

Corporate & Financial Weekly Digest

Posted at 1:03 PM on February 11, 2011 by [Edward Black](#)

FSA Bans and Fines Corporate Finance Advisor for Market Abuse

On February 7, the UK Financial Services Authority (FSA) announced that the Upper Tribunal (Tax and Chancery Chamber) had directed the FSA to fine David Massey £150,000 (approximately \$240,000) and ban him from performing any role in a regulated financial services firm for engaging in market abuse.

On November 1, 2007, Mr. Massey shorted 2.5 million shares of Eicom at 8p per share, knowing, as an insider, that Eicom intended to issue new shares at 3.5p per share. Mr. Massey immediately acquired 2.6 million shares from Eicom at the lower price, using those to close out his short sale. His profit on the transaction was over £100,000 (approximately \$160,000).

Mr. Massey was a Corporate Finance Executive at Zimmerman Adams International. Over a period of five years he had occasionally acted as a financial public relations consultant for Eicom. At the time of the transaction, Mr. Massey knew that Eicom was prepared to issue up to 3 million shares to him at a substantial discount.

Mr. Massey initially attributed the deal to an associate at Zimmerman, and, when questioned about the deal by Zimmerman, he did not disclose his special relationship with Eicom.

Margaret Cole, Managing Director of Enforcement and Financial Crime at the FSA, said: "Massey's actions were unacceptable. He abused his position as an FSA approved person. ... He used the trust invested in him by both parties to create the opportunity to trade on the basis of inside information and he distorted the truth to hide his actions, profiting at the expense of other market users. This type of conduct threatens the integrity of the market and will not be tolerated by the FSA."

To read the Decision of the Upper Tribunal, click [here](#).

Katten Muchin Rosenman LLP
Charlotte Chicago Irving London Los Angeles New York Washington, DC