محكمة قطر الدولية
ومركز تسوية المنازعات
QATAR INTERNATIONAL COURT
AND DISPUTE RESOLUTION CENTRE

In the name of His Highness Sheikh Tamim bin Hamad Al Thani,

Emir of the State of Qatar

Neutral Citation: [2023] QIC (RT) 3

IN THE QATAR FINANCIAL CENTRE

REGULATORY TRIBUNAL

Date: 12 October 2023

CASE NO: RTFIC0002/2023

RUDOLFS VEISS

Appellant

v

QATAR FINANCIAL CENTRE REGULATORY AUTHORITY

Respondent

DECISION

Before:

Sir William Blair, Chairman

Justice Edwin Glasgow CBE KC

Justice Dr Muna Al-Marzouqi

Introduction

1. This is the Regulatory Tribunal's decision in respect of an appeal by Mr Rudolfs Veiss (the '**Appellant**'), against a Decision Notice of the Qatar Financial Centre Regulatory Authority (**'QFCRA**') dated 19 September 2022. By the Decision Notice, the QFCRA decided to take the following action:

    i. pursuant to article 59(1) of the Financial Services Regulations **(**'**FSR**'), to impose on the Appellant a financial penalty of QAR 1,820,500 ($500,000) (the '**Financial Penalty**'); and

    ii. pursuant to article 62(3) of the FSR, to prohibit the Appellant from carrying out any function in the Qatar Financial Centre ('**QFC**') for a period of five years.

2. The action taken in the Decision Notice relates to the period 20 April 2020 to 9 December 2020 (the '**Relevant Period**'), and to a financial intermediary firm called International Financial Services (Qatar) LLC ('**IFSQ**'), now renamed Prime Financial Solutions LLC, a firm with which the Appellant is no longer associated.

3. In broad terms, the case against the Appellant relates to the alleged breach of a Restriction Period imposed by a Supervisory Notice dated 9 April 2020 by onboarding new customers, the amendment of dates on letter of authority ('**LoA**') forms and associated documentation, the provision of inaccurate client lists to the QFCRA, anti-money laundering ('**AML**') rule breaches, the obstruction of the QFCRA's investigation, certain remaining allegations, and penalty. The Appellant takes issue with all these matters, and asks the Regulatory Tribunal to allow his appeal.

4. The names of the individuals involved in this matter are anonymised in the Decision Notice. The Regulatory Tribunal has adopted the anonymisation used in the dramatis personae agreed by the parties.

5. Following service of the Notice of Appeal dated 18 November 2022, the Appellant applied for, and the QFCRA did not oppose, a stay of the regulatory actions pending

the appeal. This was upon his undertaking not to work in the financial services industry in or from the QFC pending the determination of this appeal.

6. In the course of the appeal, the parties placed before the Regulatory Tribunal an unmanageable volume of documentation which was also confusingly organised. Following directions at a pre-hearing review conducted remotely on 2 July 2023 for a core bundle, an agreed core bundle of 4,446 pages (which included the pleadings and witness statements) was submitted together with a number of Excel spreadsheets. However, despite being overlarge for a core bundle, it did not include a significant number of documents put by the QFCRA in cross-examination, with the result that its own bundles were in effect additional. During the hearing, documents being referred to were shown on screen, which was efficient. However, the Regulatory Tribunal's request for hard copies of what it was being shown with the electronic bundle references appears to have been misunderstood, and disparate hard copy bundles were sent to the Regulatory Tribunal members after the hearing instead.

7. Despite the bundle deficiencies, it is right to acknowledge that considerable efforts were made by both parties, following the pre-hearing conference, to reduce the complexity of the case in terms of narrowing the issues, producing tables which sought to deal with detailed factual issues, and in some cases incorporated comments from both parties, and written closing submissions. The Regulatory Tribunal expresses its appreciation for these efforts. Given the volume of documentation, the Regulatory Tribunal impressed upon the parties the necessity of ensuring that the relevant documents were brought to its attention, and given the legal representation on both sides, it is confident that this was achieved.

8. The hearing took place on 11 and 12 July 2023. Thanks to an exemplary cooperation between the parties and an agreed schedule, it was possible to accomplish hearing this quite complex matter within these two days, together with some further information required by the Regulatory Tribunal which was provided in writing immediately afterwards.

9. The Regulatory Tribunal heard from counsel for the parties, and received oral evidence from the Appellant and Ms G (former Head of Administration at IFSQ), and from the

Managing Director (Supervision and Authorisation) on behalf of the QFCRA. A transcript was provided of the oral evidence. Both parties also put in witness statements of persons who did not give oral evidence, being from: (i) Mr Y, who gave a character reference on behalf of the Appellant, and (ii) Ms F (Head of Finance at IFSQ) for the QFCRA which was not relied on in the event because the QFCRA did not pursue the issue to which it was relevant. So far as comment is necessary in respect of these witnesses' evidence, this appears in the body of this decision. At this stage, it is necessary only to say that Ms G gave her evidence sincerely, doing her best to assist, and that it and the character reference have been taken into account.

10. As noted, both parties produced helpful written closing submissions shortly after the hearing. These included Annex 1 (customers onboarded during first restriction period (9 April – 24 June 2020) to the QFCRA's submissions, and Joint Table B (allegations concerning re-dating).

The background facts

11. The parties prepared an agreed chronology (with a few areas of non-agreement identified) which sets out what they have been able to agree as the main factual events raised in the pleadings. The background facts are as follows.

The Appellant acquires IFSQ

12. The Appellant explained in his evidence that his family has a history of working in the finance industry, his father having been Treasurer of the Republic of Latvia. After his studies, he moved to Belgium where he worked in financial advisory and wealth management firms until the end of 2012. In 2013, he decided to move to Qatar which he recognised as being a place where the financial services industry was growing fast. Until he joined IFSQ, he worked for a firm which, like IFSQ, was in the financial advice business.

13. In 2009, IFSQ had been incorporated as an LLC under the QFC Companies Regulations 2005, and authorised to carry out the regulated activity of insurance mediation. At one time it had a Singapore office which closed down in 2019, its licence being revoked by the Monetary Authority of Singapore because it failed to comply with regulatory requirements concerning wind-down.

14. IFSQ provided financial advice and sold savings and insurance products. Its customers were predominantly expatriate professionals working in Qatar. It was a relatively small firm with a few employees mainly in sales. In *Perera v QFCRA* [2021] QIC (RT) 6, and on appeal at [2022] QIC (A) 6, a case which also involved IFSQ, the Regulatory Tribunal described the firm's business as providing financial advice mainly to expatriates resident in Qatar. Most of IFSQ's business involved selling long-term insurance, protection, and savings products, mainly with an investment component.

15. The firm offered policies with five insurers, all of whom specialised in providing insurance and savings products for the international market. In his evidence, the Appellant explained that when a client took out a policy, IFSQ took a commission, which could be payable upfront, over the life of the policy, on renewal, or on some combination of these events. Some of the factual background in the case involves the transfer of policies into the administration of IFSQ from previous firms of financial advisers and thereby the transfer of ongoing commission payments where applicable. It is plain that the commission generated in intermediating these policies was highly profitable for the firm.

16. Further, these investments were and are of great importance for the firm's clients consisting of people living and working in Qatar, and for some will doubtless be their life savings.

17. Unfortunately, their investments were not in safe hands. From 2014, IFSQ began to attract the adverse attention of the regulators. In 2016, the QFCRA identified major failings in IFSQ's AML/Counter-Financing-of-Terrorism ('**CFT**') controls. During 2018 and 2019, there was an investigation of the firm which was eventually dealt with on the agreed basis of the dismissal of the Compliance Oversight Function ('**COF**') and Money Laundering Reporting Officer ('**MLRO**'), and the payment by the firm of a fine of $100,000. The vacancies led to the QFCRA imposing a requirement that IFSQ immediately cease conducting new business until their replacement. As is stated in the Appellant's submissions, it was an extremely troubled firm in a parlous state.

18. According to the Appellant, in late 2019 it was suggested to him that the firm's position was urgent, and that he should buy the firm, since he had the skills and experience to

turn it round. He decided to do this, and did so through a BVI company called Amberberg Ltd ('**Amberberg**') of which he was the beneficial owner. His case is that he was misled over the state of the firm by the sellers. This led to a breach of warranty claim brought in the Qatar Financial Centre Civil and Commercial Court in which Amberberg was partially successful: the breach of warranty found by the Court related to an undisclosed IFSQ loan liability of £100,000: see *Amberberg Ltd and another v Fewtrell, Perera, and others* [2022] QIC (F) 34. At the time, Mr Perera (the Second Defendant) had Senior Executive and Executive Governance ('**SEF**' and '**EGF'**) functions at the firm.

19. The parties' agreed chronology records that on 10 December 2019 there was a shareholders' resolution approving the share transfer and new issuance of share capital to Amberberg.

20. The Court in the *Amberberg* case described (at paragraph 2):

> *… a Sale and Purchase Agreement ("SPA") of the shares in the Second Claimant, IFSQ, which was concluded on either 12 December 2019 or 12 January 2020 between the First Claimant [Amberberg] and some of the Defendants. The uncertainty about the exact date of conclusion and the precise identities of the parties who signed the SPA are among the many disputes between the parties to these proceedings.*
> The agreed chronology in the present case shows the sale completing on 5 February 2020.

21. As to what Amberberg (effectively the Appellant) paid, the Court explained that (at paragraph 2), "*Pursuant to the SPA, the First Claimant, Amberberg, purchased the shares in the predecessor to the Second Claimant for the purchase price of £1.00".* At the time, the firm had a negative Net Asset Value ('**NAV**').

22. The Court explained further that (at paragraph 17):

> *… IFSQ was in dire need of a capital injection to meet the requirements of the QFCRA. To this end Amberberg made three capital contributions: QAR 340,000.00 on 26 November 2019; QAR 133,395.00 on 27 November 2019; and QAR 360,000.00 on 12 December 2019".*

23. Reference is made generally to the Court's judgment for the facts of the acquisition, none of which are disputed in this Appeal.

The Appellant's functions within the firm

24. The Appellant's case is that he recognised that he needed more experience to manage the firm, agreed that Mr Perera and the other seller would remain IFSQ's sole directors, and that an external recruit would lead the firm as CEO/SEF. He says that he was only *"formally appointed"* (to quote the agreed chronology) as a director on 14 July 2020.

