
FINAL NOTICE

To: **Goldman Sachs International ("GSI" or "the Firm")**

Reference
Number: **142888**

Address: **133, Fleet Street, London EC4A 2BB**

Date: **27 March 2019**

1. ACTION

- 1.1. For the reasons given in this notice, the Authority hereby imposes on the Firm a financial penalty of £34,344,700 pursuant to section 206 of the Act.
- 1.2. The Firm agreed to resolve this matter and qualified for a 30% discount under the Authority's executive settlement procedures. Were it not for this discount, the Authority would have imposed a financial penalty of £49,063,900 on the Firm.

2. SUMMARY OF REASONS

- 2.1. The Authority has taken this action because (a) in the period from 5 November 2007 to 31 March 2017, the Firm contravened SUP 17.4.1EU and SUP 17.1.4R; and (b) in the period from 5 November 2007 to 31 March 2015, the Firm contravened SUP 15.6.1R and Principle 3 of the Authority's Principles for Businesses (the two periods taken together as "the Relevant Period").

2.2. During the Relevant Period, the Firm:

- (1) Failed to accurately report an estimated 204.1 million transactions (which should have been reported accurately in accordance with SUP 17.4.1 EU/SUP 17 Annex 1 EU);
- (2) Failed to report an estimated 9.5 million transactions (which should have been reported in accordance with SUP 17.1.4R); and
- (3) Failed to take reasonable steps to prevent the erroneous reporting of transactions when those transactions either did not occur or occurred but were not reportable (in breach of SUP 15.6.1R). This affected an estimated 6.6 million transactions.

2.3. The total number of MiFID transaction reports impacted by the errors set out above was 220.2 million, of which the most significant, in terms of volume, covered 11 different issues totalling 212.7 million transaction reports. The 11 different errors are detailed in paragraphs 4.23 to 4.49 below. The remaining 7.5 million transaction reports relate to miscellaneous lower volume transaction reporting errors.

Breaches of SUP 15 and 17

2.4. During the Relevant Period:

- (1) SUP 17 required firms entering into reportable transactions to send accurate and complete transaction reports to the Authority on a timely basis. These reports were required to contain mandatory details of those transactions. These transaction reports assist the Authority to meet its objective of protecting and enhancing the integrity of the UK's financial system by helping it to identify situations of potential market abuse, insider dealing, market manipulation and related financial crime. The transaction reports also assist the Authority to undertake market surveillance to identify new risks to market confidence; and
- (2) SUP 15.6.1R required firms to take reasonable steps to ensure that all the information they give to the Authority in accordance with a rule in any part of the Authority's Handbook is factually accurate and complete.

2.5. The Firm submitted approximately 1.5 billion transaction reports during the Relevant Period. The 220.2 million transaction reports which were impacted, as

noted in paragraph 2.3 above, were therefore equivalent to approximately 15% of all transaction reports submitted by the Firm during this time.

Breach of Principle 3

- 2.6. During the Relevant Period, the Firm also breached Principle 3 of the Authority's Principles for Businesses by failing to organise and control its affairs responsibly and effectively with adequate risk management systems in relation to its compliance with the Authority's MiFID transaction reporting requirements. In particular, the Firm breached Principle 3 by failing to take reasonable care to ensure that:
- (1) between November 2007 and April 2010, it had sufficiently robust change management procedures and controls to manage the impact of business or upstream systems changes on transaction reporting;
 - (2) between November 2007 and 31 March 2015, it had sufficiently comprehensive controls and processes to detect and/or prevent transaction reporting errors on a timely basis; and
 - (3) between November 2007 and June 2014, it had adequate systems and controls to maintain the accuracy and completeness of counterparty reference data used for transaction reporting.
- 2.7. The Authority considers the Firm's failings to be serious, given that during the Relevant Period the Authority consistently communicated to firms the need for them to take reasonable steps to ensure that they have systems and controls in place which are tailored to their activities and which are designed to ensure that data used for transaction reporting is accurate and complete. The Authority has also publicised a number of Enforcement actions taken in relation to transaction reporting failings by other firms.
- 2.8. The Authority hereby imposes a financial penalty on the Firm in the amount of £34,344,700 pursuant to section 206 of the Act.
- 2.9. In determining the appropriate penalty, the Authority has paid particular attention to the importance the Authority attaches to transaction reporting.
- 2.10. The Authority has taken into account the significant resources devoted by the Firm to ensuring accurate transaction reporting and to remediating the causes of the failings, as well as its full co-operation prior to and during the course of the

Authority's investigation. As a result of the work done by the Firm, it self-identified the majority of the errors referred to in this Notice.

3. DEFINITIONS

3.1. The definitions below are used in this Notice.

"the Act" means the Financial Services and Markets Act 2000

"the ARM" means the Approved Reporting Mechanism, an entity permitted to submit transaction reports on behalf of an investment firm

"ATTL" means the Admitted to Trading Logic, the systems logic implemented across the Firm's core transaction reporting systems which is used to determine whether a financial instrument is one in respect of which transactions are reportable, and to filter out non-reportable transactions

"the Authority" means the body corporate previously known as the Financial Services Authority and renamed on 1 April 2013 as the Financial Conduct Authority

"BIC" means Business Identifier Code

"DEPP" means the Authority's Decision Procedure and Penalties Manual

"EEA" means the European Economic Area

"Enhanced Controls Framework" means framework of enhanced controls put in place following completion of the Review Programme

"Give-in transaction" means a transaction where an investment firm receives a client trade from another investment firm for the purpose of post-trade processing

"Give-up transaction" means a transaction where an investment firm passes a client trade to another investment firm for the purpose of post-trade processing

"GSI" means Goldman Sachs International

"MIC" means Market Identifier Code

"MiFID" means the Markets in Financial Instruments Directive (2004/39/EC)

"MRT" means the Authority's Markets Reporting Team previously known as the Transaction Monitoring Unit

“Review Programme” means the global programme developed by Goldman Sachs’ senior management to review and further develop its global regulatory reporting arrangements, including transaction reporting to the Authority

“the Relevant Period” means the period from 5 November 2007 to 31 March 2015 in respect of SUP 15.6.1R and Principle 3 of the Authority’s Principles for Businesses and the period from 5 November 2007 to 31 March 2017 in respect of SUP 17.4.1EU and SUP 17.1.4R. By 31 March 2015, the Firm had implemented the Enhanced Controls Framework across all business lines and was taking steps to develop and test additional complementary diagnostic or thematic controls

