FINAL NOTICE

To: **Timothy Haywood**

Reference Number: TCH01021

Date: 29 March 2022

1. ACTION

1.1. For the reasons given in this Final Notice, the Authority hereby imposes a financial penalty of £230,037 on Timothy Haywood (comprising of disgorgement of £22,437 and a penal element of £207,600) pursuant to section 206 of the Act in respect of breaches of Statement of Principle 7 of the Authority's Statements of Principle and Code of Practice for Approved Persons ("Statement of Principle 7") between 20 October 2016 and 3 November 2017 ("Investments Relevant Period") and breaches of Statement of Principle 2 of the Authority's Statements of Principle and Code of Practice for Approved Persons ("Statement of Principle 2") between 29 March 2017 and 8 January 2018 ("GE Relevant Period") (together "the Relevant Periods").

1.2. Mr Haywood agreed to settle at an early stage of the Authority's investigation. He therefore 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 £319,044 on Mr Haywood (comprising of disgorgement of £22,437 and a penal element of £296,607).

2. SUMMARY OF REASONS

2.1. During the Relevant Periods, Mr Haywood was an Investment Director and Business Unit Head of the Absolute Return and Long Only team (the "ARLO Team") at GIML, a London based asset management firm. As of June 2018, GIML managed approximately £43.7 billion of assets.

2.2. Asset managers act as agents for their customers, making investment decisions in financial markets on their behalf. Confidence that asset managers will conduct themselves properly when acting on behalf of customers is central to the relationship of trust between the industry and its customers. When making investment decisions for customers, asset managers should not let conflicts of interest interfere with their obligations to customers. The Authority has stressed the importance of asset managers managing conflicts of interest effectively, including by way of a Dear CEO letter in November 2012.

2.3. As head of the ARLO Team, Mr Haywood was responsible for the overall investment management of 26 funds and mandates during the Relevant Periods. Each fund or mandate typically had at least two Investment Directors as co-investment managers. Mr Haywood was a GIML Board member and held the CF1 (director) and CF30 (customer) controlled functions.

2.4. During the Investments Relevant Period, Mr Haywood failed to take reasonable steps in respect of two Greensill-related investments to ensure that GIML complied with relevant regulatory rules requiring that conflicts of interest are managed fairly.

2.5. During the GE Relevant Period, Mr Haywood failed to act with due skill, care and diligence by breaching the Gifts and Entertainment Policy in operation at GIML (the "GE Policy").

2.6. As a consequence, Mr Haywood breached Statement of Principle 2 and Statement of Principle 7.

Statement of Principle 7

2.7. Statement of Principle 7 requires an approved person performing an accountable higher management function to take reasonable steps to ensure that the business of the firm for which they are responsible in their accountable function complies with the relevant requirements and standards of the regulatory system.

2.8. GIML commenced a business relationship with Greensill in 2014, pursuant to which Mr Haywood invested client monies in GIML-managed funds into Greensill originated assets as well as managing the day-to-day relationship between GIML and Greensill. During the Investments Relevant Period, Mr Haywood was a designated co-investment manager for the 21 GIML-managed funds that invested in Greensill originated assets. As of February 2018, Mr Haywood had invested over £1.5 billion of client monies in GIML-managed funds into Greensill originated assets. No Greensill-related asset defaulted on any payment of interest or capital to GIML-managed funds during the Relevant Periods.

2.9. During the Investments Relevant Period, Mr Haywood failed to take reasonable steps to ensure that GIML fairly managed conflicts of interest issues arising from two Greensill-related investments - the Laufer 1 investment and the SCF Fund.

Laufer 1

2.10. In October 2016, GIML financed an entity owned by Greensill, Laufer Limited ("Laufer"), using approximately £110 million of client monies in GIML-managed funds (the "Laufer 1" investment). Mr Haywood was both a co-investment manager at GIML with responsibility for the investment into Laufer 1 and managed the day-to-day relationship between GIML and Greensill. As such, he was central to the negotiation and decision making for this investment.

2.11. The Laufer 1 investment created a conflict between the interests of GIML and its clients as GIML may have been incentivised to financially assist its business partner Greensill rather than necessarily act in the best interests of its clients. This conflict was exacerbated by Greensill offering, unsolicited, three potential incentives to GIML in connection with the GAM and Greensill business relationship, which raised conflict of interest issues between GIML and its clients. These comprised: a 'fee ramp' (guaranteeing the amounts GIML would earn from its management of specific supply chain finance funds); an 'equity warrant' over Greensill shares; and a 'first and last look' arrangement (which allowed GIML the first opportunity to launch further funds investing in Greensill originated assets). These potential incentives would have provided benefits to GIML in return for investing customers' monies into Laufer 1. These represented clear and serious conflict of interest issues but none of them were ultimately taken up by GIML.

2.12. However, Mr Haywood failed to take reasonable steps to ensure that GIML fairly managed the conflicts of interest issues as, in respect of each, he:

2.12.1. failed to make a written record of the conflict of interest issue or how he had dealt with it;

2.12.2. failed to escalate the conflict of interest issue specifically and explicitly to his line manager or the Conflicts of Interest Officer (the "COI Officer"); and

2.12.3. invested client monies in GIML-managed funds into the Laufer 1 investment without first checking or ensuring that the conflict of interest issues had been properly addressed.

2.13. One document, signed by Greensill directors and provided to Mr Haywood as one of four emailed attachments on the day he invested client monies in GIML-managed funds into the Laufer 1 investment, made reference to a fee ramp arrangement, which offered payment to GIML in consideration for the investment. Mr Haywood failed to identify or object to this fee ramp arrangement before the Laufer 1 investment was made. He objected to the terms of the letter shortly after the completion of the Laufer 1 transaction on the grounds that he considered it incorrect. Greensill subsequently reissued the letter to remove reference to the Laufer 1 investment.

2.14. Given that he was the head of the ARLO Team, a co-investment manager and managed the ongoing day-to-day relationship between GIML and Greensill and given the issues raised above, Mr Haywood should have documented the due diligence he carried out and prepared a recorded credit analysis of Laufer, Greensill and the Greensill Group. Mr Haywood did not do this.

2.15. In the circumstances, it was especially incumbent upon Mr Haywood to take all reasonable steps to ensure that GIML complied with the COI Policies and its regulatory requirements in respect of fairly managing conflicts of interest and that it documented and recorded how it had addressed any conflict of interest issues to comply with its COI Policies. As described above, Mr Haywood failed to do so. He thereby breached Statement of Principle 7.

SCF Fund

2.16. The SCF Fund was a co-branded fund launched by GIML and Greensill in 2016 with two share classes (the A and B classes). Mr Haywood was both a co-portfolio manager of the SCF Fund and managed the relationship between GIML and Greensill.

2.17. A further class of the SCF Fund, the C class, was launched in July 2017 for the benefit of a customer, Company B. GIML used approximately £423 million of client monies in GIML-managed funds as the initial purchasers of asset backed securities linked to Company B's receivables with the intention that it would deliver a financial return to those clients. The C class subsequently purchased these securities from the initial purchasers ("B Cross Trades"). This comprised 'cross trading' and was expressly identified within GIML's policies as a category of activity which could lead to a conflict of interest between customers. The B Cross Trades presented a potential conflict for GIML between the interests of one of its clients, Company B, and its other clients.

