial penalty must be paid in full by Cenkos to the Authority by no later than 22 August 2016, 14 days from the date of the Final Notice.

If the financial penalty is not paid

7.4. If all or any of the financial penalty is outstanding on 23 August 2016, the Authority may recover the outstanding amount as a debt owed by Cenkos and due to the Authority.

Publicity

7.5. Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this Notice relates. Under those

provisions, the Authority must publish such information about the matter to which this Notice relates as the Authority considers appropriate. The information may be published in such manner as the Authority considers appropriate. However, the Authority may not publish information if such publication would, in the opinion of the Authority, be unfair to you or prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.

7.6. The Authority intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

Authority contacts

7.7. For more information concerning this matter generally, contact Clare McMullen at the Authority (direct line: 020 7066 0652) or Kerri Scott (direct line: 020 7066 4620).

Mario Theodosiou

Financial Conduct Authority, Enforcement and Market Oversight Division

ANNEX A

RELEVANT STATUTORY AND REGULATORY PROVISIONS

1. RELEVANT STATUTORY PROVISIONS

1.1 The Authority's operational objectives, set out in section 1B(3) of the Act are:

(a) the consumer protection objective (see section 1C);

(b) the integrity objective (see section 1D);

(c) the competition objective (see section 1E).

1.2 Section 75(5) of the Act states:

Applications for listing

An application for listing may be refused if, for a reason relating to the issuer, the [FCA] considers that granting it would be detrimental to the interests of investors.

1.3 Section 88 of the Act states:

Sponsors

(1) Listing rules may require a person to make arrangements with a sponsor for the performance by the sponsor of such services in relation to him as may be specified in the rules.

(2) "Sponsor" means a person approved by the [FCA] for the purposes of the rules.

(3) Listing rules made by virtue of subsection (1) may—

(a) provide for the [FCA] to maintain a list of sponsors;

(b) specify services which must be performed by a sponsor;

(c) impose requirements on a sponsor in relation to the provision of services or specified services;

(d) specify the circumstances in which a person is qualified for being approved as a sponsor.

(e) [provide for limitations or other restrictions to be imposed on the services to which an approval relates (whether or not approval had already been granted);

(f) provide for the approval of a sponsor to be suspended on the application of the sponsor.]

(4) If the [FCA] proposes—

(a) to refuse a person's application [under sponsor rules],

(aa) [to impose limitations or other restrictions on the services to which a person's approval relates,] or

(b) to cancel a person's approval as a sponsor [otherwise than at his request],

it must give him a warning notice.

(5) If, after considering any representations made in response to the warning notice, the [FCA] decides—

(a) to grant the application [under sponsor rules],

(aa) [not to impose limitations or other restrictions on the services to which a person's approval relates,] or

(b) not to cancel the approval,

it must give the person concerned, and any person to whom a copy of the warning notice was given, written notice of its decision.

(6) If, after considering any representations made in response to the warning notice, the [FCA] decides—

(a) to refuse to grant the application [under sponsor rules],

(aa) [to impose limitations or other restrictions on the services to which a person's approval relates,] or

(b) to cancel the approval,

it must give the person concerned a decision notice.

(7) A person to whom a decision notice is given under this section may refer the matter to the Tribunal.

(8) [In this section any reference to an application under sponsor rules means—

(a) an application for approval as a sponsor;

(b) an application for the suspension of an approval as a sponsor;

(c) an application for the withdrawal of the suspension of an approval as a sponsor, or

(d) an application for the withdrawal or variation of a limitation or other restriction on the services to which a sponsor's approval relates.]

1.4 Section 88A (1), (2) of the Act states:

Disciplinary powers: contravention of s 88(3)(c) or (e)

(1) The FCA may take action against a sponsor under this section if it considers that the sponsor has contravened a requirement or restriction imposed on the sponsor by rules made as a result of section 88(3)(c) or (e).

(2) If the FCA is entitled to take action under this section against a sponsor, it may do one or more of the following—

(a) impose a penalty on the sponsor of such amount as it considers appropriate;

(b) suspend, for such period as it considers appropriate, the sponsor's approval;

(c) impose, for such period as it considers appropriate, such limitations or other restrictions in relation to the performance of services to which the sponsor's approval relates as it considers appropriate;

(d) publish a statement to the effect that the sponsor has contravened a requirement or restriction imposed on the sponsor by rules made as a result of section 88(3)(c) or (e).

1.5 Section 88B of the Act states:

Action under s 88A: procedure and right to refer to Tribunal.

