

Corporate & Financial Weekly Digest

Posted at 11:40 AM on June 3, 2011 by [Edward Black](#)

FSA Fines and Bans Former Compliance Officer

The UK Financial Services Authority (FSA) recently announced that it had fined David McGrath, the former compliance officer of ActivTrades Plc, £3,000 (approximately \$4,900) and prohibited him from performing the compliance oversight CF10 controlled function for any regulated entity because he lacked competence and capability to perform that function.

The FSA found that Mr. McGrath had breached Principle 7 of the FSA's Statements of Principle for Approved Persons. Principle 7 requires reasonable steps to ensure that the business of the firm for which the relevant approved person is responsible in his controlled function complies with relevant requirements and standards of the regulatory system.

Mr. McGrath was found to have: (1) failed to ensure that ActivTrades accounted for and treated client money in accordance with the FSA client money and assets rules—in particular, failing to ensure that ActivTrades segregated client money appropriately and performed client money calculations and reconciliations correctly, and failing to make clear the circumstance in which it would retain interest received on client money or cease to treat interest received as client money; (2) failed to implement adequate risk management systems to ensure the protection of client money; and (3) failed to demonstrate an appropriate knowledge of the FSA client money and assets rules.

The FSA said that it would have imposed a penalty of £20,000 (approximately \$33,000) but reduced it because of verifiable evidence of hardship to Mr. McGrath.

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