2.18. In the circumstances of this arrangement, greater consideration should have been given as to whether this potential conflict should have been escalated in accordance with the Conflicts of Interest policy. The Authority considers that it should have been. Mr Haywood did not escalate the potential conflict of interest to his line manager or the COI Officer (as required by the Conflicts of Interest Policy) or to the COI Committee, the GIML Board of Directors or Compliance.

2.19. For the reasons set out above, Mr Haywood breached Statement of Principle 7.

2.20. In addition, Mr Haywood failed to verify that all of the B Cross Trades were:

2.20.1. in compliance with the Cross Trade Policy and delivered a financial benefit to the initial purchaser; and

2.20.2. correctly tagged on GAM's order management system and that an adequate rationale for the B Cross Trades was recorded on this system.

2.21. As a result, loss was suffered in 19 trades because there was a failure to apply the correct price: the prices used were stale prices, being ones from earlier trading days. The cumulative loss was USD 26,181 for which GIML compensated the relevant funds in full.

2.22. Mr Haywood failed in respect of the conflicts of interest issues arising out of the Laufer 1 investment and SCF Fund as described above, despite his seniority and the fact that as a GIML Board member he was responsible for setting an appropriate tone to GIML staff.

Statement of Principle 2

2.23. Statement of Principle 2 requires an approved person to act with due skill, care and diligence in carrying out his accountable functions.

2.24. As an employee, Mr Haywood was required to comply with GIML's policy on gifts and entertainment (the "GE Policy"). The purpose of the GE Policy was to ensure that staff did not offer or accept any gift or entertainment which might create or give the appearance of a conflict between their own interests and the duties owed to clients.

2.25. However, Mr Haywood failed, on certain occasions, to act with due skill, care and diligence during the GE Relevant Period as, in breach of the GE Policy, he:

2.25.1. failed to obtain prior approval travelling on a Greensill employee or associate's private aircraft for business trips to various destinations relating to investments in Greensill originated assets;

2.25.2. failed to obtain prior approval for attendance at three dinners;

2.25.3. travelled on a Greensill employee's aircraft for a personal trip to Sardinia, valued at £15,000. The GE Policy stated that no contribution should be made by the donor of entertainment to air travel or overnight expenses; and

2.25.4. failed to record the above items in a timely fashion on GAM's regulatory compliance software platform. These items had a total value of £22,437.

2.26. The entertainment received from Greensill or in connection with investments in Greensill originated assets occurred at a time when GIML-managed funds were making investments in Greensill originated assets. As such, there was a risk that Mr Haywood may have been incentivised to invest GIML-managed funds in Greensill originated assets for personal interest rather than necessarily act in the best interests of GIML's clients. The correct disclosure and approval – or refusal – of gifts and entertainment is extremely important because gifts and entertainment have the potential to create conflicts of interest and influence decisions such as investment decisions. While the Authority has not found that investment decisions were made in this case because of the gifts and entertainment, the risk of influence and conflict is one that remains.

2.27. Given his seniority and role it was especially incumbent upon Mr Haywood to act with due skill, care and diligence by ensuring that he acted in accordance with the GE Policy. Mr Haywood failed to do so.

2.28. The Authority therefore has decided to impose a financial penalty on Mr Haywood of £230,037 pursuant to section 206 of the Act for breaches of Statements of Principles 2 and 7.

2.29. Mr Haywood agreed to resolve this matter and qualified for a 30% (Stage 1) discount under the Authority's executive settlement procedures. Were it not for this discount the Authority would have imposed a financial penalty of £319,044 in respect of these breaches.

3. DEFINITIONS

3.1. The definitions below are used in this Notice:

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

"the ARLO Team" means the Absolute Return and Long Only team;

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

"the COI Committee" means the Conflicts of Interest Committee, a GAM (UK) Limited committee established by a resolution of the GAM (UK) Limited Board of Directors on 6 December 2012;

"the COI Policy 1" means the UK Conflicts of Interest Policy in force at GAM (UK) Limited, GAM International Management Limited, GAM London Limited and GAM Sterling Management Limited from 1 February 2013 and updated on 25 February 2016;

"the COI Policy 2" means the UK Conflicts of Interest Policy in force at GAM (UK) Limited, GAM International Management Limited, GAM London Limited and GAM Sterling Management Limited from 1 February 2013 and updated on 10 February 2017;

"the COI Policy 3" means the UK Conflicts of Interest Policy in force at GAM (UK) Limited, GAM International Management Limited, GAM London Limited and GAM

Sterling Management Limited from 1 February 2013 and updated on 3 January 2018;

"the COI Policies" means the Conflict of Interest Policies 1, 2 and 3;

"Compliance" means the Compliance function of GAM UK Group;

"GAM" means the companies within the GAM Group;

"GAM UK Group" means GAM (UK) Limited and its subsidiaries, GAM International Management Limited, GAM London Limited and GAM Sterling Management Limited;

"GIML" means GAM International Management Limited;

"Greensill" means Greensill Capital (UK) Ltd;

"the Investments Relevant Period" means the period from 20 October 2016 to 3 November 2017;

"the GE Relevant Period" means the period from 29 March 2017 to 8 January 2018;

"the Relevant Periods" means both the Investments Relevant Period and GE Relevant Period, together the period from 20 October 2016 to 8 January 2018; and

"the Tribunal" means the Upper Tribunal (Tax and Chancery Chamber).

4. FACTS AND MATTERS

Background to GAM International Management Limited

4.1. GIML is a London-based asset management firm. It is a subsidiary of GAM (UK) Limited which is a UK subsidiary of GAM Holding AG. Since 1 December 2001, GIML has been authorised by the Authority to carry out specified regulated activities. As of 30 June 2018, GIML managed approximately £43.7 billion of assets.

4.2. During the Relevant Periods, GAM had a number of in-house investment teams, each headed by an individual who reported to the Group CEO. Each head was also an active investor and described by GAM as having *"the freedom to invest without having to conform to a single 'house style' and to follow his or her own, individual investment philosophy and process".* The investment teams were organised in

accordance with the investment strategies pursued and the types of assets in which they specialised.

4.3. The fixed income teams were based in London, New York and Zurich. The Absolute Return and Long Only team (the "ARLO Team"), was a fixed income team which operated in London and New York during the Relevant Periods.

4.4. The ARLO Team managed multiple funds or mandates in which GIML was either the investment manager or delegated investment manager. As at 30 June 2018, the ARLO Team had approximately £8.4 billion of assets under management.

4.5. The ARLO Team was heavily comprised of senior members of staff, including a number of Investment Directors and Investment Managers. Investment Directors were either the head of an investment team or a very senior member of that team. Investment Managers were just below Investment Directors in seniority.

Timothy Haywood's Roles and Responsibilities

4.6. Mr Haywood was an Investment Director at GIML and the head of the ARLO Team. He was also a director of the Board of GIML and held the CF1 (director) and CF30 (customer) controlled functions in the period 7 August 2012 to 31 July 2018. Mr Haywood held no management positions in any other part of GAM.