“the Skilled Person” means the firm appointed by the Firm (and certain other UK authorised firms in the Goldman Sachs Group) in March 2015 in response to a Requirement Notice issued by the Authority to assess the transaction reporting systems and controls implemented by the Firm (and certain other UK authorised firms in the Goldman Sachs Group)

“the Skilled Person’s report” means the report produced by the Skilled Person dated 9 October 2015

“SUP” means the Authority’s Supervision Manual

“the Tribunal” means the Upper Tribunal (Tax and Chancery Chamber)

“TRUP” means the Transaction Reporting User Pack, the Authority’s guidance on transaction reporting which was released in several versions. Version 1 became effective from November 2007; version 2 became effective from 21 September 2009; version 3 became effective from 1 March 2012; and version 3.1 became effective from 6 February 2015

“XOFF” means the code required by the Committee of European Securities Regulators guidelines to be used for any off-market transaction in a financial instrument admitted to trading on any market

4. FACTS AND MATTERS

Introduction

- 4.1. The implementation of MiFID across all EEA member states on 1 November 2007 (effective from 5 November 2007 for transaction reporting) introduced changes to the list of products in which transactions had to be reported and standardised the list of information which had to be included in the reports.

- 4.2. The Firm is a MiFID investment firm and, during the Relevant Period, was required to comply with SUP 17 when entering into reportable transactions. The Firm was also required to comply with SUP 15.
- 4.3. SUP 17.1.4R required a firm which executes transactions in a reportable instrument to report the details of its transactions to the Authority. Under SUP 17.4.1 EU reports of such transactions had to contain the information specified in SUP 17 Annex 1 EU. SUP 17 Annex 1 EU set out the minimum information required for a transaction report in a table, including, amongst others, buy/sell indicator, trading capacity, price, date, time and quantity traded.
- 4.4. SUP 15.6.1R required a firm to take reasonable steps to ensure that all the information it gave to the Authority in accordance with a rule in any part of the Handbook was factually accurate and complete.

Background to the Firm

- 4.5. The Firm is part of the Goldman Sachs global business and its business activities gave rise to MiFID reportable transactions through the Securities Division, the Investment Banking Division and the Investment Management Division.
- 4.6. Certain other UK authorised firms within the Goldman Sachs Group also undertook MiFID transaction reporting during part of the Relevant Period, and relied upon aspects of the Firm's transaction reporting arrangements for this purpose.

Chronology of key events

- 4.7. From 2005 to November 2007, as part of its preparations for the implementation of MiFID, the Firm established a systems architecture, governance arrangements, policies, procedures and controls to support compliance with its MiFID transaction reporting obligations to the Authority.
- 4.8. In 2006 and 2007, the FCA and the Firm had supervisory dialogue regarding certain breaches of pre-MiFID transaction reporting requirements, some of which were similar, but not identical, to the errors described in this Notice. The Firm took steps to remediate the identified breaches.
- 4.9. By the time MiFID was implemented in November 2007, the Firm had made upgrades to its existing reporting systems infrastructure with the aim of making it compatible with the requirements imposed by MiFID.

- 4.10. Following the Firm's identification of certain transaction reporting issues in the fourth quarter of 2008, the Firm's management requested that its Internal Audit function undertake a review of four particular issues. The results of this review were reported in June 2009 and identified certain gaps in the Firm's transaction reporting systems and controls that had contributed to those particular issues. These included a focus on the accuracy, but not completeness, of transaction reporting and that key changes affecting transaction reporting processes had not been clearly communicated to relevant internal and external parties. The Firm decided to implement a number of enhancements in relation to its transaction reporting systems and controls, including strengthening controls to check the completeness of the transaction reports submitted to the Authority.
- 4.11. From 2009, the Firm undertook an assessment of its strategic approach to transaction reporting by initiating a review of its transaction reporting arrangements. In late 2009, the Firm developed a project to enhance and build on existing controls in order to ensure that regulatory data reported externally to various regulators including the Authority and exchanges was reported in an accurate, complete and timely fashion ("the Review Programme").
- 4.12. In December 2009, the Review Programme was set up and its scope was subsequently extended to be a global project covering all regulatory reporting obligations. Following the finalisation of the Review Programme's scope and methodology, and establishment of a formal governance structure to oversee it, the Review Programme was progressively rolled out to the Firm's data flows from around October 2010.
- 4.13. As the Firm developed the enhanced controls as part of the Review Programme, it uncovered issues in relation to certain aspects of its transaction reporting.
- 4.14. Over the course of the implementation of the Review Programme, it became apparent to the Firm that the project was going to be more complex and take more time than was first anticipated, especially because of the complexity associated with building its enhanced controls across all of the systems through which data used for transaction reporting flowed. The Firm also identified a scarcity across the Firm and the industry of personnel with the expertise and systems knowledge required both to implement the enhanced controls and remediate the issues identified during the course of the project. These factors led the Firm to revise the timelines and scope of the global Review Programme during 2011 and 2012.

- 4.15. Using a risk-based approach, the Firm identified the product flows that should be prioritised (for example, cash equities, which had the largest volumes) and the data attributes in respect of which the development and implementation of enhanced controls should be prioritised.
- 4.16. The Firm rolled out the controls delivered through the Review Programme (the “Enhanced Controls Framework”) from early 2013 (for cash equities) to the first quarter of 2015 (for listed derivatives). The Enhanced Controls Framework comprised a combination of detective, preventative and reconciliation controls. These controls were supplemented by additional controls (which pre-dated the Enhanced Controls Framework but some of which were amended or updated to take account of the Enhanced Controls Framework) including over report submission, reference data and change management, and by quarterly reconciliations and ongoing review by Compliance and Internal Audit.
- 4.17. As the Review Programme approached its conclusion, the Firm and other entities in the Goldman Sachs Group had a known and growing list of issues to address across multiple global regulatory obligations, including transaction reporting to the Authority. In 2014, a global programme was established to oversee the completion of all outstanding remediation and enhancement items covering multiple regulatory obligations globally. The programme included a large number of staff specifically allocated to accelerate (a) the closure of unresolved matters including in the remediation and back-reporting of issues, and (b) completion of planned improvements relating to MiFID transaction reporting to the Authority.
- 4.18. In March 2015, and following the identification of the BIC/FRN Issue described at paragraphs 4.29 to 4.31 below, the Firm (and certain other UK authorised entities in the Goldman Sachs Group) appointed a skilled person, in response to a Requirement Notice issued by the Authority, to assess their transaction reporting systems and controls (“the Skilled Person”).
- 4.19. The Skilled Person identified further transaction reports which were impacted by errors. They concluded that the Enhanced Controls Framework was extensive and appeared to have been effective in preventing a recurrence of larger transaction reporting issues of the type identified by the Firm in the period from 2010 to 2014. The Skilled Person also found that, at the time of its review:
- (1) the Firm had knowledgeable individuals and appropriate issue escalation and governance arrangements in place in relation to transaction reporting; but

(2) the Enhanced Controls Framework, on its own, was not a complete solution in light of the breadth and complexity of the Firm's trading activities.

