NEWGATE COMPLIANCE

Regulator Enforcement Action

Newgate News

August 2022

Investment Manager jailed for 14 years in £100 million no-win-no-fee fraud case

On 9th August, The Serious Fraud Office ("SFO") investigated and prosecuted Timothy Schools, who was convicted on five counts of fraudulent trading, abuse of position and money laundering.

The Investment Manager for the Cayman Island-based Axiom Legal Financing Fund used investors' funds to finance his luxury lifestyle. Mr Schools was able to accomplish this by funnelling the capital to himself, whilst acting as a manager of the fund, which was set up in 2009, for the provision of loans to Law firms pursuing no-win-no-fee cases.

Investors were misled to believe their loans were being used to the fund a panel of Top-Quality Law Firms, who had good chances of success from their cases, £40million of which was paid to only three of those law firms; ATM, Ashton Fox, and Bracewell's, in which Mr Schools has direct or indirect ownership and undisclosed interests.

SFO noted a case where £1million was used to pay salary, consultancy fees and personal benefits to Mr Schools himself, through ATM Solicitors, one of the three law firms that benefited from the loans of Investors. SFO investigators found that funds were also being transferred into offshore bank accounts within complex foreign trust structures.

Approximately 500 investors and 35,000 clients, lost a total of £100 million due to fraudulent activity by Mr Schools, who also tried to cover his failure to repay the loans, by creating new loans in the name of Axiom funds, to appease Administrators and Auditors that the fund was achieving returns on investments.

https://www.sfo.gov.uk/2022/08/10/serious-fraud-office-secures-conviction-in-100-million-no-win-no-fee-fraud/

FCA fines insurance broker JLT Specialty Limited £7.8m for financial crime control failings

The FCA has fined JLT Specialty Limited (JLTSL) £7,881,700 for financial crime control failings, which in one instance allowed bribery of over $3m to take place. JLTSL placed business in the London reinsurance market for JLT Re Colombia, another company in the JLT group. The business had been introduced by a third-party based in Panama. Between 21 November 2013 and 6 June

2017, JLTSL paid $12.3m in commission to JLT Colombia Wholesale Limited, the parent company of JLT Re Colombia, which in turn paid $10.8m to the third-party introducer. This introducer then paid over $3m to government officials at a state-owned insurer to help retain and secure their business for JLTSL and JLT Re Colombia. JLTSL failed to manage their business and risks responsibly and effectively. Mark Steward, Executive Director of Enforcement and Market Oversight, commented:

'Lax controls by JLT Specialty meant, ultimately, that money flowed into the pockets of corrupt officials. It is because of risks such as this that we are maintaining our focus on financial businesses' financial crime systems, acting where these firms fall short.'

https://www.fca.org.uk/news/press-releases/jlt-specialty-limited-fined-7.8m-pounds-financial-crime-control-failings

FCA publishes Decision Notices to bosses at Carilion Plc for 'Misleading' statements

Former Executives of Carillion Plc ("Carillion") are facing fines totalling £870,200 by the FCA, after recklessly publishing announcements on 7 December 2016, 1 March 2017 and 3 May 2017, that were misleading and inaccurate of the company's financial performance.

After analysing Carillion's systems and controls, the FCA found the company to have insufficient procedures in place to ensure that contract accounting judgements made for their UK Construction Business, were being recorded and reported the Board and Audit Committee.

The Director of Enforcement and Market Oversight at the FCA stated the company failed to take reasonable steps to comply with its obligations under the listing rules and despite being aware of the deterioration of their financial performance, Mr Howson, Mr Adam, and Mr Khan lacked proper oversight of the risks associated with keeping the true financial position of the company hidden.

Carillion were set to have an additional £37.9million fine imposed for misconduct, had they not entered compulsory liquidation in January 2018, instead the regulator opted for a public censure.

https://www.fca.org.uk/news/press-releases/fca-publishes-decision-notices-carillion-plc-liquidation-and-three-its-former-executive-directors

FCA clamp down on high-risk investments

In the FCA's continued focus of protecting the needs of the Consumer, they have tightened the rules surrounding the marketing of high-risk products.

The regulator would like customers and consumers to invest with confidence and understand the risks involved when making investments and ensure that the products consumers are investing in, reflect their risk appetite.

The FCA has now banned incentives to invest such as '*refer a friend bonuses*' and urges firms to have clear and prominent risk warnings. They are set to confirm final rules on this by early next year, but in the meantime, firms are encouraged to provide their feedback to the FCA by 1 October 2022.

https://www.fca.org.uk/news/press-releases/fca-clamps-down-marketing-high-risk-investments-consumers

FCA fines The TJM Partnership Limited £2million for Financial Control failings

TJM Partnership Limited, who are currently in liquidation, were fined £2,038,700 by the FCA for serious financial crime which includes money laundering.

The Investment Manager were reported to have been facilitating fraudulent activity and money laundering on behalf of clients belonging to Solo Group, during January 2014 and November 2015. They regulator found that trading carried out by TJM on behalf of Solo Group had a 'circular pattern of purported trades' which was indicative of financial crime. TJM also failed to identify the potential financial crime concerns and risks associated with another instance of money laundering pertaining to Solo Group, involving transactions with no economic reason but to transfer large windfall profits of €4.3 million amongst its clients.

The issuing of £2million plus in fines after repeated breaches by TJM, is on record to be the largest fine so far and third case brought to the FCA's attention, in relation to cum-ex trading. The firm has accepted liability and is cleared to have a 30% discount under the FCA's Settlement Discount Scheme.

https://www.fca.org.uk/news/press-releases/fca-fines-tjm-partnership-limited-liquidation-serious-financial-crime-control-failings

FCA fines Sir Christopher Gent for disclosing inside information

Sir Christopher Gent, former non-executive Chairman of ConvaTec Group Plc, £80,000 has been fined by the FCA for unlawfully disclosing inside information.

While Chairman, Sir Christopher disclosed inside information to individuals at two of ConvaTec's major shareholders. The disclosures concerned an upcoming announcement by ConvaTec relating to a revision of its financial guidance and the CEO's plans for retirement.

Mark Steward, Executive Director of Enforcement and Market Oversight at the FCA said:

"The law requires inside information to be disclosed properly and not to major shareholders or others in advance of announcements, as in this case. We will continue to rigorously enforce against breaches when we see them to ensure this important principle remains uppermost in the minds of issuers and their senior officers."

https://www.fca.org.uk/news/press-releases/fca-fines-sir-christopher-gent-disclosing-inside-information

+44 (0)20 3696 8750

info@newgatecompliance.com

newgatecompliance.com

Follow Us

About Newgate Compliance

Newgate Compliance is a compliance consultancy offering a modern solution to implement your compliance function using an innovative compliance software solution called **The GATEway**.

Newgate has an unrivalled combination of experienced professionals, many of whom are ex-regulators.

Our customer focused approach seeks to provide appropriate, pragmatic and flexible solutions to our clients helping them to meet both the regulator's rules but also the spirit, principles and culture of the regulatory regime.

We look to build long-term relationships with our customers helping to encourage business growth, productivity and innovation. Our proactive approach is tailored to each customer's needs changing to meet those needs as the customer progresses and develops.