4.7. As head of the ARLO Team, Mr Haywood had various responsibilities. He was responsible for the team's investment strategies, the allocation to Investment Directors within the ARLO Team of capital for funds or mandates and assisting in the assessment of his team's training and competence. All members of the ARLO Team reported to Mr Haywood either directly or indirectly, with a number of the team's senior members reporting directly to him.

4.8. In his capacity as a line manager and in accordance with the COI Policies, Mr Haywood was a person to whom his direct reports could escalate conflicts of interest. In circumstances where the value of any gifts and entertainment, provided to or received by his reports exceeded GIML's prescribed limits, he was responsible for pre-approving the matter, which then also required the approval of Compliance.

4.9. As head of the ARLO Team, Mr Haywood was responsible for the overall investment management of 26 funds and mandates during the Relevant Periods. Each fund or mandate, typically, had at least two Investment Directors as co-investment managers. The co-investment managers had responsibility for

managing the inflows and outflows to and from these funds and mandates, managing the money committed to them by customers and assisting in their marketing and client service.

4.10. On 7 August 2012, Mr Haywood was appointed as a director of the GIML Board. His role was to provide first line representation for the fixed income teams and ensure that the Board was properly appraised of performance, asset flows, prospects and team stability within the fixed income space.

4.11. Mr Haywood was one of two investment managers on the GIML Board. During the Relevant Periods, he was the only investment manager on the GIML Board who managed fixed income strategies and therefore had both exposure to conflicts in the fixed income space and an awareness of the extent to which the Board was cognisant of them.

Governance and control structures at GIML

4.12. Investment Directors and Investment Managers were given autonomy to identify and undertake investments within their specialism, with GAM documentation stating that:

"*investment managers enjoy a high degree of autonomy, which goes hand in hand with full responsibility for investment performance.*"

4.13. Mr Haywood and the heads of the other investment teams had a direct reporting line to the GAM CEO who was their line manager. Mr Haywood did not report to the GAM CEO for approval for investment or portfolio decisions. This was consistent with the investment management philosophy at GAM. Accordingly, the GAM CEO did not make or oversee investment decisions for the ARLO Team or any of the other investment teams.

4.14. During the Relevant Periods, GIML did not have a documented procedure or set of requirements in respect of the authorisation of decisions to invest or the approval and operational processes used to enter an investment into its systems.

4.15. Further, GIML did not have a documented policy, set of requirements, or guidance setting out the nature or extent of due diligence that should be conducted before an investment was undertaken. This was left at the discretion of investment professionals at GIML.

4.16. Whilst GIML had a number of pre-trade and post trade controls coded into its order management system, they were not directed at identifying conflicts of interest. Mr Haywood was aware that GIML's order management system did not have a dedicated section or facility in order to record or address conflicts of interest. It was therefore particularly important for Mr Haywood to ensure that he had considered whether there were any conflicts of interest arising from a potential investment and, where appropriate, make a record of such considerations and escalate any such conflicts of interest for consideration prior to undertaking any investments.

Conflicts of interest framework at GIML

4.17. During the Relevant Periods, GIML had various systems and controls in place in order to identify, manage and review conflicts of interest, including those set out at paragraphs 4.18 to 4.26 below.

Conflicts of Interest Policies

4.18. There were three conflict of interest policies in operation at GIML during the Relevant Periods ("COI Policies").

4.19. The COI Policies specified that the GAM UK Group was reliant on employees to exercise sound judgement, seek advice where appropriate and disclose activities that were considered to constitute or potentially constitute a conflict of interest.

4.20. The COI Policies set out the following:

4.20.1. Examples of the types of circumstances in which conflicts of interest may arise, including from personal account dealing and the receipt or giving of gifts and entertainment.

4.20.2. The procedure to be followed to address conflicts of interest.

4.20.3. The responsibilities of individuals and bodies tasked with assisting in the management of conflicts. They consisted principally of the Boards of Directors of each of the companies within GAM UK Group, including GIML, the COI Committee, the Conflicts of Interest Officer ("COI Officer") and Compliance.

4.21. Mr Haywood annually attested to having read and understood the UK Compliance Manual and to have acted in full compliance with it and all other applicable GAM policies and procedures, including the COI Policies. Accordingly, he was aware of

and understood the content of the COI Policies. He considered them to be a key part of fund management in order to segregate the interests of employees and clients. He was aware of the reliance the COI Policies placed on employees to be proactive in declaring conflicts of interests and attested to his responsibility as a GIML employee to disclose any conflicts of interest.

The Board of Directors of the companies within GAM UK Group

4.22. The GIML Board, of which Mr Haywood was a member, had a number of responsibilities. These included:

4.22.1. Setting the appropriate tone and overseeing the implementation of the conflicts of interest framework, including overseeing the identification and management of conflicts of interest within GAM UK Group.

4.22.2. Reviewing and discussing conflicts of interest that have arisen.

4.22.3. Reviewing the COI Policies.

4.22.4. Ensuring that conflicts of interest procedures were compliant with regulatory standards.

Conflicts of Interest Committee

4.23. The COI Committee was an integral component of GIML's systems and controls to identify and address any conflicts of interest. It did not meet, however, between November 2014 and October 2017.

4.24. Mr Haywood was aware of the role of the COI Committee and that its remit included investments undertaken within the ARLO Team. During the Investments Relevant Period, he did not directly engage with the COI Committee in relation to the conflicts of interest that are the subject matter of this notice.

Conflicts Interest Officer

4.25. The COI Officer was the main initial escalation point for a UK employee of a known or suspected conflict of interest.

4.26. Mr Haywood was aware of the role and identity of the COI Officer. He was also aware that as an alternative to raising conflicts of interest with the COI Officer, the COI Policies envisaged that employees could raise potential or actual conflicts

with their line manager. Mr Haywood did not escalate to the COI Officer the conflicts of interest that are the subject matter of this notice.

Gifts and Entertainment Policies

4.27. GAM's Local Policy on UK Gifts and Entertainment, effective from 3 June 2016, (the "GE Policy") was in operation during the GE Relevant Period. It was applicable to GIML and other UK based GAM entities.

4.28. The purpose of the GE Policy was to ensure that GAM staff did not offer or accept any gift or entertainment which might create or give the appearance of a conflict between their own interests and the duties owed to clients. Mr Haywood failed, on certain occasions, to act in accordance with the GE Policy during the GE Relevant Period. This is addressed in further detail at paragraphs 4.83 to 4.86 below.

GIML relationship with Greensill

4.29. Greensill is a wholly owned subsidiary of Greensill Capital Pty Limited, an Australian incorporated company ("Greensill Pty"). Greensill offers companies a range of finance solutions including supply chain finance ("SCF").

4.30. SCF is a form of short-term credit provided to corporate buyers of goods and services. The SCF provider purchases or extinguishes receivables owed by a corporate buyer ("obligor") at a discount from the obligor's supplier(s). The provider then collects the full value of the receivables from the obligor at a later date.

4.31. GIML's relationship with Greensill commenced in late November 2014, with Mr Haywood subsequently becoming the principal point of contact at GIML for Greensill.