4.20. The Skilled Person made a number of recommendations (several of which were already in the course of being developed by the Firm) to complement the Enhanced Controls Framework that had already been introduced. This included introducing additional high level thematic controls (for example diagnostic and independent end-to-end reconciliations) and enhancing the granularity of the Firm's documentation recording its interpretation of transaction reporting requirements.

Nature of transaction reporting errors

4.21. Appendix 2 sets out a chart which provides a chronology of the key 11 transaction reporting errors which occurred during the Relevant Period.

4.22. This section sets out in more detail the larger transaction reporting errors mentioned in paragraph 2.2.

(1) The Central Counterparty BIC Issue

4.23. SUP 17 Annex 1 EU requires firms to identify the counterparty of a transaction in the Counterparty field of its transaction reports. Where a BIC or FRN exists, one of these codes must be used. TRUP provides further guidance for firms to report the BIC of the central counterparty where it acts as the counterparty.

4.24. Between November 2007 and April 2011, the Firm failed to accurately report the BIC of three central counterparties in the Counterparty field of certain of its transaction reports ("the Central Counterparty BIC Issue"), because it used the BICs of the relevant central counterparties' beneficial owners rather than the BICs of the central counterparties themselves.

4.25. Consequently, the Firm failed to accurately report approximately 72.7 million transactions in relation to the Central Counterparty BIC Issue.

(2) The Incorrect Dealing Capacity Issue

4.26. SUP 17 Annex 1 EU requires a firm to identify the trading capacity under which it executed a transaction in the Trading Capacity field of its transaction reports, in particular whether the transactions were executed by the firm as a principal (either on its own behalf or on behalf of a client) or as an agent (for the account and on behalf of a client).

- 4.27. Between November 2007 and May 2010, for certain of its business lines, the Firm reported the market side of its riskless principal transactions executed on certain non-UK exchanges for clients as agent instead of principal (“the Incorrect Dealing Capacity Issue”).
- 4.28. Consequently, the Firm failed to accurately report approximately 51.4 million transactions in relation to the Incorrect Dealing Capacity Issue.

(3) The BIC/FRN Issue

- 4.29. SUP 17 Annex 1 EU requires firms to identify the counterparty of a transaction in the Counterparty field of its transaction reports. Where a BIC or an FRN exists, one of these codes must be used. TRUP provides further guidance for firms to use an internal counterparty identifier code where neither the BIC nor FRN of the counterparty exists.
- 4.30. Between November 2007 and December 2014, the Firm reported an internal code for certain counterparties when a BIC or FRN existed for those entities (“the BIC/FRN Issue”).
- 4.31. Consequently, the Firm failed to accurately report approximately 50.4 million transactions in relation to the BIC/FRN Issue.

(4) The Listed Derivatives Issue

- 4.32. Between November 2007 and March 2017, the Firm aggregated certain listed derivative transactions (“the Listed Derivatives Issue”) which resulted in the following two issues:
- (1) for the Firm’s market-side transactions in listed derivatives, where key transaction information such as date, price and product were the same and the execution time matched to the same second, individual executions were being aggregated and reported as a single transaction; and
 - (2) for the Firm’s listed derivative transactions which were reported as principal cross transactions and for its reporting of client-side listed derivative transactions, transactions were either not reported to match the individual market-side executions or fills to the client but were instead “reshaped” based on the allocation instructions received from the client and/or the price and time of the market executions.

4.33. Consequently, the Firm failed to accurately report approximately 17.2 million transactions in relation to the Listed Derivatives Issue. This issue was identified by the Firm in the first quarter of 2016 following enhancements to its reconciliation controls.

(5) The BATS Chi-X Issue

4.34. Between June 2013 and July 2015, the Firm failed to report transactions in equity instruments admitted to trading on the London-based BATS Chi-X exchange because they were not included on the list of reportable instruments maintained by ESMA, which was used by the Firm as one of its sources for determining which instruments were reportable to the Authority.

4.35. The Firm under-reported approximately 8.8 million transactions in relation to the BATS Chi-X Issue.

(6) The Incorrect Counterparty Logic Issue

4.36. Between June 2011 and March 2013, the Firm incorrectly sent internal identifier codes in certain of its transaction reports even though FRNs were available (“the Incorrect Counterparty Logic Issue”). This was due to the incorrect sequence of steps in one of the Firm’s reporting systems which meant that, where no BIC was available for a particular counterparty, the system would report an internal identifier without checking whether an FRN was available.

4.37. Consequently, the Firm failed to accurately report approximately 4.4 million transactions in relation to the Incorrect Counterparty Logic Issue.

(7) The Listed Derivatives ‘Give-In’ Issue

4.38. Between November 2007 and August 2016, the Firm failed to take reasonable steps to ensure that information provided to the Authority was accurate and complete by reporting its clearing activity involving trades with the market for listed derivatives average price ‘give-in’ transactions when this clearing activity was a non-reportable activity (“the Listed Derivatives ‘Give-In’ Issue”).

4.39. Consequently, the Firm erroneously reported approximately 2.3 million transactions in relation to the Listed Derivatives ‘Give-In’ issue.

(8) The Non-Clearing Member Issue

- 4.40. Between February 2014 and June 2015, the Firm failed to update the appropriate reference data in its systems to mark certain clients as Non-Clearing Member clients, which resulted in clearing and custody services transactions being erroneously reported to the Authority when the clearing and custody services activities were non-reportable activities ("the Non-Clearing Member Issue").
- 4.41. Consequently, the Firm erroneously reported approximately 2.2 million transactions in relation to the Non-Clearing Member Issue.

(9) The Incorrect Trading Indicator Issue

- 4.42. Between November 2007 and May 2015, the Firm failed to accurately report the buy/sell indicator in certain limited agency trading scenarios ("the Incorrect Trading Indicator Issue").
- 4.43. Consequently, the Firm failed to accurately report approximately 1.2 million transactions in relation to the Incorrect Trading Indicator Issue.

