

## Corporate & Financial Weekly Digest

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### **FSA Obtains Boiler Room Fraud Conviction**

On June 14, the UK Financial Services Authority (FSA) announced that it had obtained its first criminal conviction for boiler room fraud. David Mason was sentenced to two years' imprisonment, having pleaded guilty at Southwark Crown Court to: counts of carrying on a regulated activity without authorization; making false or misleading statements, promises or forecasts; and money laundering. He was also disqualified for six years from being a director of any UK company.

The FSA referred to a related regulatory action, in which it had published a final notice (dated December 20, 2010) fining David Sinclair of Axiom Capital Limited, a corporate advisory firm, £68,000 (approximately \$109,730) and prohibiting him from holding any significant influence functions in the future. Mr. Sinclair was found to have breached Principle 6 of the FSA's Statements of Principle and Code of Practice for Approved Persons.

In late 2008, Mr. Mason approached Mr. Sinclair asking him to help to set up an investment vehicle, EduVest plc. From November 2008 to May 2009, Mr. Mason coordinated the cold calling and sale of shares in EduVest by unauthorized overseas firms. At least 32 people invested £270,000 (approximately \$436,500) in the belief that the company would be listing on the PLUS stock exchange. EduVest was never listed on the PLUS exchange and investors' funds were never used for EduVest business. In addition to setting up EduVest and arranging the deals for the boiler room, Mr. Mason also laundered the proceeds of the operation. The FSA concluded that by failing to exercise due skill, care and diligence to check the purposes for which EduVest was to be used, Mr. Sinclair effectively allowed Mr. Mason to use a bank account under his control to transfer investors' money to Mr. Mason and associated boiler room fraudsters. No regulatory action has been taken against by the FSA against Axiom, which voluntarily compensated all known investor losses.

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