(1) If the FCA proposes to take action against a sponsor under section 88A, it must give the sponsor a warning notice.

(2) A warning notice about a proposal to impose a penalty must state the amount of the penalty.

(3) A warning notice about a proposal—

(a) to suspend an approval, or

(b) to impose a restriction in relation to the performance of a service,

must state the period for which the suspension or restriction is to have effect.

(4) A warning notice about a proposal to publish a statement must set out the terms of the statement.

(5) If the FCA decides to take action against a sponsor under section 88A, it must give the sponsor a decision notice.

(6) A decision notice about the imposition of a penalty must state the amount of the penalty.

(7) A decision notice about—

(a) the suspension of an approval, or

(b) the imposition of a restriction in relation to the performance of a service,

must state the period for which the suspension or restriction is to have effect.

(8) A decision notice about the publication of a statement must set out the terms of the statement.

(9) If the FCA decides to take action against a sponsor under section 88A, the sponsor may refer the matter to the Tribunal.

2. RELEVANT REGULATORY PROVISIONS

Listing Rules

2.1. LR 6.1.3 R states:

(1) A new applicant for the admission of equity shares to a premium listing must have published or filed historical financial information that:

(a) covers at least three years;

(b) has a latest balance sheet date that is not more than six months before the date of the prospectus or listing particulars for the relevant shares and not more than nine months before the date the shares are admitted to listing unless LR 5.6.21 R applies;

(c) includes the consolidated accounts for the applicant and all its subsidiary undertakings;

(d) has been audited or reported on in accordance with the standards acceptable under item 20.1 of Annex I of the PD Regulation; and

(e) is not subject to a modified report, except as set out in LR 6.1.3A G or LR 5.6.21 R.

(2) A new applicant must:

(a) take all reasonable steps to ensure that the person providing the opinion pursuant to LR 6.1.3R (1)(e) and LR 6.1.3DR (3) is independent of it; and

(b) obtain written confirmation from the person providing the opinion pursuant to LR 6.1.3R (1)(e) and LR 6.1.3DR (3) that it complies with guidelines on independence issued or approved by its national accountancy or auditing bodies.

2.2. LR 6.1.3A R states:

The FCA may accept that LR 6.1.3R (1)(e) and LR 6.1.3DR (3) have been satisfied where a modified report is present only as a result of:

(1) the presence of an emphasis-of-matter paragraph which arises in any of the earlier periods required by LR 6.1.3 R and the opinion on the final period is unmodified; or

(2) the opinion on the historical financial information for the final period under LR 6.1.3 R includes an emphasis-of-matter paragraph with regard to going concern and LR 6.1.16 R is complied with.

2.3. LR 6.1.3B R states:

The historical financial information required by LR 6.1.3R (1) must:

(1) represent at least 75% of the new applicant's business for the full period referred to in LR 6.1.3R (1)(a); and

(2) put prospective investors in a position to make an informed assessment of the business for which admission is sought.

2.4. LR 6.1.3C R states:

(1) In determining what amounts to 75% of the new applicant's business for the purpose of LR 6.1.3BR (1), the FCA will consider the size, in aggregate, of all of the acquisitions that the new applicant has entered into during the period required by LR 6.1.3R (1)(a) and up to the date of the prospectus, relative to the size of the new applicant as enlarged by the acquisitions.

(2) In ascertaining the size of the acquisitions relative to the new applicant for the purposes of LR 6.1.3B R, the FCA will take into account factors such as the assets, profitability and market capitalisation of the businesses.

(3) The figures used should be the latest available for the acquired entity and the new applicant as enlarged by the acquisition or acquisitions.

2.5. LR 6.1.3D R states:

Where the new applicant has made an acquisition or series of acquisitions such that its own consolidated financial information is insufficient to meet the 75% requirement in LR 6.1.3B R, there must be historical financial information relating to the acquired entity or entities which has been published or filed and that:

(1) covers the period from at least three years prior to the date under LR 6.1.3R (1)(b) up to the earlier of:

(a) the date in LR 6.1.3R (1)(b); or

(b) the date of acquisition by the new applicant;

(2) is presented in a form that is consistent with the accounting policies adopted in the financial information required by LR 6.1.3 R;

(3) is not subject to a modified report, except as set out in LR 6.1.3A G; and

(4) in aggregate with its own historical financial information represents at least 75% of the enlarged new applicant's business for the full period referred to in LR 6.1.3R (1)(a).