(10) The Cash Equity Product Issue

- 4.44. SUP 17 Annex 1 EU requires firms to indicate the price per security or derivative contract excluding commission and (where relevant) accrued interest in the Unit Price field of its transaction reports. In most cases, this will be the gross price and, where the net price is the only price available for trades in relation to equities, the net price may be reported.
- 4.45. Between November 2007 and March 2016, the Firm failed to accurately report the price of certain cash equity products by including commission and in some instances other costs ("the Cash Equity Product Issue").
- 4.46. Consequently, the Firm failed to accurately report approximately 1 million transactions in relation to the Cash Equity Product Issue.

(11) The Misreporting of MIC Issue

- 4.47. SUP 17 Annex 1 EU requires firms to identify the venue where the transaction was executed. The TRUP guidelines set out the requirement to populate the venue identification field with 'XOFF' where the transaction is in a financial instrument admitted to trading on a regulated or prescribed market, but the transaction is executed off market.

- 4.48. Between June 2008 and May 2010, the Firm failed to accurately report the execution venue of a number of transactions using the Market Identifier Code ("MIC") of the primary exchange of the security instead of using the XOFF designation due to the transactions having been executed through brokers using an alternative venue ("the Misreporting of MIC Issue").
- 4.49. Consequently, the Firm failed to accurately report approximately 1 million transactions in relation to the Misreporting of MIC Issue.

The Firm's systems and controls and management of transaction reporting issues during the Relevant Period

- 4.50. The Authority recognises that investment banks operate in a complex and rapidly changing global financial services environment. It is therefore essential that they take reasonable care to ensure that their systems and controls in relation to transaction reporting are effective in the context of the nature and scale of their businesses, activities and products offered and any changes made to those businesses, activities and products.
- 4.51. During the Relevant Period, although the Firm did commit significant resources to review and enhance its transaction reporting arrangements, there were certain respects in which it failed to take reasonable care to put in place sufficiently robust controls to prevent or detect transaction reporting errors. These deficiencies in the Firm's transaction reporting systems and controls contributed to the transaction reporting errors and are discussed further in the following sections.

(1) Change management

- 4.52. The Authority expects firms with transaction reporting obligations to keep these under review and to update their processes accordingly. It is therefore important that firms take reasonable care to implement robust change management processes and controls that are designed so that any changes in the regulatory rules which require interpretation by firms do not impact upon the accuracy and completeness of the reported transactions.
- 4.53. The Firm developed a range of systems and controls to mitigate the risk of business or systems changes impacting the accuracy and completeness of its transaction reports.
- 4.54. However, between November 2007 and April 2010, the Firm failed to take reasonable care to rectify certain deficiencies in the Firm's procedures involving

communication between the front office, back office and Technology functions responsible for transaction reporting.

- 4.55. Prior to April 2010, the Regulatory Operations team, which was responsible for the Firm's transaction reporting obligations to the Authority, did not always have full visibility of the Firm's new business activities or significant changes impacting transaction reporting, or have clear communications with the front office teams in relation to changes in the IT systems in the front office that impacted on the back-office transaction reporting systems. Consequently, on a few occasions when changes were made to the front office IT systems, the Regulatory Operations team was not made aware of the changes. This meant that the Regulatory Operations team could not always make necessary changes to the back-office transaction reporting systems to ensure that the Firm was fulfilling its transaction reporting obligations fully.
- 4.56. In order to address this issue, from April 2010, the Firm put in place a new process which made it compulsory for the Regulatory Operations team to sign off any new business activities or significant amendments to existing activities, irrespective of whether the activities were anticipated or expected to have an impact on the transaction reports submitted to the Authority. Further enhancements to the Firm's transaction reporting change management controls continued to be made over the course of the Relevant Period, including as part of the Review Programme.
- 4.57. The Listed Derivatives Issue is an instance of lack of clear communication involving the back office and technology functions leading to transaction reporting errors. On this occasion, the question of whether the IT reporting logic which led to this error was consistent with the Authority's reporting requirements does not appear to have been discussed with Regulatory Operations or Compliance, and the required oversight over the design or implementation of the systems logic was therefore not applied.

(2) Accuracy and completeness controls

- 4.58. At the inception of MiFID in November 2007, the Firm put in place a number of controls, tests and reconciliations to ensure its transaction reports were accurate and complete, and developed these further throughout the Relevant Period.
- 4.59. From MiFID go-live, the Firm also conducted periodic reviews of a sample of transaction reports submitted to the Authority on a given day. This involved comparing a sample of transactions originating from a range of front office systems

with the corresponding transaction reports submitted by the Firm's systems and the records held by the Authority. The frequency of these reviews was increased in early 2009, so that they took place each quarter.

4.60. An internal event review completed by Internal Audit in June 2009 at the request of the Firm's management made a "significant" finding that the Firm's existing transaction reporting controls focused on testing the accuracy of the transaction reports rather than their completeness. The review noted that completeness checks were undertaken using a risk-based approach due to the complexity and volume of the transaction reporting flows. To address these weaknesses, the Firm planned to enhance its existing ongoing testing and assurance programme for verifying the accuracy and completeness of transaction reporting. The redesigned testing programme would on a quarterly basis:

- (1) check that the transaction reports submitted by the Firm were received by the Authority;
- (2) reconcile the transactions in the Firm's transaction reporting systems against referential data such as the front office systems, books and records; and
- (3) compare reported transactions to the Firm's trade booking system.

4.61. The Internal Audit report noted that the Firm would implement these new tests by 31 July 2009.

4.62. Despite the steps outlined above, however, until 31 March 2015 the Firm's controls were not sufficiently robust to prevent and/or promptly detect some of the larger reporting errors that were subsequently identified by the Firm or the Skilled Person.

4.63. By 31 March 2015, the Firm had implemented the Enhanced Controls Framework (which included significant enhancements to its detective, preventative and reconciliation controls). Whilst these controls operated at a detailed level to test for specific transaction reporting errors, the Firm had adopted limited complementary thematic or macro level controls. Therefore, taking account of updated guidance from the Authority and feedback from the Skilled Person, by 31 March 2015 the Firm was taking steps to develop and test additional thematic and diagnostic checks, including enhancements to its reconciliations testing, to complement the Enhanced Controls Framework. This included an end-to-end reconciliation which involved independently re-creating the population of transactions executed by the Firm and reconciling it against the reports submitted

by the Firm to the Authority in order to provide comfort over both the accuracy and completeness of transaction reporting. This exercise led to the identification of a number of transaction reporting errors that the Enhanced Controls Framework had not identified.

