

Corporate & Financial Weekly Digest

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£1.1m Fine and First High Court Injunction Against Market Abuse

On May 24, the UK Financial Services Authority (FSA) announced that it had fined Samuel Kahn £1,094,900 (approximately \$1,790,000) and obtained a High Court injunction restraining him from committing market abuse. This was the first time the FSA had secured such a final injunction from the High Court.

The FSA stated that in March and April 2010, Mr. Kahn carried out a scheme to deliberately inflate the share price of Global Brands Licensing plc (GBL), a company quoted on PLUS Stock Exchange, a UK Recognized Investment Exchange. In that period he controlled the vast majority of the trading in GBL's shares and disguised this by impersonating others when placing orders. Mr. Kahn's false trading moved GBL's share price from 2 pence to 5.25 pence.

Mr. Kahn had previously been the subject of FSA enforcement action (in 2007). The FSA made Mr. Kahn bankrupt after he admitted liability with respect to his involvement in overseas boiler-room activities in relation to some 800 investors.

The fine is the first calculated under the FSA's new penalties regime introduced on March 6, 2010. It consists of disgorgement of £210,563 (approximately \$344,500) and a financial penalty of £884,365 (approximately \$1,447,000). Mr. Kahn qualified for a Stage 1 (30%) discount on the penalty amount under the FSA's settlement discount scheme, without which the fine would have been £1,263,379 (approximately \$2,068,000).

Tracey McDermott, the FSA's acting Director of Enforcement and Financial Crime, said: "Kahn undertook a month-long campaign of market abuse, manipulating 85% of the buy trades and 91% of the sell trades of GBL for his own financial benefit as well as to facilitate tax relief fraud and boiler room activities... In imposing a significant fine under our new penalties regime and obtaining an injunction against Kahn, we want to send a clear message to the market. The FSA will not tolerate this type of repeat behaviour and will use all of our powers to ensure credible deterrence."

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