25. The Regulatory Tribunal observes that the Appellant became the sole owner of the firm upon the completion of the sale, and had put a considerable amount of what was in effect his own money in. It is not in dispute that he attended the quarterly Board meetings. He is plainly someone of great drive who has been in the financial intermediary business for years, and the Regulatory Tribunal considers that he was the driving force in the firm from the time he acquired it.

26. Further, the contemporary documentation is relevant in considering his role. In a Letter of Comfort written to the QFCRA as regards the proposed acquisition on 9 December 2019, the Appellant stated that:

> *I will have full control of the company as [at] the date of the authority's approval of the acquisition and will be fully involved in the Company".* He also, *"committed to support the firm in any contingencies that may affect the firms' ability to maintain adequate capital and liquidity levels to meet its obligations and regulatory requirements.*

27. Also relevant are the minutes of the Board meeting of 31 March 2020 which record that, *"a comprehensive review of the entire business is being conducted by new management, including strategy, structure and risks. RV [i.e. the Appellant] is representing the governing body in this exercise as incoming Director for IFSQ".*

28. As is pointed out in the Appellant's closing submissions, where there is a CEO, an executive director's responsibility will not generally entail responsibility for the details of a firm's day-to-day management, which will be delegated. However, this needs to be seen against the overall background. In the present case, the contraventions relied on in the Decision Notice relate to the controlled function of EGF (paragraph 12.1 of the Decision Notice).

29. The above findings are consistent with the findings of the Court as to the Appellant's role in *Rudolfs Veiss v Prime Financial Solutions LLC and Amberberg Ltd* [2023] QIC (F) 8, in which the Court upheld his claim for an indemnity pertaining to the costs incurred by him in certain criminal proceedings before the Supreme Judiciary Council which are referred to below.

December 2019 to March 2020

30. The Regulatory Tribunal accepts the Appellant's case that, following the acquisition, he worked hard to improve IFSQ's situation, as one would expect given that he owned it.

31. Steps were duly taken to regularise the regulatory position. On 15 December 2019, Mr L took over as Head of Compliance, and on 27 December 2019, IFSQ was allowed by the QFCRA to restart conducting new business.

32. On 14 January 2020, Ms J joined IFSQ, initially as Chief Operating Officer pending regulatory approval for her appointment as CEO (i.e. SEF). Ms J features extensively in the Appellant's witness statements, since his case (as explained below) is that she later plotted to take the firm away from him.

33. On 26 January 2020, the Appellant himself became Head of Business Operations. He says that he also acted as a Financial Consultant (i.e. in a direct sales/advisory role). He accepts that as the Head of Business, he had an administrative role in respect of the paperwork IFSQ's advisors were completing in respect of new business applications, such as terms of business, the risk appetite questionnaire and so forth.

34. On 3 February 2020, another new recruit, Mr C, commenced the role as part time consultant assisting with AML/CFT compliance. He did not, however, at this time take on the full time MLRO function.

35. On 18 February 2020, Mr L left IFSQ after just two months. The Appellant says that when he found out the true picture at the firm, Mr L felt he could not handle the situation, though the Appellant himself had spoken to him, presumably to try to

persuade him to stay. This left IFSQ again with no COF/MLRO function which had an immediate knock-on vis-à-vis regulatory consequences.

36. On 4 March 2020, the QFCRA required IFSQ to cease conducting all regulated activities with immediate effect due to the vacancy in the COF/MLRO function. This was, however, subject to a carve-out for existing business for existing customers.

37. In mid-March 2020, IFSQ applied for approval for another new recruit, Ms D, to take up MLRO/COF functions. On 31 March 2020, an application was submitted to the QFCRA for the Appellant to become the firm's EGF.

38. Also in mid-March 2020, emails show the QFCRA asking for up to date client lists. This is an important and recurring theme in this appeal. These lists were essential for the regulators to see in order to make sure that individual investors were being properly dealt with and thereby protected.

39. The emails were addressed to Ms J, and some were copied to the Appellant. She said that compiling client lists was not a straightforward exercise, and pointed out that people were working from home at the time because of the COVID -19 Pandemic which struck in March 2020. In any case, the Appellant says, and the Regulatory Tribunal accepts, that he inherited a customer database which was in a dire state.

April 2020

40. On 9 April 2020, QFCRA issued a Supervisory Notice to IFSQ, restricting it from carrying on any regulated activities with new customers or undertaking any new business for existing customers. This restriction lasted until 24 June 2020.

41. As is pointed out on behalf of QFCRA, the firm had a right to refer the Supervisory Notice to the Regulatory Tribunal if it was dissatisfied by it. In fact, the Appellant says in his evidence that, whilst he was surprised and concerned by the Supervisory Notice, he fully appreciated that if the firm did not in fact have adequate compliance coverage, it was reasonable for new business to be suspended while the matter was resolved.

42. However, whether the Appellant appreciated it or not, he and IFSQ had to abide by it. A key issue on the appeal is whether the Appellant in fact respected the prohibition, or continued to onboard customers. The Appellant's case is that LoAs, which it is not in dispute were issued by the firm to insurers during this period, did not breach the prohibition. The Regulatory Tribunal's findings are set out below.

43. The Supervisory Notice was followed on 12 and 13 April 2020 by a Notice of Appointment of investigators into IFSQ, and a Notice to Produce documents.

44. On 20 April 2020, the Appellant was approved in the EGF role. As noted above, the Decision Notice under appeal relates to his role as IFSQ's EGF from 20 April 2020 to 9 December 2020 (paragraph 12.1).

45. The Appellant says that the, "*role profile*", suggesting that the EGF role included an obligation to, "*perform as senior management, including implementation of internal controls and systems*", was a legacy role profile from when Mr Perera had occupied both the CEO and EGF functions.

46. The Regulatory Tribunal does not agree with this minimisation of this role. At that point, the Appellant became, in law, a director of the firm under rule 3.1.3 of the Governance and Controlled Functions Rules 2012 ('**CTRL**'), which provides that, *"the executive governance function for an authorised firm that is a QFC entity is the function of acting in the capacity of a director, other than a non-executive director, of the firm".* He also became a member of senior management as an individual who the QFCRA, *"considers has overall responsibility for the day-to-day management of the part or parts of the Firm's business in or from the QFC"* (rule 2.3.1 of the CTRL).

47. As regards other staff, on 20 April 2020, the QFCRA approved Ms D for MLRO and COF roles, its approval to the former being conditional on her passing the 'ACAMS' anti-money-laundering examination. Unfortunately, she did not pass, and her approval was withdrawn on 10 May 2020.

<u>May 2020 to July 2020</u>

48. The Appellant's skeleton argument describes May 2020 as a, "*difficult month*". On 19 May 2020, the QFCRA again raised concerns about the IFSQ client list. The Appellant maintains that he took rapid steps to ensure that Ms J (as CEO) and Ms D (Head of Compliance) could access IFSQ's online accounts with insurers in an attempt to comply. Online access to these accounts was, the evidence shows, the means by which the necessary information was found and produced.

49. Following a Risk Assessment Visit by the QFCRA to the firm, which seems to have gone satisfactorily, the April Supervisory Notice was withdrawn on 24 June 2020 and so the restricted period in respect of new business came to an end.

50. But the regulators continued to take a close interest in the firm. According to a later QFCRA file note, since then, *"IFSQ was put in an enhanced supervisory program on a monthly basis"*, and there appear to have been monthly supervision meetings thereafter. The Regulatory Tribunal enquired as to the date the enhanced supervisory program began but was not provided with the answer; most likely it was from the end of June 2020.

51. In any event, the Regulatory Tribunal accepts the Appellant's submission that by June 2020 and early July 2020, matters appeared to be stabilising. In July 2020, Mr C who (as noted above) had previously acted as consultant, joined IFSQ as an employee and was appointed and later approved as MLRO.

52. In mid-July 2020, Mr Perera and Mr Fewtrell resigned from the ISFQ Board, and the Appellant and Mr Q were formally appointed as Directors. However, based on Mr Q's interview, the QFCRA's case is that the Appellant was, for practical purposes, the sole Board member, and the Regulatory Tribunal accepts this.

53. Despite the earlier positive signs, it is clear that the QFCRA had continuing problems with the client lists that IFSQ was providing. On 19 July 2020, the QFCRA issued IFSQ with a second Notice to Produce documents. This was specifically concerned with client lists, requiring the firm to provide:

> *…a complete client list, including name, date of birth, policy number, provider, on boarding/transfer date, type of policy, risk rating and jurisdiction of the client (both residency and citizenship), and date of AML/CFT due diligence checks …verified by the Senior Executive Function, MLRO and Compliance Oversight Function…*

54. In the Regulatory Tribunal's view, it was entirely reasonable of the regulator to seek this basic client information. Importantly, it included the date of AML/CFT due diligence checks.

55. As noted already, so far as the information was obtainable through insurers, it was done online through password protected portals. And yet the firm continued to struggle with producing accurate lists of its own clients. As noted below, the Regulatory Tribunal accepts that this was not due wholly to fault on the part of the Appellant personally.

The dispute within the firm

56. Over the next few months, the existing issues became clouded by a serious dispute which arose within the firm. It is the Appellant's case that by late July 2020 the relationship between Ms J (the CEO), Ms D (the Head of Compliance) and Mr C (the MLRO) and others in the firm in particular himself, Ms G (Head of Administration), Ms F (Head of Finance) and Ms E (a PA)*, "had deteriorated dramatically".* He says that, *"[t]here followed a bold and aggressive attempt by Ms J and certain of her associates to acquire IFSQ for a nominal sum".*

57. His case is that Ms J mentioned to him that an associate of hers who was a Qatar-based businessman was interested in investing in the firm, that they met, and he expressed an interest in buying the firm on behalf of a principal implied to be a major Qatari figure and made cryptic threats to the Appellant if he did not sell. His case is that this explains why at the end of August 2020 and in September 2020, Ms J and Ms D made complaints about his conduct to the QFCRA: they were seeking, he says, to pressurise him to sell IFSQ for a nominal sum, and were making regulatory complaints to that end. The Appellant relies on the timing of a series of steps that were taken in late August 2020 and early September 2020 without his knowledge, including the setting up of a new company, Gateway LLC, and the proposed introduction of new shareholders and a new director, which would have had the effect of taking control of IFSQ away from him.