(3) Reference data

- 4.64. The Firm needed accurate reference data to complete various fields in the transaction reports submitted to the Authority. This data included information on the Firm, individuals and entities which transacted in the financial markets, and the instruments being traded in those markets.
- 4.65. Between November 2007 and June 2014, the Firm failed to take reasonable care to ensure that it had sufficient systems and controls to maintain the accuracy and completeness of counterparty reference data used for transaction reporting.
- 4.66. Prior to June 2014, the Firm did not have a fully automated process for reviewing or updating all of the existing entity records held within their database to confirm whether a BIC or FRN was or had become available. Instead, the Firm had processes in place to periodically review and update BIC and FRN data on a manual basis in response to requests made by Regulatory Operations or as part of a wider review of entity records, and had certain controls over new entries to the Firm's system which did not have a BIC or FRN associated with them. These processes were not, however, a complete solution to ensure that the Firm's system was maintained to ensure that BIC/FRN data was used where available and kept up to date. This was because whilst the Firm had periodic refreshes of BIC/FRN data for its existing clients and checked on a weekly basis whether there was a BIC available for new entities, it did not have sufficiently systematic controls in place to check (i) whether an FRN was available for all new entities, or (ii) on an ongoing basis whether BIC/FRN data held by the Firm for existing entities needed to be updated. These matters initially arose in 2007, persisted until they were identified and contributed to the BIC/FRN Issue discussed in paragraphs 4.29 to 4.31.
- 4.67. Following the identification of the BIC/FRN Issue, the Firm implemented additional controls to enhance its control environment relating to reference data used for transaction reporting, including utilising daily reports from SWIFT and the Authority to update the Firm's reference data, and reviewed the BICs and FRNs stored in its counterparty reference database to ensure the information was accurate and complete.

5. FAILINGS

- 5.1. The regulatory provisions relevant to this Notice are referred to in Appendix 3.
- 5.2. Section 206 of the Act gives the Authority the power to impose a penalty on an authorised firm if that firm has contravened a requirement imposed on it by or under the Act or by any directly applicable European Community regulation or decision made under MiFID.
- 5.3. The Authority considers that the Firm has breached SUP 17.1.4R, SUP 17.4.1EU, SUP 15.6.1R, and Principle 3 of the Authority's Principles for Businesses.

- 5.4. SUP 17.1.4R states:

"A firm which executes a transaction:

- (1) in any financial instrument admitted to trading on a regulated market or a prescribed market (whether or not the transaction was carried out on such a market); or*
- (2) in any OTC derivative the value of which is derived from, or which is otherwise dependent upon, an equity or debt-related financial instrument which is admitted to trading on a regulated market or on a prescribed market;*

must report the details of the transaction to the Authority."

- 5.5. By failing to report approximately 9.5 million transactions, the Firm breached its obligations under SUP 17.1.4R; see Appendix 1.
- 5.6. SUP 17.4.1EU states:
- "Reports of transactions made in accordance with Articles 25(3) and (5) of MiFID shall contain the information specified in SUP 17 Annex 1 EU which is relevant to the type of financial instrument in question and which the FCA declares is not already in its possession or is not available to it by other means."*
- 5.7. SUP 17 Annex 1 EU sets out the minimum content of a transaction report including Field Identifiers and Descriptions.
- 5.8. A total of 204.1 million transactions that the Firm executed in the Relevant Period were reported incorrectly in breach of their obligations under SUP 17.4.1EU as the

data did not contain the required information according to SUP 17 Annex 1EU; see Appendix 1.

5.9. SUP 15.6.1R states:

"A firm must take reasonable steps to ensure that all information it gives to the appropriate regulator in accordance with a rule in any part of the Handbook (including Principle 11) is:

- (1) factually accurate or, in the case of estimates and judgments, fairly and properly based after appropriate enquiries have been made by the firm; and*
- (2) complete, in that it should include anything of which the appropriate regulator would reasonably expect notice."*

5.10. During the Relevant Period, the Firm failed to take reasonable steps to ensure that it did not submit transaction reports indicating that reportable trades had occurred when the activity in question was non-reportable. This led the Firm to submit 6.6 million transaction reports on non-reportable activities; see Appendix 1.

5.11. During the Relevant Period, the Firm breached Principle 3 of the Authority's Principles for Businesses by failing to organise and control its affairs responsibly and effectively with adequate risk management systems in relation to its compliance with the Authority's transaction reporting requirements. In particular, the Firm breached Principle 3 by failing to take reasonable care to ensure:

- (1) between November 2007 and April 2010, that there were adequate change management procedures to manage the impact of business or upstream changes on transaction reporting: see paragraphs 4.52 to 4.57 above. The Regulatory Operations team did not always have full visibility of the Firm's new business activities or significant changes impacting transaction reporting, or have clear communications with the front office regarding IT systems changes that could impact transaction reporting;
- (2) between November 2007 and 31 March 2015, that there were sufficiently comprehensive controls to detect and prevent transaction reporting errors on a timely basis: see paragraphs 4.58 to 4.63 above. In light of the breadth and complexity of the Firm's business, prior to 31 March 2015, by when the Firm had fully implemented the Enhanced Controls Framework and begun to develop and test additional complementary thematic or diagnostic controls, including enhancements to the Firm's reconciliations testing, the

controls implemented by the Firm did not adequately test the accuracy and completeness of its transaction reports; and

- (3) between November 2007 and June 2014, the adequacy of the systems, controls and processes used to maintain the accuracy and completeness of counterparty reference data used in transaction reporting: see paragraphs 4.64 to 4.67 above. While the Firm had undertaken periodic reviews of BIC/FRN data for its existing clients and had a weekly report indicating whether there were new entities for which a BIC had not yet been included in the firm's records, it did not have sufficiently systematic controls in place to check: (1) whether an FRN was available for all new entities; or (2) on an ongoing basis whether the Firm's processes to ensure the accuracy and completeness of the BIC/FRN data used for transaction reporting were sufficient.