4.32. In early October 2015, an investment structure was agreed between GIML and Greensill, such as to permit GIML access to Greensill SCF assets and for Greensill to access GAM's short term cash balances. Consideration was given as to the question of whether there were any conflicts of interest that needed to be managed or addressed prior to this arrangement being entered into. Mr Haywood disclosed his own personal relationship with a senior member of the Greensill Board. This matter was considered and it was concluded that it did not require any further action prior to the signing of the joint venture agreement.

4.33. Pursuant to this agreement, Mr Haywood began investing in Greensill SCF assets. On or around 22 October 2015, Mr Haywood invested in Greensill originated assets on behalf of certain sub-funds of the GAM Absolute Return Bond Funds, which was a fund managed by GIML.

4.34. In June 2016, GAM and Greensill launched the co-branded GAM Greensill Supply Chain Finance Fund ("SCF Fund"). GAM appointed GIML as the investment manager for the SCF Fund. The decision to launch the fund was taken by GAM. GIML was aware that the GAM Absolute Return Bond Funds under the management of Mr Haywood were investing in Greensill originated assets. Mr Haywood was a designated co-portfolio manager for the SCF Fund and was listed as a member of key personnel in promotional documentation. Despite full knowledge within GIML of Mr Haywood's multiple roles, GIML's conflicts of interest framework was not engaged in order to consider whether they presented a conflict of interest.

4.35. In September 2016, Mr Haywood invested USD 18 million in Greensill originated assets on behalf of GIML-managed funds.

4.36. During the Relevant Periods, 21 GIML-managed funds and mandates invested directly or indirectly in Greensill originated assets. Mr Haywood was a designated co-investment manager for all of these funds and mandates and was responsible for these investments. The funds included the GAM Multibond fund and its sub funds, the GAM Absolute Return Bond Master Fund and the GAM Greensill Supply Chain Finance Plus fund.

4.37. At the end of the Relevant Periods, as of February 2018, GAM funds net investment in Greensill originated assets was approximately £1.53 billion. No Greensill-related asset defaulted on any payment of interest or capital to GIML-managed funds during the Relevant Periods.

Laufer 1 Investment

4.38. On 20 October 2016, GIML-managed funds bought a series of 1-year notes issued by Laufer Limited ("Laufer"), a 100% owned subsidiary of a Greensill entity, Greensill Capital Pty limited ("Greensill Pty"). This investment ("Laufer 1") was distinguishable from previous investments in Greensill originated assets in that it provided direct financing to a Greensill owned entity.

4.39. The initial Laufer 1 investment consisted of a purchase of four EUR denominated notes for a total of EUR 46,770,554 and five USD denominated notes for a total

of USD 84,006,665. Prior to the Laufer 1 investment, GAM had already invested approximately £43.4 million in Greensill originated assets. Following this investment, as at 20 October 2016, GAM had invested a net amount of approximately £153.7 million in Greensill originated assets.

4.40. The Laufer 1 notes purchased in October 2016 all matured and were redeemed in October 2017 and then 'rolled over' into eight new EUR denominated notes and six new USD denominated notes (with similar yields). One of the notes was sold on 23 January 2018. The remaining notes were then sold on 25 July 2018.

4.41. In March 2017, five Laufer 1 notes totalling USD 56 million were purchased by GIML funds with a yield of around 5.58% to 5.63%, although these trades had different maturity dates, all of more than one year, that ranged between September 2017 and March 2021. One of these notes matured and was redeemed (with no 'roll over') in September 2017. One of these notes matured and was redeemed (with no 'roll over') in March 2018. The remaining notes were then sold on 25 July 2018.

4.42. Three further notes were purchased between 22 and 24 March 2017 totalling USD 177,187,500 and all were sold on 1 June 2017. On 3 November 2017, a note of USD 10,766,699 was purchased and was then sold on 25 July 2018.

4.43. Mr Haywood was a designated co-investment manager for the GIML funds which invested in the Laufer 1 notes and managed the negotiations and investment decisions in regards to it. Further, he managed the ongoing day-to-day relationship between GIML and Greensill during the Relevant Periods. He did not manage the relationship between Greensill and GAM at a corporate level. Mr Haywood sought to arrange a meeting between GAM senior management and Greensill, to facilitate engagement between them in advance of the Laufer transaction.

4.44. The provision of financing to a Greensill-owned entity (Laufer) created a conflict of interest for GIML, in light of GAM's broader relationship with Greensill. The investment by GIML-managed client funds in Laufer 1 had the effect of directly refinancing Greensill's debts, and on more favourable terms. It was therefore financially beneficial to Greensill, reducing Greensill's interest payments on its debts from 10% to approximately 5%. This created a conflict of interest between the interests of GIML and those of the clients who held assets in those funds investing in Laufer 1, on the basis that GIML was also in a pre-existing joint

venture business relationship with Greensill. In light of this, reduced debt costs for Greensill was potentially of benefit to GIML.

4.45. As a result of there being a potential benefit to GIML itself in supporting the financial health of Greensill, there was an incentive for GIML to invest its clients' funds in Laufer 1 for its own benefit, rather than necessarily for the benefit of its clients.

4.46. In light of the above, the Laufer 1 investment created a conflict of interest between GIML and its clients that needed to be identified and appropriately managed. Despite his responsibilities as an Investment Director, Mr Haywood:

4.46.1. did not make a written record of the conflict of interest or how he had dealt with it;

4.46.2. failed to escalate the conflict of interest specifically and explicitly to his line manager or the COI Officer; and

4.46.3. invested client funds in the Laufer 1 investment without first checking or ensuring that the conflict of interest had been considered by the COI Officer and/or COI Committee and that they were content for the investment to proceed.

4.47. Despite full knowledge within GIML of Mr Haywood's multiple roles, GAM's conflicts of interest framework was not engaged to manage any actual or perceived issues arising from Mr Haywood's dual roles as co-investment manager and the key individual managing the day-to-day GIML relationship with Greensill.

4.48. The due diligence carried out by Mr Haywood in respect of the Laufer 1 investment, consisted principally of an undocumented consideration of Greensill's management accounts and Mr Haywood's experience of working with Greensill and his knowledge of the business and how it was developing. There was no documented guidance or rule at GIML as to the level of due diligence that was required prior to purchase and it was left to the fund manager to determine what was appropriate. There was no procedure at GIML that required a recorded credit analysis to be prepared. Mr Haywood did not prepare a recorded credit analysis of Laufer, Greensill or the Greensill Group.

4.49. In addition to the above, documentation produced by Greensill at the time of the investment contained three additional features to the Laufer 1 transaction which gave rise to further conflict of interest issues. These are set out below.

Fee Ramp

4.50. During 2016, and before and after the investment in Laufer 1, GAM Senior Management had expressed their disappointment to Mr Haywood at the rate of growth of assets under management of the co-branded SCF funds.