58. Subject to a non-admission by the QFCRA, which has no means of verifying the information, the chronology records the Appellant's evidence that there were a number of meetings between him and a Qatar-based businessman, the first two of which are said to have taken place in late July 2020 and on 24 August 2020. It was at the latter meeting that the Appellant says that a proposal was made to him on behalf of an unnamed principal to buy IFSQ.

59. Whatever the motive, it is clear that key staff at the firm, including the CEO, began to take matters into their own hands. The QFCRA's internal documentation records that at the monthly meeting with the firm on 25 August 2020, Ms D (the Head of Compliance) and Mr C (the MLRO) raised concerns about the Appellant's governance of IFSQ to the QFCRA, with Mr C saying that he was prepared to make a whistleblowing report if required.

60. On 26 August 2020, the documentation records a further meeting between the Head of Compliance and the MLRO, and the QFCRA about the Appellant, in which the QFCRA was told that the Appellant had been onboarding clients when that was prohibited. The document records the MLRO saying of the Appellant that he:

> *… seems to say that there was a miscommunication in the service provider's email and that clients were not transferred yet. Rudolf's opinion is that service provider's acknowledgement does not mean that the transfer occurred and there was no breach to the Notice. [Mr C and Ms D] disagree with that statement as the email wording from the service provider is clear that transfer of agency occurred.*

61. They are also recorded as saying that, "*Rudolf was not giving them access to the service providers portal and that he was controlling the admin team."* [Ms G], Head of Administration, and, *"Rudolf have the master login to all Clients portal of the service providers."* [Mr C] stated that he requested access to the list, however, *"Rudolf denied access at the moment and said it would take 3 – 4 months for access to be granted."*

62. The document records that, *"IFSQ is currently conducting an internal investigation on this issue, the report will be finalised by end of this week 3 Sep 2020".*

63. On 26 August 2020, matters came to a head, and the Appellant was suspended by Ms J (the CEO) from conducting customer-facing duties and an internal investigation was commenced.

64. According to the Appellant, on 27 August 2020 there was a further meeting between him and the Qatar-based businessman at which he reiterated interest in buying IFSQ. The Appellant says that he was surprised that the businessman was seemingly unconcerned by his suspension.

65. The QFCRA had further meetings with the Head of Compliance on 30 August 2020 and 3 September 2020.

66. On 31 August 2020, there was a meeting between Ms J and the QFCRA at which she explained inter alia plans, of which she says the Appellant was unaware, *"at this stage"*, for new shareholders to inject capital into IFSQ. This is one of the key matters relied on by the Appellant in his case as to the takeover of the firm because he says that it was extraordinary that he, as the sole shareholder through Amberberg, was not being told about it. The Regulatory Tribunal accepts that there must be some force in that assertion.

67. The same day a company called Gateway LLC was incorporated in the QFC, with Ms J as Director and beneficial owner and Mr C as Company Secretary. This is another key matter relied on by the Appellant in his case as to the takeover, though Ms J and Mr C have their own explanations.

68. As noted, the QFCRA does not admit that the meetings between the Appellant and the Qatar based businessman took place, and there is no reason for it to do so in the absence of any supporting evidence. It says that its case is based on the information it received at the time and in the contemporaneous documentation.

69. As the case was presented, it became clear that the motives of the CEO and others are not of central relevance to the main issues that the Regulatory Tribunal has to decide. But they are of great importance to the Appellant. The QFCRA's case at the hearing is summarised in the Appellant's closing submissions:

> *The RA took no position on whether Ms J and Ms D had attempted to mount a hostile takeover – realistically and frankly accepting that it was possible that such people had approached the RA about Mr Veiss for their own purposes, and disclaiming any reliance on the evidence they had given the RA in interviews.*

70. It is important to state that the Regulatory Tribunal has not heard from Ms J or Ms D and that their side of the matter has not been elicited. But given the scope of the issues it has to decide, the Regulatory Tribunal does not have to make findings of fact as to who was to blame for the dispute within the firm, and is not invited to do so.

September 2020 – the dismissal of the CEO and Head of Compliance

71. On 7 September 2020, Ms J wrote to a new person to invite him to join IFSQ's Board without reference to the Appellant. She also sent an email to the existing directors copied to the QFCRA in which she made various criticisms of the Appellant and said that it had been concluded that he should not continue to exercise both the SEF/EGF. The email stated that he, *"continued to demonstrate a disregard to QFCRA instructions and AML regulations (as noted in the internal investigation report)".*

72. Also on 7 September 2020, the QFCRA issued a third Notice to Produce documents to IFSQ (followed by Notices on 13 September 2020, 16 September 2020 and 29 October 2020).

73. The same day, the Appellant asserts that the Qatar-based businessman introduced by Ms J offered to buy IFSQ for one USD. Again, the QFCRA does not admit that this meeting took place.

74. On 8 September 2020, the QFCRA issued a Notice of Appointment of investigators in respect of the Appellant.

75. A dispute on the evidence arises out of a meeting between the Appellant and the QFCRA's Managing Director (Supervision and Authorisation) on 10 September 2020 in the latter's office. The significance of the dispute is that the Appellant said in his second witness statement that the Managing Director ('**MD**') accepted in the meeting that LoAs sent to insurers did not involve the inception of a customer relationship with

the firm – this is one of the key issues in the appeal in respect of which the Regulatory Tribunal must make findings.

76. The evidence is as follows:

i. In his second witness statement, the Appellant says that he told the MD, *"very openly that letters of authority had been signed by customers during the restriction period, but that IFSQ had not onboarded these clients",* in keeping, he says, with his understanding that they were not customers until the firm had finalised their documentation and started to provide services. He says he showed the MD a copy of a LoA and asked if the QFCRA considered that merely signing an LoA meant that a client was onboarded to IFSQ:

> *[The MD] provided a firm no, shaking his head. It was my clear understanding from this that [his] view was that IFSQ was not obliged to sign terms of business, do due diligence and so on merely because a letter of authority had been sent to an insurer.*

ii. A witness statement from the Managing Director followed denying that he said or indicated that it was acceptable to do AML and other due diligence checks after signing LoAs. He says that at the time of signing the LoA, the firm would have onboarded the customer. He denies having been shown an LoA, and says that when the client signs such a letter, there is a business relationship between the firm and the customer.

iii. Shortly before the hearing, the Appellant filed a further witness statement retracting some of his earlier statements about this meeting. What he said about the timing of checks was an account of what he understood to be the implications of what the Managing Director said in the meeting about onboarding, and he agrees that he did not speak expressly about the timing of AML or similar checks. He agrees that he did not show the Managing Director a copy of an LoA, and apologises for the error.

iv. Such cross-examination of the witnesses as there was on this meeting did not take the matter any further.

77. The Regulatory Tribunal does not accept the Appellant's evidence in this regard. It accepts the Managing Director's evidence that he did not in any way indicate at the meeting that sending an LoA did not constitute onboarding of customers, which would have been and is completely contrary to the QCFRA's case.

78. There is another issue arising out of the same conversation. The Appellant says that he and the Managing Director discussed Ms J's email to the QFCRA of 7 September 2020 (see above), and, *"I remember [the MD] saying that he thought that the email had been "nonsense"".* The Managing Director denies this, and recalls saying that they were serious and that the QFCRA would be exploring them further. In his further witness statement, the Appellant says that he cannot be sure that the Managing Director used the word, "*nonsense*" specifically, but his recollection is that he used a word to that effect. The Managing Director denied this in cross-examination. The Regulatory Tribunal accepts the Managing Director's evidence that he did not in any way indicate that he thought that the allegations against the Appellant were, "*nonsense*". It is plain that at the time the QFCRA believed the allegations, or at least thought they were very credible.

79. On 14 September 2020, the Appellant became sole director of IFSQ on the resignation of Mr Q, who had only been appointed in July 2020. Ms J, the CEO, was dismissed by the Appellant the same day.

80. There is a significant factual dispute about whether the Appellant was obstructing access to the insurers' online portals, which as noted were the means by which IFSQ's accounts with the insurance companies were accessed, and which were vital for providing reliable information as to the firm's clients. The Regulatory Tribunal's findings so far as findings are necessary are set out below, but the bare chronology is as follows.

81. On 17 September 2020, the QFCRA imposed a further Supervisory Notice on IFSQ. The requirements imposed by the QFCRA included a prohibition against carrying out insurance mediation in or from the QFC (subject to a carve-out for servicing existing business for existing customers). The Appellant commented in his evidence that he could understand why, in the circumstances, the QFCRA felt it had no choice but to

suspend IFSQ's business for the second time within a six-month period, given all the reports that had been made to it. This is clearly right. However, he says that, because of the behaviour of Ms J and Ms D, he was in an extremely difficult position, with very limited information about what was actually happening. Given the concession made on behalf of the QFCRA at the hearing, the Regulatory Tribunal accepts his evidence on this point.

82. On 27 September 2020, Ms D, Head of Compliance, was dismissed by the Appellant. The Appellant's case is that this was because it appeared that she was assisting Ms J to enable the Qatar-based businessman to take over the firm.

The referral to the Public Prosecutor

83. On 22 September 2020, the QFCRA referred a case against the Appellant to the Qatar Public Prosecution Office. As was explained at some length in the letter, this was on the basis that he had made changes to the dates of documents with the aim of misleading the QFCRA as to whether new clients had been taken on during a period of restriction. This, it was suggested, might amount to forgery under the Qatari Penal Code.

84. The QFCRA defended this reference on the basis that it has a duty to refer suspicions of crime to the public prosecutor. That important statement of principle is, of course, non-controversial, but the Regulatory Tribunal is of the view that a reference at this stage was premature because the facts were not fully known. The Appellant's evidence is that he learned about the resulting travel ban when he tried to leave the country to visit his family for Christmas. He checked into his flight at the airport, but was not allowed to pass through passport control. The Regulatory Tribunal considers it regrettable that the explanation which was initially given to it during the hearing, to the effect that this travel ban had been imposed at the behest of the Qatar Public Prosecution Office, was not accurate. As the Appellant's counsel pointed out, the letter of 22 September 2020 suggested the travel ban. The Regulatory Tribunal finds that, while it has little bearing on the outcome of this appeal, the Appellant's complaint about the way in which the ban was imposed is justified.

85. The case was dismissed by the Court of First Instance Misdemeanours and Felonies on 14 February 2022. This was on the grounds that no loss had been proved, as required

under Qatari law. It is common ground between the parties that no findings were made that pertain to the matters at issue in these proceedings.