6. SANCTION

- 6.1. The Authority has given substantial and ongoing support to the industry regarding transaction reporting requirements through the TRUP (first published in July 2007), Transaction Reporting Forums and Market Watch, and various tools have been provided to facilitate compliance. The TRUP made clear that reportable transaction data is used for the following purposes: (1) monitoring for market abuse and market manipulation; (2) firm supervision; (3) market supervision; and (4) used by certain external parties, such as the Bank of England. Despite the imposition of other financial penalties against firms during the Relevant Period for transaction reporting failings, industry standards have not improved to a sufficiently high standard. The Authority therefore considers that there is a need to increase transaction reporting standards throughout the industry.
- 6.2. The conduct at issue occurred both before and after 6 March 2010, when the new financial penalty regime came into force. When calculating a financial penalty where conduct spans both regimes, the Authority must have regard to both the penalty regime which was effective before 6 March 2010 ("the Old Penalty Regime") and the penalty regime that was effective on and after 6 March 2010 ("the New Penalty Regime").
- 6.3. The Authority has adopted the following approach in this case:
 - (1) calculated the financial penalty in respect of the Firm's transaction reporting errors from 5 November 2007 to 5 March 2010 (inclusive) by applying the Old Penalty Regime to that misconduct;

- (2) calculated the financial penalty in respect of the Firm's transaction reporting errors from 6 March 2010 to 31 March 2017 (inclusive) by applying the New Penalty Regime; and
 - (3) added the penalties under (1) and (2) above to determine the total penalty to be imposed.
- 6.4. For the purposes of establishing penalty figures applicable to the transaction reporting breaches falling within the old and new regimes, the Authority has determined the number of transactions that were not reported at all, inaccurately reported or erroneously reported both before and after 6 March 2010. These figures are set out in Appendix 1. In this instance, as the facts and matters which resulted in the breaches of the reporting rules in SUP also constitute the breach of Principle 3 of the Authority's Principles for Businesses, the Authority considers it appropriate to levy one penalty in respect of both categories of breach.

Financial Penalty under the Old Penalty Regime

- 6.5. The Authority's policy on the imposition of financial penalties relevant to the transaction reporting failures occurring prior to 6 March 2010 is set out in the version of Chapter 6 of the Authority's Decision Procedure and Penalties Manual ("DEPP") that was in force prior to 6 March 2010. For the purposes of calculating the penalty under the Old Penalty Regime, the Authority has considered the factors set out below.

Deterrence (DEPP 6.5.2G(1))

- 6.6. The principal purpose of imposing a financial penalty is to promote high standards of regulatory and market conduct. The Authority considers that a penalty of the amount imposed below will deter the Firm and other firms from committing similar breaches.
- 6.7. The Authority considers that the penalty will reinforce generally to other firms the importance of accurate transaction reporting to the orderly conduct of markets in the UK and wider Europe.

Seriousness and Impact (DEPP 6.5.2G(2))

- 6.8. The Firm's transaction reporting failures continued over an extensive period of time and affected several asset classes and business lines.

- 6.9. The breaches indicate weaknesses in certain aspects of the Firm's transaction reporting arrangements, as in some instances reporting issues were not prevented from arising or effectively remedied for a considerable period of time.
- 6.10. The Firm's failure to submit transaction reports, inaccuracies in the transaction reports submitted and the submission of erroneous reports had the potential to hinder the Authority's market surveillance and monitoring capabilities and its ability to detect and investigate suspected incidences of market abuse, insider dealing and market manipulation.
- 6.11. Given the Firm's size and the high volume of transaction reports impacted by errors, the potential impact of the failings in this case was significant.

- 6.12. The breaches did not cause loss to consumers, investors or other market users.

Deliberate or Reckless (DEPP 6.5.2G(3))

- 6.13. The Authority does not consider that the Firm's conduct was deliberate or reckless.

Financial Resources (DEPP 6.5.2G(5))

- 6.14. Given the Firm's size, the Authority considers that it has sufficient financial resources to pay a penalty of the level imposed. The imposed fine is, in the Authority's view, sufficient to achieve credible deterrence and is consistent with the Authority's objective of protecting and enhancing the integrity of the UK financial system.

Benefit Gained/Loss Avoided (DEPP 6.5.2G(6))

- 6.15. The Firm did not profit from the inaccurate transaction reporting, and nor did it avoid a loss.

Conduct following the breaches (DEPP 6.5.2G(8))

- 6.16. The Authority recognises that the Firm self-identified, remediated and notified the Authority of most of the errors referred to in this Notice. The Firm committed significant resources to rectifying the breaches and their underlying root causes, as well as to proactively identifying other potential transaction reports impacted by errors. From 2009, the Firm proactively took steps to, amongst other things, identify and remedy existing transaction reporting issues, enhance transaction reporting control standards and develop a long term sustainable transaction reporting infrastructure and control framework. This programme progressively

rolled out additional controls from around October 2010. Most of those new controls were implemented by the beginning of 2014 and finally completed by the beginning of 2015.

- 6.17. The Firm has fully co-operated with the Authority both prior to and during the Authority's investigation.

Disciplinary Record and Compliance History (DEPP 6.5.2G(9))

- 6.18. The Firm has not previously been fined by the Authority in respect of transaction reporting errors.

Authority guidance and other published materials (DEPP 6.5.2G(12))

- 6.19. As noted in paragraph 6.1 above, the Authority has given substantial and ongoing support to the industry regarding transaction reporting requirements through the TRUP, Transaction Reporting Forums and Market Watch.

- 6.20. The Authority has also made available to firms a facility to enable them to regularly review the accuracy of their reports by requesting samples of data they had submitted to the Authority. The Authority acknowledges that the Firm took steps to review and enhance its transaction reporting arrangements throughout the Relevant Period. However, for the reasons set out in this Notice, the Authority has also concluded that in certain respects the Firm failed to take reasonable care to put effective controls in place to ensure that the transaction reports it submitted to the Authority were accurate and complete.

Penalty under the Old Penalty Regime

- 6.21. The total number of missing, inaccurate or erroneous transaction reports falling within the Old Penalty Regime is 113,514,148. Applying these factors, in particular, the number and breadth of errors, the Authority considers the appropriate level of penalty to be imposed under the Old Penalty Regime to be £14,500,000.

- 6.22. Following the application of the 30% discount for Stage 1 Settlement, the penalty to be imposed under the Old Penalty Regime is £10,150,000.

Financial penalty under the New Penalty Regime

- 6.23. The Authority's policy for imposing a financial penalty under the New Penalty Regime is set out in Chapter 6 of DEPP. In respect of conduct occurring on or after 6 March 2010, the Authority applies a five-step framework to determine the

appropriate level of financial penalty. DEPP 6.5A sets out the details of the five-step framework that applies in respect of financial penalties imposed on firms. The total number of transactions falling within the New Penalty Regime is 106,663,474.