4.51. During the course of the discussions between Mr Haywood and Greensill leading up to the Laufer 1 investment, a draft Laufer term sheet sent to Mr Haywood by Greensill, dated 14 October 2016, made reference to a "fee ramp" arrangement. It stated as follows:

"where the total assets under management of "Vodafund" [a supply chain finance fund co-branded between GAM and Greensill] *and any similar fund managed by GIML is less than US$1 billion on 31 March 2017, GCUK will pay an annual fee of US$1.25MM (payable quarterly in arears in instalments of $312,500) as an additional asset management fee for each of the next 4 years."*

4.52. This unsolicited proposed fee ramp arrangement offered by Greensill created a conflict of interest between GIML and its clients, as the arrangement was stated to be for the benefit of GIML and not its clients and led to a risk that GIML may have been incentivised to invest client funds in the Laufer notes to serve its own interests as opposed to that of its clients.

4.53. On 20 October 2016, the same day as the GIML-managed funds invested into Laufer 1, Mr Haywood received an email from a representative of Greensill, titled "Laufer – closing," attaching various documents including a Laufer Commitment letter (the "Commitment Letter"), a legal opinion concerning the Laufer 1 transaction and a letter dated 20 October 2016 ("Fee Ramp Letter 1"). Fee Ramp Letter 1, similarly to the draft term sheet referenced at paragraph 4.51 above, set out an undertaking by Greensill to pay additional annual fees to GIML if the assets under management in one of the SCF funds did not reach USD 1 billion on 31 March 2017. This was expressed to be in consideration for GIML paying into the Laufer bonds fund. This letter was signed by a representative of Greensill but not countersigned by GIML. After the Laufer 1 investment was made, Mr Haywood objected to the terms of the letter since it, in his view, incorrectly stated that the fee ramp was in consideration of the Laufer 1 investment.

4.54. Accordingly, on 25 October 2016, 5 days after the Laufer 1 investment by GIML funds had been executed, a revised Fee Ramp letter ("Fee Ramp Letter 2") was sent by Greensill to GIML which removed wording stating that the potential fee

ramp payments were in consideration of the GIML investment in Laufer. This letter was to replace Fee Ramp Letter 1.

4.55. On 8 June 2017, both Mr Haywood and Greensill signed a fee ramp letter ("Signed Fee Ramp Letter") which stated that the terms of the fee ramp arrangement were amended from those expressed in Fee Ramp Letter 1, so that Greensill would pay additional annual fees to GIML if the assets under management in one of the SCF funds did not reach USD 1 billion by 30 September 2017 as opposed to by 31 March 2017. No other terms within Fee Ramp Letter 1 were amended in the Signed Fee Ramp Letter and Fee Ramp Letter 2 was not referred to. Accordingly, the fee ramp arrangement in the signed Fee Ramp Letter was expressed to be in consideration for the GIML purchase of Laufer notes. This was later identified as an administrative error as Fee Ramp Letter 2 was to replace Fee Ramp Letter 1.

4.56. At the time the Laufer 1 investment was made on 20 October 2016, there was a lack of clarity in the documentation about whether the fee ramp was in consideration of Laufer 1. This created a conflict of interest. During the Laufer 1 negotiations, draft term sheets prepared by Greensill linked the fee ramp arrangement to the Laufer 1 purchase and, although reference to the fee ramp arrangement was removed from the Commitment Letter, Fee Ramp Letter 1 was attached to the email titled 'Laufer – closing'. Despite this, Mr Haywood failed immediately to check the documentation provided to him by Greensill to ensure that the fee ramp arrangement was not expressed as being in consideration for the investment of GIML client funds into the Laufer 1 investment. The Signed Fee Ramp Letter, as detailed in paragraph 4.55 above, made reference to Fee Ramp Letter 1, which expressed the fee ramp arrangement to be in consideration of the Laufer 1 transaction. This was not identified in a timely manner.

Option to Purchase Equity Warrant

4.57. An equity warrant is a financial instrument under which a company grants a contractual right (but not an obligation) to a third party to subscribe for a specified class of shares in that company.

4.58. On 14 October 2016, a representative of Greensill provided Mr Haywood with a draft term sheet, which presented an offer of an option to purchase an equity warrant over Greensill shares. The draft term sheet also included the following wording: "*Prior* [to] *31 March 2018 if* [GIML] *or one of the funds under its management pays an exercise fee of USD$15MM to the Company, the Company will grant a warrant.*"

4.59. On 20 October 2016, Mr Haywood was told by a representative of Greensill that its shareholders had consented to the issue of an equity warrant to GIML and that Greensill was accordingly authorised to issue the equity warrant to GIML in exchange for the USD 15 million exercise fee at any time before 31 March 2018. This offer was not included in the Commitment Letter, but a separate document confirming this consent was attached to the 'Laufer – closing' email.

4.60. The option to purchase the equity warrant appeared to be of benefit to GAM itself. The fixed income funds managed by GIML and which invested into Laufer 1 would not have benefited from the ability to make an equity investment. In the event that the option to purchase the equity warrant formed part of or was a condition of the investment by GIML fixed income funds in the Laufer 1 notes, it would have created a conflict of interest between GIML and its clients as it led to the risk that GIML may have been incentivised to invest client funds in the Laufer 1 Notes in order to serve its own interests as opposed to that of its investing clients.

4.61. The option to purchase the equity warrant was not referred to in the Commitment Letter, however both the draft term sheet (referenced at paragraph 4.58 above) and a shareholder consent document did link the equity warrant to Laufer 1. The lack of clarity in the documentation about whether the equity warrant formed a part of or was a condition of the Laufer 1 investment created a conflict of interest. No payment was ever made to purchase the equity warrant.

First and Last Look Provision

4.62. The draft term sheet for Laufer 1, dated 14 October 2016, made reference to a first and last look arrangement, giving GAM the right to match any other proposal to launch another SCF fund (of a type similar to the "Vodafund"). It stated as follows:

"For so long as any Note remains outstanding GAM shall have the right to first look and propose and last look to match (both in terms of economics and other benefits) any proposal (i) to establish a third party fund of the nature of "Vodafund"; and (ii) to make a primary equity investment in the Company where the amount sought to be raised is $50MM or more."

4.63. In the event that the first and last look provision formed part of or was a condition of the investment by GIML-managed funds in the Laufer 1 notes, it would have created a conflict of interest between GIML and its clients. This provision was for the benefit of GIML as opposed to its clients and may have encouraged GIML to

invest client funds in the Laufer notes to further GIML's interests as opposed to that of its clients.

4.64. The first and last look provision was not reflected in the Commitment Letter or the 'Laufer closing' email on 20 October 2016. However:

4.64.1. It was referred to in the previous draft Laufer term sheet.

4.64.2. The lack of clarity in the documentation about whether the first and last look provision formed a part of or was a condition of the Laufer 1 investment had created a potential conflict of interest.

Awareness of Conflicts of Interest in the Laufer Transaction

4.65. The fact of the Laufer transaction and details pertaining to the date and amounts of the investment were recorded in GAM's order management system. This did not result in GIML engaging the conflicts of interest framework to address any conflicts of interest arising from the investment. Mr Haywood presented a copy of Fee Ramp Letter 2 to his line manager on 27 October 2016, which was after the transaction had taken place. Fee Ramp Letter 2, which did not make any reference to the investment in Laufer 1, was subsequently provided to GAM's legal department. However, Mr Haywood:

4.65.1. did not clearly and explicitly raise any of the conflict of interest issues with his line manager;

4.65.2. did not make any record of the conflicts of interest issues and how he had dealt with them; and

4.65.3. proceeded with the investment of client funds in Laufer 1 without first checking or ensuring that the COI Officer and/or COI Committee had considered the conflict of interest issues and were content for the investment to proceed.