October 2020 – November 2020

86. There was a further Supervisory Notice issued by the QFCRA in October 2020 relating to customer lists.

87. The Appellant says that he continued over this period extensively to engage with the QFCRA. On 3 November 2020, the QFCRA approved appointment of a new CEO, COF and new EGFs. A new MLRO was approved later, on 6 December 2020.

88. Through Amberberg, the Appellant injected a further QAR 213,000 into IFSQ on 9 November 2020. This was in order to reopen the firm's bank account which had been frozen by the Qatar Financial Centre Civil and Commercial Court following an adverse judgment in respect of a loan by Aycan Richards to the firm which was the subject of another piece of litigation involving the firm.

89. One of the QFCRA's requirements in October 2020 was the provision of a third-party report reviewing the effectiveness of IFSQ's systems and controls, governance practices etc. This is not unusual in cases such as the present, and in the Regulatory Tribunal's view was reasonable. The accountancy firm Mazars LLC ('**Mazars**') as an independent party was appointed, and commenced its review on 24 November 2020.

The Appellant resigns as a director of IFSQ and the sale of the firm

90. On 23 December 2020, the Appellant resigned as a director of IFSQ. This followed the suspension of his Approved Individual status until the conclusion of the investigation which had begun in September 2020.

91. Mazars reported on 7 February 2021, summarising what they considered to be IFSQ's key strengths and weaknesses. The weaknesses were multiple and serious. They included the absence of an effective governance structure, the failure to increase the firm's working capital, the fact that the client database was incomplete and inaccurate, the fact that clients were tagged incorrectly (i.e. the non-active clients were actually active clients without proper on-boarding procedures), some revenue had been received from clients who were not in the client database in addition to clients tagged as

terminated, and incomplete Know Your Customer ('**KYC**') record keeping for existing clients.

92. On 8 February 2021, the Appellant signed a Sale and Purchase Agreement to sell IFSQ to the Qatar-based businessman who he says was the party Ms J was working with against him the previous year. However, this sale was later vetoed by the QFCRA.

93. In August 2021, IFSQ was finally sold. However, the Appellant continued to work for IFSQ as Head of Business until August 2022. The Regulatory Tribunal has no visibility as to this further period of the Appellant's employment with the firm, nor is it relevant to the appeal.

94. As the Appellant puts it, the net result to him has been the loss of some $430,000 in Amberberg's investments in IFSQ. Understandably, he regards the episode as a disaster. However, the parties most at risk were the investors who had entrusted funds to the firm. Notwithstanding the Appellant's concerns about his own losses, which the Regulatory Tribunal understands and accepts, what is of more concern to the Regulatory Tribunal, and is in its view unacceptable, is his failure to recognise or to acknowledge in the extensive material which even he has placed before the Regulatory Tribunal, any concern for the appalling situation in which investors were placed.

The issues on the appeal

95. The parties have agreed a List of Issues, there being 25 issues identified dealing with alleged contraventions and penalty. There is, however, a considerable amount of duplication in the issues as they appear in the list where similar factual scenarios appear under different regulatory provisions. The Regulatory Tribunal will deal with them in a similar way to the parties in their written closing submissions.

Issues 4 – 5: ***Alleged onboarding of new customers during Restriction Period***

- *Did IFSQ onboard 40 customers in the 1st Restriction Period (9 April 2020 – 24 June 2020)?* **[Issue 4]**

- *Was Mr Veiss knowingly concerned in such contravention?* **[Issue 5]**

96. The 1st Supervisory Notice was issued on 9 April 2020 and required IFSQ not to, *"carry on the regulated activity of Insurance Mediation in, or from, the QFC".* The relevant requirements were as follows:

> *1.1 (1)(a) Subject to Clause 1.2 of this Notice, IFSQ must not carry on any of the regulated activities of Insurance Mediation in, or from the QFC…*
>
> *1.2 Nothing in this Notice prevents IFSQ from continuing to engage in regulated activities under its Scope of Authorisation dated 28 July 2009 for its existing customers, however, IFSQ shall not undertake any new business for existing customers as outlined in paragraph 1.1. of this Notice.*
>
> *1.3 "New Business" means providing additional services within the scope of IFSQ's authorised regulated activities to its existing customers not related to the products and activities currently being provided to the customer.*

97. The QFCRA's power to issue such notices is not disputed. The period in issue came to an end on 24 June 2020. The effect of the requirements was that IFSQ was not entitled to onboard new clients during this period. The question whether the prohibition was broken is a mixed question of law and fact.

98. As to the law, rule 1.2.2 of the Insurance Mediation Business Rules 2011 ('**IMEB**') defines the regulated activity of insurance mediation as follows:

> *(1) Insurance mediation is any of the following activities:*
>
> > *(a) giving advice to other persons about the merits of entering into contracts of insurance, whether as principal or agent;*
> >
> > *(b) acting as agent for other persons in relation to the buying or selling of contracts of insurance for them;*
> >
> > *(c) making arrangements with a view to other persons buying contracts of insurance, whether as principal or agent;*
> >
> > *(d) assisting in the administration or performance of contracts of insurance for or on behalf of policyholders.*
>
> *(2) …*
>
> *(3) Subrule (1)(c) includes arrangements mentioned in the provision that do not result in another person buying a contract of insurance.*
>
> *(4) Subrule (1) (d) includes—*

> *(a) assisting policyholders to make claims under contracts of insurance; and (b) managing claims made by policyholders under contracts of insurance.*
>
> *(5) However, insurance mediation does not include any of the following activities:*
>
> *…*
>
> *(e) the activity involves merely providing the means by which a party to a transaction can communicate to the other parties to the transaction.*

99. As to the facts, the case as originally put was that IFSQ onboarded 61 clients across two restriction periods. That allegation was not consistent with the documentary record, and was substantially narrowed shortly prior to the hearing, first to 51 clients in a letter from the QFCRA on 10 June 2023, then to 40 clients in a further letter on 5 July 2023. While this is to be welcomed, it highlights a concern raised by the Regulatory Tribunal during the hearing as to the necessity for accuracy in such allegations. This has been a matter of considerable focus by the Regulatory Tribunal, which pressed at the hearing on various factual points in its consideration of this appeal, and the parties have assisted in finally ascertaining the precise facts.

100. The consequence is that the basic factual points that have been established in regard to the onboarding allegations are now essentially common ground. It is accepted on behalf of the Appellant that IFSQ sent LoAs to insurers (Zurich [the international insurance company] is a company that features prominently but there are others) during the restricted period in respect of the 40 clients set out in the green entries in a table prepared by the QFCRA. With some corrections from earlier versions of the table, in its final form this is annexed to its closing submissions. This takes the later start date of 20 April 2020 because this was the period after the Appellant was approved in the EFG (as explained above). There are another nine in the period starting 9 April 2020. The Appellant was the client adviser in all but five of these instances.

101. The issue between the parties is as to the status and effect of these LoAs. The Appellant's case is that they do not amount to the inception of new business.

102. The Appellant's contentions in respect of this allegation are as follows:

i. As to sub-rule (c) of rule 1.2.2(1) of the IMEB, a LoA relates, by definition, to an existing policy; it is not an act done with a view to the putative transferee buying a new policy.

ii. As to sub-rule (d) of rule 1.2.2(1) of the IMEB, the examples given at rule 1.2.2(4) of the IMEB and the saving provision at rule (5)(e) of the IMEB illustrate that merely acting as a, "*post-box*" by facilitating communication between two parties to a transaction does not count as insurance mediation.

iii. Similarly, the sending of an LoA alone does not entail assisting in the administration of a policy. Of itself, it entails no relevant regulated, *"assistance*". It is a precursor to such activity.

iv. The argument that payment of, "*trail*" commission to IFSQ in respect of transferred policies obliged IFSQ to service the customers in question, such that it was obliged to provide insurance mediation services should not be allowed because was raised for the first time in cross-examination and was not made out on the evidence.

v. Not all policies attract, "*trail*" commission, and any, "*trail*" commission might not be paid until well after an LoA.

vi. The QFCRA has not identified during the hearing which (if any) of the 40 customers in issue are said to have had policies giving rise to, "*trail*" commission, and the Appellant has had no opportunity to investigate.

vii. Regardless of the precise legal position, as a matter-of-fact IFSQ did not provide services to clients in the restriction period.

viii. Though the Appellant accepts that he was, "*concerned*" in sending LoAs to insurers, he did not do so, "*knowingly*", because he did not know or believe that IFSQ was thereby carrying out the regulated activity of insurance mediation.

103. The Respondent's contentions in respect of this allegation are as follows:

i. The Appellant accepted signing up customers using transfer of authority ('**ToA**') forms during the Restriction Period and knew that IFSQ was being paid trail commission in respect of those policies. He accepted that he was aware that trail commissions would (where applicable) be paid once a ToA form was signed, and that imposed a regulatory obligation to give advice and keep the policy under review.

ii. The signing of ToA forms, which prompted the transfer of any trail commission to IFSQ, clearly amounted to, *"insurance mediation"* under rule 1.2.2 of the IMEB.

iii. Transfer customers were being identified and targeted based on their potential to bring in new business and new money.

iv. Agreeing a transfer is within rule 1.2.2(d) of the IMEB (assisting in the administration or performance of contracts of insurance for or on behalf of policyholders).

v. When a TOA form is signed, the relationship is not transitory as IFSQ takes over the servicing of the existing policies (and is paid for this) for an indefinite period.

vi. The contention that the Appellant was simply under a misunderstanding does not stand up to scrutiny, and he was plainly knowingly concerned in breaching the prohibitions in his actions.

vii. For clarification, as presented to the Regulatory Tribunal in argument, there is no material difference between LoAs and ToAs , it being simply a matter of how the letters to the insurers are described. Both terms are used in this decision.

104. The Regulatory Tribunal comments that the essence of the Appellant's case is that whilst LoAs were signed while the restriction was in force, this was lawful because IFSQ did not provide services to the individuals concerned, or onboard them, until after

the restriction was lifted. The signing of an LoA by a prospective client did not, it is submitted, amount to IFSQ carrying on the regulated activity of insurance mediation vis-à-vis those individuals.

