

## Corporate & Financial Weekly Digest

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### **FSA Fines Integrated Financial Arrangements Plc \$5.5 million for Client Money Breaches**

The Financial Services Authority (FSA) announced on December 8, that it fined Integrated Financial Arrangements Plc (Integrated) £3.5 million (approximately \$5.5 million) for failings in relation to segregation of client money. Integrated operates Transact, one of the UK's largest wrap platforms. This is the second largest penalty imposed by the FSA for client money rule breaches.

On an inspection visit by the FSA in May 2010, it identified client money compliance failures stretching over a period of more than eight years from December 2001 to May 2010. The amount of client money held by Integrated during the period averaged £508 million (approximately \$790 million).

Integrated did not perform any client money calculations between 2001 and 2010. As a consequence, it failed to identify or fund any shortfalls in its client money bank accounts for the whole of that period. This meant that money belonging to clients was used to cross fund other clients and resulted in clients' money being at risk if Integrated were to become insolvent. Integrated also failed to put in place adequate trust documentation for several of its client bank accounts and failed to put in place adequate risk management systems in relation to the handling of client money. Since Integrated has not become insolvent, none of its clients has suffered any actual losses as a consequence of the rules breaches identified by the FSA.

Tracey McDermott, FSA's acting director of enforcement and financial crime, said: "Integrated has committed a serious breach by failing to comply with our client money rules for a significant period of time. The FSA has repeatedly emphasized the importance of ensuring that client money is adequately protected and in the past year has taken enforcement action against firms of all sizes for breaches of its client money rules.

Integrated agreed to settle at an early stage of the FSA disciplinary proceeding and as a result it qualified for a 30% discount. Without the discount the fine would have been £5 million (1 percent of the average client money balance held over the period December 2001 to June 2010) and approximately \$7.9 million.

The FSA also required Integrated to appoint a skilled person under Section 166 of the Financial Services and Markets Act 2000, to review its client money procedures. Integrated has agreed to comply with the skilled person's recommendations.

For more information, click [here](#).

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