Step 1: disgorgement

- 6.24. Pursuant to DEPP 6.5A.1G, at Step 1 the Authority seeks to deprive a firm of the financial benefit derived directly from the breach where it is practicable to quantify this.
- 6.25. The Firm did not derive any financial benefit from its breach.
- 6.26. Step 1 is therefore £0.

Step 2: the seriousness of the breach

- 6.27. Pursuant to DEPP 6.5A.2G, at Step 2 the Authority determines a figure that reflects the seriousness of the breach. The Authority considers that the number of missing, inaccurate and erroneous transaction reports is indicative of the harm or potential harm caused by the breach. The Authority has determined the appropriate basis for Step 2 to be £157,108,729.
- 6.28. The Authority has given substantial and ongoing guidance to the industry regarding Transaction Reporting requirements through Market Watch, and various tools have been provided to facilitate compliance. Despite the imposition of 12 SUP 17 fines since MiFID, industry standards have not improved to a sufficiently high standard.
- 6.29. The Authority has attributed a value of £1.50 for each of the Firm's missing or inaccurate transaction reports in breach of SUP 17 under the New Penalty Regime to reflect the serious nature of failing to report transactions in accordance with SUP 17 and also the failure by firms to comply with their transaction reporting obligations in light of previous publications and action taken against other firms.
- 6.30. The Authority has attributed a value of £1 for each of the Firm's erroneous transaction reports in breach of SUP 15 under the New Penalty Regime to reflect the failure by the Firm to take reasonable steps to ensure that it did not provide the Authority with this information in breach of SUP 15.

6.31. The Authority has determined the seriousness of the Firm's breaches to be Level 3 for the purposes of Step 2 having taken into account:

- (1) DEPP 6.5A.2G (6-9) which lists factors the Authority will generally take into account in deciding which level of penalty best indicates the seriousness of the breach;
- (2) DEPP 6.5A.2G (11) which lists factors likely to be considered 'level 4 or 5 factors'; and
- (3) DEPP 6.5A.2G (12) which lists factors likely to be considered 'level 1, 2 or 3 factors.'

6.32. Of these, the Authority considers the following factors to be relevant:

- (1) the Authority relies on firms to submit complete and accurate transaction reports to enable it to carry out its market surveillance obligations and to detect and investigate cases of market abuse and uphold proper conduct in the financial system;
- (2) the breaches are considered to be serious because they revealed weaknesses in certain aspects of the Firm's systems relating to MiFID transaction reporting;
- (3) the breaches are considered to be serious as certain of the errors continued over an extended period of time and the errors affected a number of different products and business areas;
- (4) the Firm took steps leading up to as well as after November 2007 to comply with the Authority's rules on transaction reporting and committed significant resources in self-identifying, reporting and remedying errors which occurred during the Relevant Period and improving its transaction reporting arrangements, systems and controls;
- (5) the Firm did not make any profit or avoid any loss as a result of the breaches;
- (6) there was no loss to consumers, investors, or other market users;
- (7) there was no potential significant effect on market confidence; and
- (8) the breach was not committed deliberately or recklessly.

6.33. In accordance with DEPP 6.5A.2G(13), the Authority has applied the following percentages to the seriousness factors considered above. This range is divided into five fixed levels which represent, on a sliding scale, the seriousness of the breach; the more serious the breach, the higher the level:

- (1) Level 1 – 0%
- (2) Level 2 – 10%
- (3) Level 3 – 20%
- (4) Level 4 – 30%
- (5) Level 5 – 40%

6.34. Taking all of the above-mentioned factors into account, the Authority considers that a seriousness factor of 3 is appropriate and so the Step 2 figure is 20% of £157,108,729.

6.35. Step 2 is therefore £31,421,746.

Step 3: mitigating and aggravating factors

6.36. Pursuant to DEPP 6.5A.3G, at Step 3 the Authority may increase or decrease the amount of the financial penalty arrived at after Step 2, but not including any amount to be disgorged as set out in Step 1, to take into account factors which aggravate or mitigate the breach.

6.37. The Authority considers that the following factors aggravate the breach:

- (1) the Authority has given substantial and ongoing support to the industry regarding transaction reporting requirements through the TRUP, Transaction Reporting Forums and Market Watch.

6.38. The Authority considers that the following factors mitigate the breach:

- (1) the Firm's senior management committed significant resources to its transaction reporting arrangements during the Relevant Period, and to identifying and rectifying the breaches and their underlying root causes, as well as proactively identifying other potential transaction reports impacted by errors;

- (2) the Firm has fully co-operated with the Authority both prior to and during the Authority's investigation; and
- (3) the Firm self-identified, remediated and notified the Authority of most of the errors referred to in this Notice.

6.39. Having taken into account these aggravating and mitigating factors, the Authority considers that the Step 2 figure should be increased by 10%.

6.40. Step 3 is therefore £34,563,920.

Step 4: adjustment for deterrence

6.41. Pursuant to DEPP 6.5A.4G, if the Authority considers the figure arrived at after Step 3 is insufficient to deter the firm who committed the breach, or others, from committing further or similar breaches, then the Authority may increase the penalty.

6.42. The Authority considers that the Step 3 figure of £34,563,920 represents a sufficient deterrent to the Firm and others, and so has not increased the penalty at Step 4.

6.43. Step 4 is therefore £34,563,920.

Step 5: settlement discount

6.44. Pursuant to DEPP 6.5A.5G, if the Authority and the firm on whom a penalty is to be imposed agree the amount of the financial penalty and other terms, DEPP 6.7 provides that the amount of the financial penalty which might otherwise have been payable will be reduced to reflect the stage at which the Authority and the firm reached agreement. The settlement discount does not apply to the disgorgement of any benefit calculated at Step 1.

6.45. The Authority and the Firm reached agreement at Stage 1 and so a 30% discount applies to the Step 4 figure.

6.46. Step 5 is therefore £24,194,700 (rounded down to the nearest £100).

Penalty

6.47. The Authority considers that combining the two separate penalties calculated under the old and new penalty regimes produces a figure which is proportionate and

consistent with the Authority's statements that the New Penalty Regime may lead to increased penalty levels.

- 6.48. The Authority hereby imposes a total financial penalty of £34,344,700 (after Stage 1 Settlement Discount and rounding down to the nearest £100) on the Firm for the breaches of SUP 17.1.4R, SUP 17.4.1EU and SUP 15.6.1R, and Principle 3 of the Authority's Principles for Businesses described in this Notice.