105. In expressing the Regulatory Tribunal's conclusions, it is convenient to begin with the LoAs themselves. These are simple documents addressed to the relevant insurance company, and signed and dated by the client and the consultant (i.e. the adviser, in most of the 40 clients, the Appellant). The operative part reads:

> *I/We wish to confirm that I/We have instructed the following company [IFSQ] to act as our servicing agent with immediate effect; they have our full authority to discuss any policies that we hold with your company [the insurer or fund etc].*

The document was then sent by IFSQ to the insurer concerned.

106. The Regulatory Tribunal accepts that in insurance broking generally, LoAs may play different roles. But so far as IFSQ is concerned, they were in the Appellant's words in his second witness statement*, "a key aspect of how IFSQ acquired business"*. The Regulatory Tribunal finds that the Appellant's submission that IFSQ merely acted as a,*"post-box"*, by facilitating communication between two parties to a transaction, materially misdescribes what was happening.

107. The Regulatory Tribunal accepts the QFCRA's submission that the practical reality was that IFSQ (and in particular the Appellant) must have been continuing to speak to potential new customers. As he accepted in his oral evidence, he was targeting his, *"top 20"* customers from his previous firm and encouraging them to transfer over to IFSQ. His *"top 20*" were selected on the basis of their likely ability and willingness to make new investments. In the event, it is common ground that there were 40 between 20 April 2020 and 24 June 2020. The question for the Regulatory Tribunal is whether the signing of the form amounted to the carrying on of insurance mediation within the rules set out above.

108. The LoAs were formal documents which had immediate practical consequences as IFSQ became registered as the client's broker with the insurer. It granted IFSQ access,

through the insurer's online portal, to details of the client's policy, the client's previous broker no longer having access to that information, and gave IFSQ authority to discuss the terms of the individual's policy with the insurer. IFSQ was appointed the client's, *"servicing agent with immediate effect"*. In the Regulatory Tribunal's view, the signing of the form clearly fell within the regulated activity of insurance mediation, amounting to, "*making arrangements with a view to other persons buying contracts of insurance, whether as principal or agent*" (rule 1.2.2(1)(c) of the IMEB) as well as, "*assisting in the administration or performance of contracts of insurance for or on behalf of policyholders*" (rule 1.2.2(1)(d) of the IMEB). The Regulatory Tribunal accepts the QFCRA's submission that the individual became IFSQ's client on the day the LoA was signed.

109. Further, it transferred payment of any ongoing trail commission to IFSQ, which brought with it an obligation to provide an ongoing service to the customer concerned (expressly stated in the firm's Business Manual). It is submitted in the Appellant's closing submissions that this point was raised for the first time in cross-examination. That is incorrect. It is clearly raised in the QFCRA's Response of 14 January 2023 and its skeleton argument, and the Appellant was in a position to deal with it, and was rightly asked to deal with it, in cross-examination.

110. In any case, it is an obvious point, and the Appellant accepted in cross-examination that he was aware that trail commissions would (where applicable) be paid once a form was signed, and that imposed a regulatory obligation to give advice and keep the policy under review. The fact that not all the policies in the 40 examples may have attracted trail commission does not detract from the point. As the QFCRA submits, the whole purpose of the authorisation was to create an agency agreement allowing IFSQ to administer the policy (and be paid for doing that).

111. The question then arises as to whether the Appellant was, *"knowingly concerned"* in the contravention.

112. There is no dispute as to the legal test which the Regulatory Tribunal takes from the Appellant's skeleton argument. By analogy with the approach of the Court of Appeal of England and Wales in *SIB v Pantell (No 2)* [1993] Ch 256, per Steyn LJ (as he then

was), 283G, the regulator must show, *"actual knowledge"* and, *"actual involvement in the contravention"*; what is required is not merely involvement in the business in question, but a sufficient degree of involvement in the relevant contravention itself: *FSA v Stephen Fryett* (2008) FSMT (Case 064) at paragraph 22 as regards equivalent language in relevant UK legislation.

113. It is not in dispute that the Appellant had actual involvement in the contravention. His case is that he did not act, "*knowingly"* because he did not know or believe that IFSQ was carrying out the regulated activity of insurance mediation. Alternatively, he misunderstood the scope of the Supervisory Notice. Alternatively, he was only informed by the compliance team of the true position in August 2020, and he stopped permitting customers to sign LoAs during the second restriction period.

114. Provided the terms of the notice are sufficiently clear (as they were here), the Regulatory Tribunal doubts whether the senior executive of a firm can shelter behind a misunderstanding of the legal position. A Supervisory Notice of this kind is a severe measure, taken in the interests of public protection, and it is up to the senior management of the firm to understand it properly and make sure that it is complied with.

115. However, there was no misunderstanding in the present case. The Regulatory Tribunal is satisfied that the Appellant was fully aware of the scope of the prohibition, and chose to ignore it, no doubt hoping there would be no come back. He had put money into the firm, and needed in particular to get the business from his old firm transferred over to IFSQ. However, that does not excuse deliberate non-compliance. Had he been in any doubt he could have asked the regulators. The inference is that he did not do so because he well knew what answer he would get.

116. For completeness, contrary to the QFCRA's submission, the Regulatory Tribunal does not consider it of any significance that the Appellant arranged his own life insurance policy during the restriction period (the Regulatory Tribunal made this clear during the hearing, but notwithstanding, the point was persevered with in the QFCRA's closing submissions).

117. The Regulatory Tribunal finds that the QFCRA has proved Issues 4 and 5.

Issues 10 – 11: *amendment of dates on TOA forms*

- *Did IFSQ manually edit 21 LoAs to insurers so as to misrepresent the date on which they had been signed (changing an earlier date to a later date in each case)?* **[Issue 10]**

- *Did this entail a breach of integrity / a lack of due skill, care and diligence by Mr Veiss?* **[Issue 11]**

118. These issues arise out of the fact that a number of LoAs were redated using correction fluid. The way the case is put in paragraph 11.19 of the Decision Notice is that:

> *Mr Veiss inserted the new dates on the Transfer Authorities on 21 occasions to give the incorrect impression that these customers became customers of [IFSQ] at a later date, avoiding CR and CDD obligations at the time of them actually becoming customers of [IFSQ] and on 2 (two) occasions incorrectly representing they were onboarded outside the Restriction Periods.*

119. It is not in dispute that 21 LoAs were redated using correction fluid, but it became clear during the course of the appeal process that the evidence did not support a case put so widely. This has been a matter of concern to the Regulatory Tribunal, most obviously where the date was changed to a date which was inside the restricted period.

120. At the hearing, the QFCRA maintained that in four of the 21 cases, the amendment to the form gave the misleading impression that the customer had not been onboarded during the restricted period when in fact they had. It is submitted that he was personally culpable because these four individuals were all his clients, he signed the forms, and he was copied into the emails forwarding the forms to the insurers.

121. However, the QFCRA's case at the hearing was primarily that redating the documents in itself showed a lack of integrity and/or a lack of due skill and care on the part of the Appellant, regardless of his motive and whether it purported to show a transaction inside or outside the restricted period (the first such period between 9 April 2020 and 24 June 2020 being the relevant one), and thus was a breach of AML/CFTR or the Customer and Investor Protection Rule. The QFCRA does not allege personal dishonesty on the part of the Appellant, and the Regulatory Tribunal makes no finding to that effect.

122. The details are the subject of the summary in Agreed Joint Table B produced by the parties shortly after the hearing which deals with the 21 examples of amended LoAs. It shows among other things that all but two relate to clients of the Appellant. Where the QFCRA was not in possession of the original LoA, it relies upon either (i) an email in which IFSQ attached the original LoA to the insurer, and/or (ii) the date the insurer recorded the policy as being transferred to IFSQ, both of which the QFCRA submits are reliable evidence. As is pointed out on behalf of the Appellant, Table B identifies only one customer in respect of whom a letter sent in the restricted period was re-dated, together with a handful of situations in which the relevant letter has not been disclosed.

123. The parties are not in agreement as to the precise numbers. As to three clients, the Appellant says that there is insufficient evidence available, and they should be ignored. As to the remaining 18 clients, he accepts that he was provided with documents on which correction fluid had been applied, and he accepts that he added dates to 15 documents.

124. The QFCRA's case is that, in acting as he did, the Appellant acted without integrity. The Individuals (Assessment, Training and Competency) Rules 2014 ('**INDI**'), unsurprisingly provides that, *"The individual must act with integrity at all times"* (Principle 1).

125. There is no dispute as to the meaning of this term in the context of financial regulation which has been considered in a number of cases (an early example being *Hoodless and Blackwell v FSA* (2003) FSMT (Case 007)). As the Regulatory Tribunal pointed out in *Abdelkareem v Qatar Financial Centre Regulatory Tribunal* [2012] QIC (RT) 1 at paragraph 136:

> *… the requirement of integrity is set out in the beginning of the principles of conduct. So much of financial services is about mutual trust and reliance. Moreover, as the modern regulator strives not to impede legitimate business, regulated persons must accept a corresponding positive duty to act appropriately – not merely a negative duty not to act inappropriately.*
>
> The concept relates to, but is distinct from, dishonesty, and a, *"… lack of integrity does not necessarily equate to dishonesty. While a person who acts dishonestly is obviously also acting without integrity, a person may*

> *lack integrity without being dishonest"* (*Batra v FCA* [2014] UKUT 0214 (TCC) at paragraph 200).