4.66. Mr Haywood was the Investment Director and a designated co-investment manager responsible for the decision to invest GIML client funds into Laufer 1, while also being the key individual at GIML managing the day-to-day relationships with Greensill. Therefore, it was especially incumbent upon Mr Haywood to take all reasonable steps to ensure that GIML complied with the COI Policies and its regulatory requirements in respect of fairly managing conflicts of interest.

Class C of the SCF Fund

4.67. The SCF Fund was a co-branded fund launched by GAM and Greensill in June 2016.

4.68. At the time of the launch of the SCF Fund, in June 2016, it consisted of two share classes, the A class and the B class. The A class consisted of voting shares and was entirely owned by Greensill. The B class consisted of non-voting shares and was for ordinary investors in the fund. Within the B class, there were separate currency-based subclasses (known as "sleeves") for EUR, USD, AUD and £.

4.69. Mr Haywood was instrumental in the setting up of the SCF Fund and its subsequent operation. He was a designated co-portfolio manager for the SCF Fund, was the principal point of contact for Greensill at GIML during the Investments Relevant Period and was listed in promotional documentation for the SCF Fund as a member of key personnel for the fund.

4.70. On 11 July 2017, a further class of the SCF Fund, the C class, was formally launched. In the period between the initial launch of the SCF Fund in June 2016 and the launch of the C class, Mr Haywood undertook investments in six different Greensill originated assets on behalf of GIML-managed funds. At the time of the launch of the C class of the SCF Fund, GIML had a close business relationship with Greensill to the extent that GIML's net investment in Greensill originated assets was approximately £758.1 million.

4.71. The C class was created in part to enable an overseas company, Company B, to invest in the SCF Fund. Company B stipulated, as a condition of their participation in the SCF fund, that they would only invest in their own receivables as they did not wish to be exposed to third party credit risk. In order to accommodate this, the C class was designed to invest exclusively in notes backed by Company B's receivables ("Company B's Receivables"), subject to each of these receivables being insured, with Company B as the end investor.

4.72. The C class consisted of a single sleeve of USD denominated non-voting shares. It was initially populated through the use of cross trades, which were defined within GAM policy documentation as inter-fund transfers.

4.73. Between July 2017 and November 2017, the C class of the SCF Fund acquired approximately USD 1.2 billion of Company B's Receivables. Approximately half of these receivables were procured for the C class through cross trades involving GIML-managed funds and the B class of the SCF Fund. More specifically, between

12 July and 31 August 2017, approximately USD 552 million of Company B's Receivables were initially purchased by a combination of the £ and USD sleeves of the B class of the SCF Fund, the GAM Greensill Supply Chain Finance Plus Fund, and the GAM Absolute Return Bond Master Fund. The C class purchased Company B's Receivables from these initial purchasers, typically one or two days later ("B Cross Trades").

4.74. Mr Haywood, another member of the ARLO Team and members of the operations and product approval teams were aware of and involved in the B Cross Trades, with Mr Haywood overseeing one of the first sets of B Cross Trades.

4.75. Cross Trading was identified within the COI Policies as a category of activity which could lead to a conflict of interest.

4.76. During the Investments Relevant Period, GAM had a cross trade policy (the "Cross Trade Policy") in operation. It set out a number of conditions for the use of cross trades. These conditions were directed at ensuring that the interests of the purchasing and selling funds were both served, thus avoiding conflicts of interest. The Cross Trade Policy stated that "*Inter-fund transfers should only be used where no fund would be disadvantaged, the trade is in the best interests of all funds concerned and consistent with best execution and the investment policies of each respective fun*d". Further, in relation to Fixed Income Funds, the Cross Trade Policy stated that *"the rationale for the trade should be recorded in* [GAM's order management system] *and the reason tag should be completed to identify 'crossing securities between customers'".* Additionally, the Cross Trade Policy stated that it was the fund manager's responsibility to ensure compliance with the Cross Trade Policy.

4.77. The C class operated for the benefit of Company B through, at times, the usage of funds managed on behalf of other GIML clients as the initial purchasers. Whilst this was done with the intention that the initial purchasers would receive a financial return, it presented a potential conflict for GIML between the interests of one of its clients, Company B, and its other clients who invested in GIML-managed funds which were used to make the initial purchases of Company B's Receivables.

4.78. In the circumstances of this arrangement, greater consideration should have been given as to whether this created a potential conflict of interest. The Authority considers that the potential conflict between the interests of one of GIML's clients, Company B, and other GIML clients should have been escalated. Mr Haywood did

not escalate the matter to his line manager or the COI Officer (as required by the COI Policies) or to the COI Committee, the GIML Board of Directors or Compliance.

4.79. In addition to the above, Mr Haywood failed to verify that all of the B Cross Trades were:

4.79.1. correctly tagged as cross trades on GAM's order management system and that an adequate rationale for the B Cross Trades was recorded on this system. These steps would assist in the identification and consideration of conflicts of interest; and

4.79.2. in compliance with the Cross Trade Policy and delivered a financial benefit to the initial purchaser.

4.80. Given his role as co-portfolio manager for the SCF Fund, Mr Haywood was responsible for identifying any conflicts of interest arising from the operation of the C class of the SCF Fund and ensuring compliance with the Cross Trade Policy.

4.81. In total, there were 24 trades in which GIML-managed funds operated as the initial purchaser of Company B's Receivables before they were sold to the C class of the SCF Fund. Loss was suffered in relation to 19 of those trades, most of which concerned instances in which the B class of the SCF Fund was the initial purchaser. No GIML-managed fund which operated as the initial purchaser profited from these trades. This is because there was a failure to apply the correct price in the cross trades: the prices used were stale prices, being ones from earlier trading days. The result of this was that the initial purchasing funds did not receive a benefit for holding Company B's Receivables. Mr Haywood failed to check that the prices achieved in these trades had indeed been the ones that should have been used.

4.82. The cumulative loss suffered by GIML-managed funds which operated as the primary purchaser in the B Cross Trades totalled USD 26,181, reflecting the interest accrued on the notes and associated hedging costs during the period for which they were held. Subsequently, these GIML-managed funds were compensated in full by GIML for the losses incurred.

Gifts and Entertainment

4.83. On 8 January 2018, Mr Haywood submitted his annual employee compliance certification for the year ending 31 December 2017. In it, he confirmed that he had read and understood the GE Policy and that during 2017 he had declared (on

GAM's regulatory compliance software platform and in accordance with applicable company policies) all relevant gifts and entertainment given and received during the course of his employment. Further, he confirmed that at all times during 2017 he had acted in full compliance with company policies and procedures, including the requirements in respect of gift and entertainment.