2.6. LR 6.1.3E G states:

The purpose of LR 6.1.3B R is to ensure that the issuer has representative financial information throughout the period required by LR 6.1.3R (1)(a)and to assist prospective investors to make a reasonable assessment of what the future prospects of the new applicant's business might be. Investors are then able to consider the new applicant's historic revenue earning record in light of its particular competitive advantages, the outlook for the sector in which it operates and the general macro-economic climate. The FCA may consider that a new applicant does not have representative historical financial information and that its equity shares are not eligible for a premium listing if a significant part or all of the new applicant's business has one or more of the following characteristics:

(1) a business strategy that places significant emphasis on the development or marketing of products or services which have not formed a significant part of the new applicant's historical financial information;

(2) the value of the business on admission will be determined, to a significant degree, by reference to future developments rather than past performance;

(3) the relationship between the value of the business and its revenue or profit-earning record is significantly different from those of similar companies in the same sector;

(4) there is no record of consistent revenue, cash flow or profit growth throughout the period of the historical financial information;

(5) the new applicant's business has undergone a significant change in its scale of operations during the period of the historical financial information or is due to do so before or after admission;

(6) it has significant levels of research and development expenditure or significant levels of capital expenditure.

2.7. LR 8.3.1A R states:

A sponsor must, for so long as it provides a sponsor service:

(1) take such reasonable steps as are sufficient to ensure that any communication or information it provides to the FCA in carrying out the sponsor service is, to the best of its knowledge and belief, accurate and complete in all material respects; and

(2) as soon as possible provide to the FCA any information of which it becomes aware that materially affects the accuracy or completeness of information it has previously provided.

2.8. LR 8.3.3 R states:

A sponsor must in relation to a sponsor service act with due care and skill.

2.9. LR 8.4.2 R states:

A sponsor must not submit to the FCA an application on behalf of an applicant, in accordance with LR 3, unless it has come to a reasonable opinion, after having made due and careful enquiry, that:

(1) the applicant has satisfied all requirements of the listing rules relevant to an application for admission to listing;

(2) the directors of the applicant have established procedures which enable the applicant to comply with the listing rules and the disclosure rules and transparency rules3 on an ongoing basis;

(3) the directors of the applicant have established procedures which provide a reasonable basis for them to make proper judgments on an ongoing basis as to the financial position and prospects of the applicant and its group; and

(4) the directors of the applicant have a reasonable basis on which to make the working capital statement required by LR 6.1.16 R.

2.10. LR 8.6.5 R states:

The FCA will approve a person as a sponsor only if it is satisfied that the person :

(1) is an authorised person or a member of a designated professional body;

(2) is competent to provide sponsor services in accordance with LR 8; and

(3) has appropriate systems and controls in place to carry out its role as a sponsor in accordance with LR 8.

2.11. LR 8.6.6 R states:

A sponsor must comply, at all times, with the criteria set out in LR 8.6.5 R.

2.12. LR 8.6.12 R states:

A *sponsor* or a *person* applying for approval as a *sponsor* will not satisfy *LR 8.6.5R (3) unless it has in place:*

(1) clear and effective reporting lines for the provision of sponsor services (including clear and effective management responsibilities);

(1A) effective systems and controls which require employees with management responsibilities for the provision of sponsor services to understand and apply the requirements of LR 8;

(2) effective systems and controls for the appropriate supervision of employees engaged in the provision of sponsor services by the sponsor;

(3) effective systems and controls for compliance with all applicable listing rules at all times, including when performing sponsor services;

(4) [deleted]

(5) [deleted]

(6) effective systems and controls which require appropriate staffing arrangements for providing each sponsor service in line with the principles for sponsors in LR 8.3;

(7) effective systems and controls for employees engaged in the provision of sponsor services to receive appropriate guidance and training to provide each sponsor service in line with the principles for sponsors in LR 8.3;

(8) effective systems and controls to identify and manage conflicts of interest;

(9) effective systems and controls for compliance with each of the requirements in LR 8.6.7R (2)(b); and

(10) systems and controls which comply with the requirements of LR 8.6.16A R (Record management).

The Enforcement Guide

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

2.14. Chapter 7 of the Enforcement Guide sets out the Authority's approach to exercising its power to impose a financial penalty.

DEPP

2.15. Chapter 6 of DEPP, which forms part of the Authority's Handbook, sets out the Authority's statement of policy with respect to the imposition and amount of financial penalties and restrictions under the Act.