126. The Appellant's case is that he added dates because he believed that to be a requirement imposed by compliance as a matter of internal administration. It was only in September 2020, he says, that any issue was raised with him in relation to such re-dating. The Appellant considers that it is no coincidence that:

> *…having required and encouraged him to re-date documents in this way in June and July, [Ms J and Ms D] changed position in August and September, suggesting that such re-dating was a regulatory infringement and seeking to oust him. Whatever the underlying regulatory position, this was another aspect of the attempted internal coup.*

127. The Regulatory Tribunal does not believe the Appellant in this regard. Besides the unlikely nature of such a requirement from the compliance team, he accepted in cross-examination that changing the dates on documents was wholly unacceptable:

> *Q. Can you put yourself in the position of one of your customers. Would you trust a financial advisor that changed the date on a form that you had signed if you were a customer?*
>
> *A. I would not trust.*
>
> *Q. Do you accept that editing the dates on customer documents without their permission can harm the reputation of IFSQ?*
>
> *A. It's not only IFSQ, myself, regulatory [inaudible] or any financial institution in the world. It's not just IFSQ.*
>
> *Q. So it harms the reputation of the Qatar Financial Centre too?*
>
> *A. Every, every… in general, financial services.*
>
> *Q. If you were a client, you would be very troubled and worried if a document you signed had the date changed by someone?*
>
> *A. In most cases, absolutely, totally agree.*

128. The reality is that this was no great concession by the Appellant. It is plain and obvious that a financial services company can never legitimately change the date on such documents. The fact that the use of Tipp-Ex would have been obvious to anyone who looked at the documents, and that the hard copy documents remained with the firm,

both of which points are raised in the Appellant's closing submissions, is immaterial. As the Appellant himself put it, *"it's totally outrageous. It should never happen".*

129. The contemporaneous documents also contradict the suggestion that this was a requirement imposed by the compliance team. On 20 July 2020, the compliance team sent the Appellant and others an email which included a warning that an uninitiated Tipp-Ex change, *"is a very serious matter that could put us at extreme legal risk by the client for forgery".*

130. The Regulatory Tribunal finds that the Appellant showed a lack of integrity in relation to the above matters, and that the QFCRA has proved Issues 10 and 11. The case as to negligence is also proved, so far as it adds anything to the more serious lack of integrity charge. As already made clear, however, in law a lack of integrity does not necessarily involve dishonesty, and the Regulatory Tribunal does not find it proved that the Appellant acted dishonestly in this case.

Issues 1-3, 6(a)-(b), 7, 12-13 and 23-24 Provision of incomplete and unverified client lists

- *Did IFSQ fail to provide a full, complete and verified customer list in response to the September Supervisory Notice dated 17 September 2020? In particular, was the list that IFSQ provided on 24 September 2020, which listed 378 customers, inaccurate?* **[Issue 1]**

- *Did IFSQ fail to provide a full, complete and verified customer list in response to the October Supervisory Notice dated 6 October 2020? In particular, was the list that IFSQ provided on 8 October 2020, which listed 378 customers, inaccurate?* **[Issue 2]**

- *Was Mr Veiss knowingly concerned in either such contravention?* **[Issue 3]**

- *Did IFSQ fail to comply with Notices to Produce requiring it to* **[Issue 6]*:***

    (a) Provide a list of all providers for IFSQ in 2019 and 2020, details of payments received from those providers for the same period and details of clients underpinning each of those payments (Second Notice to Produce)?

    (b) Provide a full verified client list, and identify clients on the list who were previously not known to be IFSQ clients, by 10 September 2020 (Third Notice to Produce)?

- *Was Mr Veiss knowingly concerned in each such contravention?* **[Issue 7]**

- *Did IFSQ fail to maintain complete and proper records of its customers, by failing to maintain an accurate customer database?* **[Issue 12]**

- *Did this entail a lack of due skill, care and diligence by Mr Veiss?* **[Issue 13]**

- *Did IFSQ misrepresent its customer numbers in response to the September Supervisory Notice, the October Supervisory Notice, and the Third and Sixth Notices to Produce?* [**Issue 23]**

- *Did this entail a failure by Mr Veiss to deal with the QFCRA in an open and cooperative manner?* **[Issue 24]**

131. There were a number of Notices to Produce documents directed at IFSQ, the first in April 2020, the second in July 2020, three to five in September 2020, and the sixth in October 2020.

132. The issues that arise are about the concern of the QFCRA over IFSQ's failures to provide accurate and properly verified client lists, and whether the Appellant is responsible for such failures. Since this is the common thread, it is convenient to group these issues together.

133. The case against the Appellant as finally put relates to the period September 2020/ October 2020.

134. There is, however, ample evidence that such lists were not being provided to the QFCRA during that period. As noted by Mazars in their independent report of 7 February 2021, even at that late stage, key weaknesses included that the client database was incomplete and inaccurate, clients were tagged incorrectly (i.e. the non-active clients were actually active clients without proper on-boarding procedures), some revenue was received from clients who were not in the client database, in addition to clients tagged as terminated.

135. The nub of the dispute over these issues concerns the Appellant's view as to who was or was not a client of the firm, and who therefore was required to be included on the lists. This matter has already been considered in the context of onboarding during the restricted period because, as the QFCRA submits, the effect of only including, "*active"* clients on the customer lists was that it excluded individuals who were registered with

the insurer as IFSQ's client following receipt of a signed LoA form, but where IFSQ had not yet completed customer due diligence ('**CDD**').

136. The Appellant's case is that the relevant Notice required a list of, *"current customers"* certified as true and correct by the Board, MLRO and COF. It did not define the term, *"customer";* and neither regulatory definition relied on by the QFCRA could or should be imported. As a matter of natural and ordinary language, he submits, the Notice required IFSQ to provide a list of current, active customers – not e.g. past/historic customers, and not e.g. prospective customers.

137. It is not in dispute that there was a large discrepancy between the list supplied by IFSQ in March 2021 after the Appellant stepped down as director, and the list supplied in September 2020. IFSQ's responses to the September 2020 and October 2020 Notices were to the effect that the firm had 378 customers. The certified list provided by IFSQ on 31 March 2021 suggested that the actual number of customers was 860.

138. The Appellant ascribes that discrepancy to the inclusion of customers whose policies which were no longer active, or who had signed an LoA but had not been approved by the compliance team, and so in his view were not, *"current customers",* or were historic customers of Mr Perera. He only identifies 18 individuals who he accepts should have been included.

139. The Regulatory Tribunal notes that the September Notice required the provision of a, *"full, complete and current customer list for IFSQ certified by the Board, MLRO and COF as true and correct".* The October Notice required provision of a:

> *... customer list which has been verified as true and correct and has been reconciled against the provider records held by the insurance companies who provide products to IFSQ's customers, verified and attested as correct by a person who is a director and another person who is an approved individual of IFSQ.*

140. The Regulatory Tribunal accepts that certification and attestation were not possible in the terms sought when IFSQ lacked an MLRO and COF as it did over this period.

141. But that aside, the requirements of the Notices were more extensive than the Appellant accepts in his submissions. Rule 1.2.1 of the CIPR provides that a, *"customer*" is ,*"a person to whom the firm provides, has provided, or offers to provide, a service that is a regulated activity, or a person who asks the firm to provide such a service".* Contrary to the Appellant's submissions, the Regulatory Tribunal finds that this was the applicable definition. In any case, the lists plainly should have included persons who had signed LoA forms submitted to the insurers even though CDD had not yet been completed or signed off by the compliance team. Reference is made to the discussion of, *"regulated activity"* above. The Regulatory Tribunal accepts the QFCRA's submission that the practical consequence of the failure to do so was to conceal from the regulators IFSQ's new customers who were mostly the Appellant's top clients transferring across from his previous firm. The Appellant's submission would if accepted, as the QFCRA submitted, leave a significant hole in the investor protection regime.

142. Besides, the Appellant's submission is contrary to common sense, as he accepted in cross-examination in relation to a particular customer who was not included in the list despite the fact that he had been given advice by the Appellant and IFSQ had received trail commission in respect of the customer:

> *Q. Do you think Mr D should have been on the client list or not? Let us clear this up because you are blaming others—*
>
> *A. Yes.*
>
> *Q. —and you seem to be saying it was a mistake but you are also saying it was not necessary to put him on the list and I just want to be absolutely clear about what your case is.*
>
> *A. I would say from common sense perspective we needed to include him on that... on the customer list.*
>
> *Q. You raised that at the time, did you, about the absence of clients who you had provided advice to and said, "These people have to be notified to the Regulatory Authority"?*
>
> *A. Well, this was not my judgment call and this is where senior management, where it was particularly compliance department in charge of all operational matters or [Ms J] who were conducting all these reviews. From late August I was even suspended by Ms [J]. I did not have access to any customer files and after termination of Ms*

[J] and Miss [D], they found in a compliance working cabinet couple thousand of files. I don't know if there was [Mr C] or not and it was just... it was worse than a coffee shop procedure, not a regulated business.

Q. I am very sorry to keep asking you the same question, Mr Veiss, but I think you are agreeing that Mr D ought to have been on the client list in September/October?

A. From common sense, I would expect to see him but the firm, three individuals, failed to provide positive opinion so—

Q. He was your client and you were the owner of the firm and you held the senior executive function. Did you not think it was your job to speak up and ensure that people like him were on the client list?

A. Well, as an owner, as a... I did not have any regulatory power. Even as an executive director...

143. The Regulatory Tribunal's conclusions on these issues are as follows. It keeps in mind that the September 2020 and October 2020 period was clouded by the Appellant's dispute with Ms J and Ms D, and that a degree of caution is required when considering the Appellant's culpability during this period. Nevertheless, he cannot absolve himself from responsibility (and they had gone by the time that he signed off on the defective October 2020 list). It finds the case proved that he was knowingly concerned and/or negligent in regard to IFSQ's failure to provide full and complete customer lists. So far as the case against the Appellant is based on negligence, it is based on breach of his personal obligations of due skill, care and diligence under Principle 2 of the INDI (Principles of conduct for individuals, paragraph 2.1.3). Had he fulfilled his obligations, matters could have turned out differently. Instead, he has sought to justify his position on the basis of an unsustainable legal analysis.

144. The Regulatory Tribunal needs make no findings on the wider points as regards the firm's records and AML/CFT which are raised under Issues 12 and 13 and are considered below.

145. The Regulatory Tribunal also need make no findings on Issues 23 and 24 (misrepresentation and failure to deal with the regulators in an open and cooperative manner) since these merely restate the case under different labels.

Issues 14 – 17: AML/CFTR and CIPR failures

- *Did IFSQ breach the AML/CFTR by* **[Issue 14]***:*

  (a) Not conducting due diligence before or at the point when it sent an LoA to a relevant insurer?

  (b) Not maintaining accurate, complete and up-to-date customer records, as evidenced by deficiencies in 18% of a random sample of customer files (10 allegedly deficient files in respect of 12 customers)?

- *Did this entail a lack of due skill, care and diligence by Mr Veiss?* **[Issue 15]**

- *Did IFSQ breach the CIPR by doing the following* **[Issue 16]***:*

  (a) Not providing customers with Terms of Business before sending an LoA to a relevant insurer?

  (b) Not conducting CDD on 'transferred in' customers at the point at which they signed an LoA?