4.84. These attestations were inaccurate. After a GIML internal investigation was opened, Mr Haywood disclosed, in a letter dated 26 February 2018 ("GE Letter"), seven instances of the receipt of previously undeclared entertainment totalling £22,437.14 in the period 29 March 2017 to 21 November 2017. Six of the seven instances of undeclared entertainment totalled approximately £22,322.60 and were attributable to entertainment either received from Greensill or in connection with visits to investments in Greensill originated assets. Three of the instances related to flights taken in connection with Mr Haywood's duties as an investment manager including visits to assets which the funds he managed held. His previously undeclared entertainment received included:

4.84.1. The use of a Greensill employee's private plane for a personal trip, involving a return flight to Sardinia, valued at £15,000 ("Sardinia Flight").

4.84.2. The use of a Greensill employee and associate's private aircraft for business trips to various destinations relating to investments in Greensill originated assets.

4.84.3. Attendance at a charity dinner at Buckingham Palace on the invitation of an employee at Greensill.

4.85. The receipt of the previously undisclosed entertainment was in breach of the GE Policy and COI Policy 2 in the following respects:

4.85.1. These policies required that employees seek prior approval from both their line manager and Compliance for the receipt of entertainment valued over £100. Mr Haywood failed to do this in respect of seven instances of entertainment received in 2017, six of which related to entertainment from Greensill or in connection with investments in Greensill originated assets.

4.85.2. The GE Policy stated that no contribution should be made by the donor of entertainment to air travel or overnight expenses. However, Mr Haywood received entertainment in the form of the Sardinia Flight.

4.85.3. The GE Policy required all gifts and entertainment received to be recorded on GAM's regulatory compliance software platform. Mr Haywood did not do this in a timely fashion, with the entries recorded subsequent to the GE Letter and after his (incorrect) affirmation in his annual compliance certification that he had declared all gifts and entertainment received.

4.86. Mr Haywood was the subject of GIML disciplinary proceedings on account of his failure to follow the pre-approval process for the entertainment disclosed in the GE Letter. Mr Haywood accepted that he had failed to follow the GE Policy and received a written warning. The correct disclosure and approval – or refusal – of gifts and entertainment is extremely important because gifts and entertainment have the potential to create conflicts of interest and influence decisions such as investment decisions. While the Authority has not found that investment decisions were made in this case because of the gifts and entertainment, the risk of influence and conflict is one that remains.

5. FAILINGS

5.1. The regulatory provisions relevant to this Notice are referred to in Annex A.

5.2. As described in further detail below, the Authority considers that Mr Haywood breached Statement of Principle 7 and Statement of Principle 2.

Statement of Principle 7

5.3. Statement of Principle 7 requires an approved person, when performing an accountable higher management function, to take reasonable steps to ensure that the business of the firm for which they are responsible, in their accountable function, complies with the relevant requirements and standards of the regulatory system.

5.4. In breach of Statement of Principle 7, Mr Haywood failed to take reasonable steps to ensure that GIML complied with the relevant regulatory rules requiring that conflicts of interest were managed fairly in respect of the Laufer 1 investment and the SCF Fund.

Laufer 1 investment

5.5. GIML's investment of client funds to finance an entity, Laufer, owned by a business partner, Greensill, presented a conflict between the interests of GIML and its clients. This presented an incentive for GIML to finance its business partner

Greensill, through investing client funds in Laufer, for its own benefit as opposed to its clients.

5.6. In addition, documentation received from Greensill and produced at the time of the Laufer 1 investment contained three potential incentives to GIML in connection with the GAM and Greensill business relationship. None of them were ultimately taken up by GIML, but they raised conflict of interest issues between GIML and its clients. These potential incentives were: a 'fee ramp' (guaranteeing the amounts GIML would earn from its management of specific supply chain finance funds); an 'equity warrant' over Greensill shares; and a 'first and last look' arrangement (which allowed GIML the first opportunity to launch further Greensill funds).

5.7. Mr Haywood failed to take reasonable steps to ensure that GIML fairly managed the conflicts of interest issues as, in respect of each, he:

5.7.1. failed to make a written record of the conflict of interest issue or how he had dealt with it;

5.7.2. failed to escalate the conflict of interest issue specifically and explicitly to his line manager or the COI Officer; and

5.7.3. invested client monies in GIML-managed funds into the Laufer 1 investment without first checking or ensuring that the conflict of interest issues had been properly addressed.

5.8. Further, Mr Haywood failed to identify or object to the fee ramp arrangement before the Laufer 1 investment was made. He objected to the terms of the letter shortly after the completion of the Laufer 1 transaction on the grounds that he considered it incorrect and Greensill reissued the letter to remove reference to the Laufer 1 investment.

5.9. Given he was the head of the ARLO Team, a co-investment manager and managed the ongoing day-to-day relationship between GIML and Greensill and given the issues referred to above, Mr Haywood should have documented the due diligence he carried out and prepared a recorded credit analysis of Laufer, Greensill and the Greensill Group. Mr Haywood did not do this.

5.10. In the circumstances, it was especially incumbent upon Mr Haywood to take all reasonable steps to ensure that GIML complied with the COI Policies and its regulatory requirements in respect of fairly managing conflicts of interest and that

it documented and recorded how it had addressed any conflict of interest issues to comply with its COI Policies. As described above, Mr Haywood failed to do so.

SCF Fund

5.11. The C class of the SCF Fund was created for the benefit of Company B. GIML-managed funds acted as the initial purchasers of Company B's Receivables with the intention that they would receive a financial return. The proceeds of these transactions were used to subscribe to C class shares. The C class then purchased the securities from the initial purchasers. This presented a potential conflict for GIML between the interests of one of its clients, Company B, and its other clients.

5.12. In the circumstances of this arrangement, greater consideration should have been given as to whether this matter should have been escalated as prescribed in the Conflicts of Interest policy. The Authority considers that the matter should have been escalated. Mr Haywood did not escalate the matter to his line manager or the COI Officer (as required by the COI Policies) or to the COI Committee, the GIML Board of Directors or Compliance. Mr Haywood failed in respect of the conflicts of interest issues arising out of the Laufer 1 investment and SCF Fund as described above, despite his seniority and the fact that as a GIML Board member he was responsible for setting an appropriate tone to GIML staff.

5.13. In addition, Mr Haywood failed to verify that all of the B Cross Trades were:

5.13.1. in compliance with the Cross Trade Policy and delivered a financial benefit to the initial purchaser; and

5.13.2. correctly tagged on GAM's order management system and that an adequate rationale for the B Cross Trades was recorded on this system.

5.14. As a result, loss was suffered in 19 trades. The cumulative loss was USD 26,181 reflecting the interest accrued on the notes and associated hedging costs during the period for which they were held. GIML compensated the relevant funds in full for the loss incurred.

Statement of Principle 2

5.15. Statement of Principle 2 requires an approved person to act with due skill, care and diligence in carrying out his accountable functions.

5.16. In breach of Statement of Principle 2, Mr Haywood:

5.16.1. failed to obtain prior approval for travelling on a Greensill employee or associate's private aircraft for business trips to various destinations relating to investments in Greensill originated assets;

5.16.2. failed to obtain prior approval for attendance at three dinners;

5.16.3. travelled on a Greensill employee's aircraft for a personal trip to Sardinia, valued at £15,000. The GE Policy stated that no contribution should made by the donor of entertainment to air travel or overnight expenses; and

5.16.4. failed to record the above items in a timely fashion on GAM's regulatory compliance software platform. These items had a total value of £22,437.