7. PROCEDURAL MATTERS

- 7.1. This Notice is given to the Firm under section 207 and in accordance with section 387 of the Act. The following statutory rights are important.

Decision maker

- 7.2. The decision which gave rise to the obligation to give this Notice was made by the Settlement Decision Makers.

Manner and time for payment

- 7.3. The financial penalty must be paid in full by the Firm to the Authority no later than 10 April 2019.

If the financial penalty is not paid

- 7.4. If all or any of the financial penalty is outstanding on 11 April 2019, the Authority may recover the outstanding amount as a debt owed by the Firm and due to the Authority.

Publicity

- 7.5. Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this notice relates. Under those provisions, the Authority must publish such information about the matter to which this notice relates as the Authority considers appropriate. The information may be published in such manner as the Authority considers appropriate. However, the Authority may not publish information if such publication would, in the opinion of the Authority, be unfair to you or prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.

Authority contacts

- 7.6. For more information concerning this matter generally, contact Stephen Robinson (direct line: 020 7066 1338) or Kevin Oh (direct line: 020 7066 4312) of the Enforcement and Market Oversight Division of the Authority.

Mario Theodosiou

Head of Department

Financial Conduct Authority, Enforcement and Market Oversight Division

Appendix 1

BREAKDOWN OF TRANSACTION REPORTING ERRORS UNDER THE OLD AND NEW PENALTY REGIMES

	Errors	Total	Old Penalty Regime			New Penalty Regime		
			(millions) (allowing for rounding error)	SUP 17.4.1 EU transaction reports (misreporting)	SUP 17.1.4R transaction reports (under reporting)	SUP 15.6.1R transaction reports (erroneous reporting)	SUP 17.4.1 EU transaction reports (misreporting)	SUP 17.1.4R transaction reports (under reporting)
1	The Central Counterparty BIC Issue	72.7	45,645,792			27,086,704		
2	The Incorrect Dealing Capacity Issue	51.4	46,782,197			4,583,789		
3	The BIC/FRN Issue	50.4	17,502,975			32,901,148		
4	The Listed Derivatives Issue	17.2	343,724			16,838,390		
5	The BATS Chi-X Issue	8.8					8,809,447	
6	The Incorrect Counterparty Logic Issue	4.4				4,441,069		
7	The Listed Derivatives 'Give-In' Issue	2.3			184,100			2,134,403
8	The Non-Clearing Member Issue	2.2						2,227,724
9	The Incorrect Trading Indicator Issue	1.2	602,028			578,356		
10	The Cash Equity Product Issue	1.0	157,988			882,920		
11	The Misreporting of MIC Issue	1.0	833,332			166,668		
12	Other lower volume errors	7.5	807,992	28,504	625,516	3,942,527	659,492	1,410,837
	Total	220.2	112,676,028	28,504	809,616	91,421,571	9,468,939	5,772,964

	Old Penalty Regime	New Penalty Regime	Total
SUP 17.4.1 EU errors (misreporting)	112,676,028	91,421,571	204,097,599
SUP 17.1.4R errors (under reporting)	28,504	9,468,939	9,497,443
SUP 15.6.1R errors (erroneous reporting)	809,616	5,772,964	6,582,580
Total	113,514,148	106,663,474	220,177,622

Appendix 3

RELEVANT STATUTORY AND REGULATORY PROVISIONS AND GUIDANCE

1. RELEVANT STATUTORY PROVISIONS

- 1.1. The Authority's general duties established in section 1B of the Act include the strategic objective of ensuring that the relevant markets function well and the operational objectives of protecting and enhancing the integrity of the UK financial system and securing an appropriate degree of protection for consumers.
- 1.2. Section 206 of the Act gives the Authority the power to impose a penalty on an authorised firm if that firm has contravened a requirement imposed on it by or under the Act or by any directly applicable European Community regulation or decision made under MiFID.

2. RELEVANT REGULATORY PROVISIONS

- 2.1. In exercising its powers to impose a financial penalty and to impose a restriction in relation to the carrying on of a regulated activity, the Authority has had regard to the relevant regulatory provisions published in the Authority's Handbook. The main provisions that the Authority considers relevant are set out below.

Principles for Businesses (PRIN)

- 2.2. The Principles are general statements of the fundamental obligations of firms under the regulatory system and are set out in the Authority's Handbook. They derive their authority from the Authority's statutory objectives.
- 2.3. Principle 3 provides that a firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.

Supervision Manual

- 2.4. The SUP 17 requirements set out below were in force throughout the Relevant Period
- 2.5. SUP 17.1.4R stated:

A firm which executes a transaction:

- (1) in any financial instrument admitted to trading on a regulated market or a prescribed market (whether or not the transaction was carried out on such a market); or
- (2) in any OTC derivative the value of which is derived from, or which is otherwise dependent upon, an equity or debt-related financial instrument which is admitted to trading on a regulated market or on a prescribed market;

must report the details of the transaction to the Authority.

- 2.6. SUP 17.4.1EU stated:

Reports of transactions made in accordance with Articles 25(3) and (5) of MiFID shall contain the information specified in SUP 17 Annex 1 EU which is

relevant to the type of financial instrument in question and which the Authority declares is not already in its possession or is not available to it by other means.

- 2.7. SUP 17 Annex 1 EU set out the minimum information required for a transaction report in a table including Field Identifiers and Descriptions. The fields in the transaction report that need to be completed include, amongst other things: buy/sell indicator, trading capacity and counterparty.
- 2.8. SUP 15.6.1R required that:
A firm must take reasonable steps to ensure that all information it gives to the Authority in accordance with a rule in any part of the Authority's Handbook (including Principle 11) is:
 - (1) factually accurate or, in the case of estimates and judgments, fairly and properly based after appropriate enquiries have been made by the firm; and
 - (2) complete, in that it should include anything of which the Authority would reasonably expect notice.

Decision Procedure and Penalties Manual

- 2.9. Chapter 6 of DEPP, which forms part of the Authority's Handbook, sets out the Authority's statement of policy with respect to the imposition and amount of financial penalties under the Act. In particular, DEPP 6.5A sets out the five steps for penalties imposed on firms in respect of conduct taking place on or after 6 March 2010.

3. RELEVANT REGULATORY GUIDANCE

The Enforcement Guide

- 3.1. The Enforcement Guide sets out the Authority's approach to exercising its main enforcement powers under the Act.
- 3.2. Chapter 7 of the Enforcement Guide sets out the Authority's approach to exercising its power to impose a financial penalty.