- *Did this entail a lack of due skill, care and diligence by Mr Veiss?* **[Issue 17]**

146. These issues relate to customers who signed LoAs with IFSQ prior to CDD checks being carried out. It is not in dispute that this happened, though as pointed out on behalf of the Appellant, the frequency and details are in dispute. In broad terms, from an examination by the QFCRA of a sample of 77 customer files, it appears that 10 files relating to 12 customers were found to contain deficiencies in CDD, 10 of which were the Appellant's clients.

147. The Appellant submits that many (indeed, most) of the deficiencies originally alleged have now been withdrawn. Many (indeed, most) of the remaining allegations relate exclusively to the interpretation of rule 4.3.2(1)(a) of the AML/CFT addressed below. That leaves just 11 alleged deficiencies, across six files, and those files/alleged defects represent a very small proportion of IFSQ's client base.

148. In this regard, the basic requirement is rule 4.3.2(1)(a) of the AML/CFT which requires a firm to conduct customer due diligence measures for a customer, "*when it establishes a business relationship with the customer"*. The timing is made explicit by rule 4.3.5(1) of the AML/CFT, which provides that this must be *before* the establishment of the business relationship, subject to a number of circumstances in which CDD may be established during the establishment of the relationship. Nothing turns on any

difference between the provisions in the present case. A business relationship is defined in rule 4.2.4 of the AML/CFT as one, *"between the firm and a customer, other than a relationship that is reasonably expected by the firm, when contact is established, to be merely transitory".*

149. The Appellant's case is that the QFCRA has not shown any breach of these rules. This is based on his understanding of the rules as mentioned in other contexts of the case. He contends that the sending of an LoA to an insurer is not the establishment of a regular relationship in connection with a service that the customer receives from the firm. No services are provided by IFSQ, and no regular relationship is established, until Terms of Business ('**ToB**') are signed, and IFSQ begins to offer the specified, "*Services*" under those ToB. The ToB state expressly that services will commence from the date of signature.

150. Alternatively, the Appellant relies on the exception at rule 4.3.5(2) of the AML/CFT that CDD may be conducted during the establishment of the relationship where the requirements in rule 4.3.5(2)(a)-(c) of the AML/CFT are met, namely that this is necessary in order not to interrupt the normal conduct of business, and there is little risk of money laundering or terrorist financing and these risks are effectively managed, and they are completed as soon as practicable after contact is first established with the customer.

151. The Regulatory Tribunal rejects these arguments. It agrees with the QFCRA that signing a ToA as in the present case plainly involved the establishment of a business relationship for the purposes of rule 4.3.2(1) of the AML/CFT in that it represented an agreement with the client that IFSQ would provide the client with broker services. The signing of a ToA form also engaged the requirement to draw up ToB under rule 4.4.1 of the CIPR before the sending of the LoA – but the fact that the ToB provided that service would commence at the date of signature is irrelevant to the legal analysis.

152. In the Regulatory Tribunal's view, the requirements of rule 4.3.5(2)(a)-(c) of the AML/CFT are not met in this case. It notes that the Grounds of Appeal contend that insurance mediation is a low-risk activity from a money-laundering perspective. This argument (which is pursued at greater length in the Appellant's skeleton argument) has

been firmly rejected by the Regulatory Tribunal in earlier cases. In *Horizon Crescent Wealth LLC v Qatar Financial Centre Regulatory Authority* [2020] QIC (RT) 1 at paragraph 31, the Regulatory Tribunal said:

> *AML/CFT concerns are well known. Even a lay person would have encountered such issues in daily life: in opening bank accounts, transmitting funds overseas etc. Financial professionals are exposed to AML/CFT issues throughout their careers on almost a daily basis.*

153. Permission to appeal was refused, ([2020] QIC (A) 2, 9 June 2020, see particularly at paragraph 6 (a)). The importance of compliance with AML/CFT rules was reiterated in *Russell v QFCRA* [2020] QIC (RT) 2 at paragraph 36 and *Perera v QFCRA* [2021] QIC (RT) 6 at paragraph 38 (appeal dismissed at [2022] QIC (A) 6). The Regulatory Tribunal takes the opportunity to reiterate it again now.

154. There are important reasons why CDD should be done at the LoA stage and not at a later stage as the Appellant contends. As it was put by the QFCRA in closing:

> *… any conclusion to the contrary would fundamentally hinder the RA's ability to protect the interests of the QFC from AML risks. It would mean that a firm could act on behalf of a client, and receive trail commission in respect of that service, without undertaking any checks at all on that individual. There would be no incentive for a firm to complete CDD expeditiously… This is in circumstances where investment insurance broking poses an obvious AML risk in that it provides foreign clients with the opportunity to move funds from a less reputable jurisdiction to the QFC. Such behaviour creates a significant risk to the QFC and its wider reputation.*

The Regulatory Tribunal agrees with that analysis.

155. As noted above, the requirement of rule 4.4.1(1) of the CIPR is to the same effect at the AML/CFT provisions, and the same considerations apply.

156. The question then is whether it has been shown that there was a lack of due skill, care and diligence by the Appellant in regard to these issues. The Appellant argues to the contrary, contending among other points that he followed the widespread practice not only at IFSQ but also at his previous firm, namely that as EGF he was entitled to rely on the SEF, COF and MLRO in respect of the interpretation of technical regulatory rules and the maintenance of appropriate records, and that when it became apparent to

the Appellant that the SEF and COF were implicated in a hostile takeover, and in any event not competent, he replaced them.

157. None of these points in the Regulatory Tribunal's view has any credibility. AML/CFT must have been at the forefront of his mind from the time the Appellant took over IFSQ, given that the firm had already been fined $100,000 for failures in that regard. It is very unlikely that he did not pay close attention to the AML/CFT rules as to when the CDD had to take place, and if he did not, he should have done so. If he was in any doubt as to the effect of the rules, it was incumbent on him to raise the position with the regulator. The Regulatory Tribunal is satisfied that a lack of due skill, care and diligence on his part has been proved.

Issue 8: Obstruction of the QFCRA's investigation

- *Did Mr Veiss obstruct the QFCRA's investigation in that he failed to cooperate in allowing the QFCRA / IFSQ's Compliance Function access to information on IFSQ's accounts on the online insurance provider portals, by:* **[Issue 8]**

    (a) Failing to take steps to ensure that access was provided?

    (b) Revoking staff access to the portals on 9 September 2020?

158. As to Issue 8, the evidence as to whether the Appellant obstructed access to the online insurance portals is convoluted, and it would be difficult to reach a firm conclusion on the evidence even if there were no extraneous complications. But since the person obstructed is said to have been Ms D, and since the QFCRA now accepts that it was possible that such people had approached the QFCRA about the Appellant for their own purposes, an obstruction finding would, in the Regulatory Tribunal's view, be unsafe and potentially unfair, and this allegation is rejected.

159. The Regulatory Tribunal need make no findings on Issues 6(c) and (d) in respect of which the issues are adequately dealt with under different heads.

Issues 18-19: Governance failures as to unfilled regulatory roles

- *Did IFSQ fail to comply with applicable governance requirements, in that it failed to have in place the following regulated functions in the following date ranges* **[Issue 18]***:*

    a. MLRO, from 10 May – 27 July 2020 and again from 6 November – 5 December 2020.

b. COF, from 28 September – 2 November 2020.

c. SEF, from 15 September – 2 November 2020.

- *Did this entail a lack of due skill, care and diligence by Mr Veiss?* **[Issue 19]**

160. The case is that even though the firm did not have persons performing the required controlled functions, it continued to trade and do business. The Appellant's failure to act properly reflects *both* the absence of SCFs *and* the continuation of the business regardless.

161. While it is true that he dismissed the SEF and the COF on 14 and 27 September 2020, respectively, again this has to be seen in the light of the fact that the QFCRA now accepts that it was possible that they had approached the QFCRA about the Appellant for their own purposes. Overall, the evidence suggests that the Appellant did take reasonable steps to see that posts were filled when they fell vacant. The Regulatory Tribunal rejects the QFCRA case on these grounds.

Issues 20 – 22: NAV and financial failures

162. As indicated at the hearing, the Regulatory Tribunal does not consider that the fact that IFSQ did not have the NAV required by rule 2.2.2(2) of the IMEB from 30 July 2020 to 9 July 2021 involved any negligence on the Appellant's part as alleged by the QFCRA under this heading. The financial failings alleged in Issue 21 have been withdrawn.

The Regulatory Tribunal's conclusions as to penalty and prohibition

163. The Regulatory Tribunal's conclusions as to penalty and prohibition are set out by reference to Issue 25:

- *Were the following penalties that the Regulatory Authority imposed on Mr Veiss appropriate in light of any wrongdoing found?*

  (a) A financial penalty equivalent to $500,000?

  (b) A five-year prohibition on performing any function in the QFC?

164. In its considerations on these two matters, the Regulatory Tribunal bears in mind that:

> *In financial regulation the imposition of a financial penalty is, as the term suggests, a means of penalising a regulated person for the conduct*

> *concerned and deterring similar contraventions. On the other hand, a prohibition order is primarily intended to protect the public (and the QFC and the financial system itself) where the regulated person's behaviour demonstrates a lack of fitness for a particular role or roles in a regulated firm …* (*Perera v QFCRA* [2021] QIC (RT) 6 at paragraph 19, and on appeal [2022] QIC (A) 6 at paragraph 26).

165. It also bears in mind a general point made by the Appellant to the effect that the case as finally put against him at the hearing was considerably less than the case in the Decision Notice, in that various allegations have been withdrawn, including (i) numerous allegations that customers' files were deficient; (ii) the allegations of financial failings based on the evidence of the Head of Finance at IFSQ which was not relied on because the QFCRA did not pursue the issue to which it was relevant; (iii) allegations in respect of onboarding in the second restriction period that is October/November 2020; and (iv) certain alleged breaches of the CIPR. Not all the allegations pursued were upheld by the Regulatory Tribunal, with the caveat that in some cases this was because of their duplicative nature. Notwithstanding that caveat, it is correctly submitted on behalf of the Appellant that because what was ultimately proved is substantially less than what was alleged in the Decision Notice, it is appropriate that penalty be reconsidered, and in any event, penalty is ultimately a matter for the Regulatory Tribunal to decide bearing in mind the facts which it finds to have been established, the criticisms and assertions which it rejects or finds not to have been proved, and all the circumstances.