5.17. The entertainment received from Greensill or in connection with investments in Greensill originated assets was received at a time when GIML-managed funds were making investments in Greensill originated assets. As such, there was a risk that Mr Haywood may have been incentivised to invest GIML-managed funds in Greensill originated assets for personal interest rather than necessarily act in the best interests of GIML's clients. The correct disclosure and approval – or refusal – of gifts and entertainment is extremely important because gifts and entertainment have the potential to create conflicts of interest and influence decisions such as investment decisions. While the Authority has not found that investment decisions were made in this case because of the gifts and entertainment, the risk of influence and conflict is one that remains.

5.18. Given his seniority and role it was especially incumbent upon Mr Haywood to act with due skill, care and diligence by ensuring that he acted in accordance with the GE Policy. Mr Haywood failed to do so.

6. SANCTION

6.1. The Authority's policy for imposing financial penalties is set out in Chapter 6 of the Authority's Decision Procedure & Penalties Manual ("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 6.5B sets out the details of the five-step framework that applies in respect of financial penalties imposed on individuals.

Step 1: disgorgement

6.2. Pursuant to DEPP 6.5B.1G, at Step 1 the Authority seeks to deprive an individual of the financial benefit derived directly from the breach where it is practicable to quantify this.

6.3. The seven instances of gifts and entertainment that Mr Haywood received, in breach of Statement of Principle 2, have a total value of £22,437.14.

6.4. The Step 1 figure is therefore £22,437.

Step 2: the seriousness of the breach

6.5. Pursuant to DEPP 6.5B.2G at Step 2 the Authority determines a figure that reflects the seriousness of the breach. That figure is based on a percentage of the individual's relevant income. The individual's relevant income is the gross amount of all benefits received from the employment in connection with which the breach occurred and for the period of the breach.

6.6. The period of Mr Haywood's breaches of Statement of Principles 2 and 7 is 20 October 2016 to 8 January 2018. During the Relevant Periods, Mr Haywood's relevant income was £1,483,037.

6.7. In deciding on the percentage of the revenue that forms the basis of the Step 2 figure, the Authority considers the seriousness of the breach and chooses a percentage between 0% and 40%. 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. For penalties imposed on individuals there are the following five levels:

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

6.8. In assessing the seriousness level, the Authority takes into account the factors identified in DEPP 6.5B.2G. Of these, the Authority considers the following to be relevant:

6.8.1. The importance of effective management of conflicts of interest to the fair treatment of the clients of asset managers.

6.8.2. The breaches were carried out on a number of occasions across the Relevant Periods.

6.8.3. Mr Haywood was an experienced industry professional and held a senior position at GIML, as a Board director, head of a business unit and a designated fund manager.

6.8.4. The breaches were committed negligently, and the Authority has not found that they were committed recklessly, intentionally or with the intention of personal gain.

6.9. Taking all these factors into account, the Authority considers the seriousness of the breach to be level 3 (20%).

6.10. The Step 2 figure is therefore £296,607.

Step 3: mitigating and aggravating factors

6.11. Pursuant to DEPP 6.5B.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.

6.12. The Authority has not identified any such factors. The Step 2 figure is therefore £296,607.

Step 4: adjustment for deterrence

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

6.14. The Authority considers that the Step 3 figure of £296,607 represents a sufficient deterrent to Mr Haywood and others and so has not increased the Step 3 figure.

6.15. The Step 4 figure is therefore £296,607.

Step 5: settlement discount

6.16. Pursuant to DEPP 6.5B.5G, if the Authority and the individual 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 individual reached agreement. The settlement discount does not apply to the disgorgement of any benefit calculated at Step 1.

6.17. The Authority and Mr Haywood reached agreement at Stage 1 and so a 30% discount applies to the Step 4 figure. The Step 5 figure is therefore £207,600.

Penalty

6.18. The Authority therefore imposes on Mr Haywood a penalty of £230,037, comprising disgorgement of £22,437 and a penal element of £207,600.

7. PROCEDURAL MATTERS

7.1. This Notice is given to Mr Haywood under section 206, and in accordance with, section 390 of the Act.

7.2. The following statutory rights are important.

Decision Maker

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

Manner and time for payment

7.4. The financial penalty must be paid in full by Mr Haywood to the Authority no later than 12 April 2022.

If the financial penalty is not paid

7.5. If all or any of the financial penalty is outstanding on 13 April 2022, the Authority may recover the outstanding amount as a debt owed by Haywood and due to the Authority.

Publicity

7.6. 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.

7.7. The Authority intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

Authority contacts

7.8. For more information concerning this matter generally, contact Stephen Robinson at the Authority (direct line: 020 7066 1338/email: Stephen.Robinson@fca.org.uk).

Mario Theodosiou
Head of Department
Enforcement and Market Oversight Division, Financial Conduct

ANNEX A

RELEVANT STATUTORY AND REGULATORY PROVISIONS

1. STATUTORY PROVISIONS

Section 66 of the Act

1.1. Section 66 of the Act provides that the Authority may take action against a person if it appears to the Authority that he is guilty of misconduct and the Authority is satisfied that it is appropriate in all the circumstances to take action against him. Misconduct includes failure, while an approved person, to comply with a statement of principle issued under section 64 of the Act. The action that may be taken by the Authority pursuant to section 66 of the Act includes the imposition of a penalty on the approved person of such amount as it considers appropriate

Section 1B(1) of the Act

1.2. Section 1B(1) of the Act provides that in discharging its general functions, the Authority must, so far as it is reasonably possible, act in a way which is compatible with its strategic objective and advances one or more of its operational objectives. The Authority's strategic objective is to ensure that the relevant markets function well (Section 1B(2) of the Act) and its operational objectives include securing an appropriate degree of protection for consumers. (Section 1C of the Act).

2. REGULATORY PROVISIONS

2.1. In exercising its power to issue a financial penalty, the Authority must have regard to guidance published in the Handbook of rules and guidance ("Handbook") and in the regulatory guides such as the Enforcement Guide ("EG"). The relevant main considerations in relation to the action specified above are set out below.

Statements of Principle

2.2. The Statement of Principles are a general statement of the fundamental obligations of approved persons under the regulatory system and are set out in the Handbook. They derive their authority from the Act's rule-making powers and reflect the Authority's regulatory objectives.

2.3. Statement of Principle 2 provides that "*An approved person must act with due skill, care and diligence in carrying out his accountable functions*".

2.4. Statement of Principle 7 provides that "*An approved person performing an accountable higher management function must take reasonable steps to ensure that the business of the APER employer for which they are responsible in their accountable function complies with the relevant requirements and standards of the regulatory system*".

The Decision, Procedure and Penalties Manual ("DEPP")

2.5. Chapter 6 of DEPP sets out the Authority's statement of policy with respect to the imposition and amount of financial penalties under the Act and can be accessed here: https://www.handbook.fca.org.uk/handbook/DEPP/6/?view=chapter

The Enforcement Guide

2.6. The Authority's approach to financial penalties is set out in Chapter 7 of EG and can be accessed here: https://www.handbook.fca.org.uk/handbook/EG/7/?view=chapter