166. However, the Regulatory Tribunal does not accept a further general point made by the Appellant, which is to the effect that other individuals could have been pursued but were not. Even if correct, this is irrelevant to the Appellant's liability.

167. The QFCRA's Enforcement Policy Statement ('**EPS**') sets out matters relevant to sanction. This is a policy statement of the regulator, not a Rule, and so not binding on the Regulatory Tribunal, and it is not exhaustive. Nevertheless, just as regulated persons are entitled to expect regard to the EPS by the regulator, so they are entitled to expect regard by the Regulatory Tribunal on appeal, given that the fundamental purpose of the EPS is to impose penalties which are consistent, appropriate and fair.

Prohibition

168. The action against which the Appellant appeals prohibits him from carrying out any function in the QFC for a period of five years.

169. In contesting such prohibition, the Appellant submits that even without any prohibition, (i) he cannot work in a controlled function without fresh approval from the QFCRA; and (ii) the Regulatory Tribunal's public judgment will stand for itself. In closing submissions, he invited the Regulatory Tribunal to impose, at most, a limited prohibition on him holding controlled functions. He emphasises that:

i. He has already been prevented from occupying a controlled function in the QFC for some two and a half years because of his prohibition in December 2020 and then his undertaking not to work in the financial services industry in or from the QFC pending the determination of his appeal. The events of the past 3 years have been exceptionally difficult for him including the 17-month travel ban as a result of criminal proceedings.

ii. The allegations focus on his performance of management and director roles. He remains competent to perform a customer-facing role.

iii. He remained at IFSQ in a customer-facing role from his suspension as EGF in December 2020 until his departure from IFSQ in August 2022, and no concern has been raised as to his conduct in that role.

iv. There is no complaint about his ongoing role at the Baltic Business Council further showing that the ranging prohibition applying to all functions is not necessary and is likely to operate harshly, not least in respect of his residency in Qatar.

170. The QFCRA submits that:

i. The real concern of the Appellant is that he be allowed to carry out the customer-facing function, i.e., continuing as a salesman and an adviser. The QFCRA's view is that permitting him to work as an adviser would be inappropriate at present and it would harm the reputation of the QFC if a person who owned a

regulated firm, held the EGF, and who personally re-dated documents in order to give a false impression, and who permitted regulated activities in breach of a Supervisory Notice, were to be permitted to continue to advise and act for customers. He cannot properly be trusted in that role at present.

ii. Customers are likely to lose confidence in the regulatory standards of the QFC and may (rightly) consider they cannot rely on the QFC as a jurisdiction where concealed amendment of their documents is properly addressed.

iii. The QFCRA does not suggest that prohibition ought to be permanent, there being a balance to be struck between the possibility of rehabilitation and resumption of work, with the need to protect QFC and its reputation for a substantial period. Five years reflects the Appellant's lack of integrity, not simply careless error. In many integrity cases, an indefinite prohibition is appropriate, but here, given his age, there will come a time at which balance may be struck in his favour, but not for a significant period. The reputation of QFC and protection of the public requires a lengthy and wide-ranging prohibition.

171. The Regulatory Tribunal's conclusions are as follows. As regards the policy statement, Chapter 10 of the EPS deals with prohibitions under article 62 of the FSR (at paragraph 10.4). Examples of behaviour sufficiently serious to warrant a prohibition include, *"failing to act with integrity"* and, "*serious breaches of the Principles for authorised firms in section 2.1 of PRIN*" (at paragraph 10.10).

172. In his skeleton argument, the Appellant says that he:

> *... has learned salutary lessons from his investment and role in IFSQ. He acted on the basis of a good faith attempt to comply with the law; if he has erred in that regard, those errors will not be repeated. He relied on others who let him down; he will not make that mistake again.*

173. The Regulatory Tribunal observes that Appellant does not acknowledge shortcomings in his own behaviour, and the, *"lessons learned"* seem to revolve around protecting himself in future. He shows little insight into the importance of a financial services firm

observing the regulatory rules, and the risks to investors which failure to do so can cause.

174. The Regulatory Tribunal has found among other things that the Appellant acted without integrity in relation to the redating of documents, and permitted regulated activities during a restricted period in breach of a Supervisory Notice. As to the former, the Appellant himself says that such redating was, *"totally outrageous"* and *"should never happen"*. As to the latter, a financial regulatory system can only work if regulated persons observe the requirements of regulators in Supervisory Notices. This did not happen here, and that is in itself a serious matter. The same applies to the failures as regards CDD under the AML/CFT rules.

175. As regards the matters in respect of which the case has been proved, taken together, the Regulatory Tribunal is in no doubt that a five-year prohibition from carrying out any function in the QFC including as a salesman and adviser is both appropriate and proportionate to protect the QFC, the financial system, and investors.

Penalty

176. The action against which the Appellant appeals is the imposition of a financial penalty equivalent to $500,000.

177. In contesting the penalty as much too harsh, the Appellant submits that:

i. The financial penalty is wholly out of step with that imposed in comparator cases – including cases involving (a) very similar facts at the same firm, and (b) much more serious facts elsewhere – and with the treatment of others implicated in the same alleged wrongdoing.

ii. The Appellant made no financial gain from the wrongdoing alleged, which was not done for any cynical end.

iii. The comparative risk posed by the wrongdoing alleged – viewed in light of the AML / CFT checks that IFSQ did do, and the nature of the firm's business – was significantly lower than that in several comparator cases.

iv. The Appellant took significant steps to improve IFSQ's regulatory situation and engaged heavily with the regulator in an effort to do so.

v. Any fine should be proportionate to the Appellant's income and time spent as a shareholder and director of IFSQ, as per paragraph 6.51(d) of the EPS. He was a director for just some seven months, and his tenure as a shareholder was financially disastrous for him. His earnings as EGF were negligible – most of his income from IFSQ came from commission earned in his customer-facing role.

vi. Particular attention is drawn to the cumulative effect that any combined prohibition and financial penalty will have on the Appellant, and the need for any such cumulative effect – and not merely any fine in itself – to be proportionate. That is a matter to be taken into account both as a matter of fairness and as an express term of at paragraph 6.58(d) of the EPS.

178. In supporting the penalty as appropriate, the QFCRA submits that:

i. $500,000 is appropriate, subject to the question of financial hardship. The case concerns a lack of integrity. Documents signed by customers were redated. There were breaches of an urgent Supervisory Notice imposed for the protection of consumers.

ii. As to comparators, the case is more serious than *Mantegani* where a financial penalty of $300,000 was imposed on an individual. That case did not include any allegation of a lack of integrity. Although the AML failures in that case were very serious, this involved an omission to carry out checks without any finding of lack of integrity and an indefinite prohibition was imposed.

iii. In *David Russell v QFCRA* [2020] QIC (RT) 2, a financial penalty of $200,0000 was imposed, again in a case without any allegation of a lack of integrity. The firm did similar insurance mediation business as IFSQ. The present case is more serious given the absence of integrity, and the breach of a Supervisory Notice.

iv. As to financial hardship, the seriousness of the case is such that a reduction for hardship is not appropriate, applying the QFCRA's EPS. If that is wrong, time to pay would be appropriate, reflecting that the Appellant has substantial earnings capacity. He earned $225,000 last year (from work outside the QFC). He therefore retains extensive earnings capacity. He has not disclosed his earnings this year to date. It is assumed that they are similar.

179. The Regulatory Tribunal's conclusions are as follows. As regards the EPS, in determining the amount of a financial penalty to be imposed under article 59 of the FSR, regard must be had to: (i) the seriousness of the contravention in relation to the nature of the requirement contravened; (ii) the extent to which the contravention was deliberate or reckless; (iii) whether the person on whom the penalty is to be imposed is an individual; and (iv) the effect on third parties, clients or customers and the best interests of Qatar's financial system. As to (iv), the Regulatory Tribunal observes that deterrence is a legitimate aim of financial regulatory penalties.

180. So far as the parties in their submissions on penalty refer to factual matters proved against the Appellant, the Regulatory Tribunal has regard to all its findings above. There are, however, a number of points which seem to the Regulatory Tribunal to be of particular importance.

181. As the Appellant submits, and is not disputed, the penalty which was imposed on him, *"is the harshest that the RA has ever imposed on an individual, and by some margin".* If follows that the Regulatory Tribunal would need to find something particularly egregious in his conduct to justify it.

182. For reasons set out above, the Regulatory Tribunal is of the view that the Appellant's conduct was egregious in certain respects. But as against that, and as pointed out above, the case as against him put at the hearing was materially less wide ranging than that advanced in the Decision Notice. In the light of a close examination of the evidence, not least by the Appellant's counsel, some allegations were withdrawn, and some others were the subject of concessions so not proved to the extent originally alleged. Some, such as obstruction, were not found proved at all. In considering penalty, therefore, the

Regulatory Tribunal is starting from a significantly different factual basis from that underlying the Decision Notice.

183. The QFCRA submits that the financial penalty is consistent with fines imposed by the QFCRA and other international regulatory bodies. The Regulatory Tribunal notes that it is standard practice in imposing financial regulatory penalties to have regard to other comparable cases, so that there is an element of consistency. The QFC is a small jurisdiction, and it is in principle not objectionable to have regard to the decisions of other jurisdictions. But these require particular care to avoid misunderstandings as to the regulatory regime, the applicable rules as to calculation of penalty (which may be quite different from those applied by the QFC), the reduction of penalty where the subject has accepted liability which can be very substantial, and of course the facts of the particular case. The Regulatory Tribunal did not find helpful, for example, the American decision relating to the conduct of the Chief Compliance Officer of MoneyGram which was subject to a plea-bargain, but on facts much more serious than the case against the Appellant.

184. The Appellant relies in particular on the case of *Perera v QFCRA* [2021] QIC (RT) 6, Mr Perera having held the EGF of IFSQ from 2016 to 2020. However, the relevant period was between May 2016 to March 2018, so long before the Appellant took over the firm. The conduct found proved was that Mr Perera took insufficient steps to comply with the regulators' directions including as to IFSQ's compliance with AML/CFT requirements and so was liable on the basis that he failed to act with due skill care and diligence contrary to Principle 2. No case was brought against him in respect of lack of integrity. The other issue related to the addition of the word, *"complete"* to a compliance report, which it was held was a mistake but not a deliberate attempt to mislead. Since only one of the two complaints was proved, the Regulatory Tribunal reduced the penalty from $75,000 to $37,500.

185. It is reasonable to point out, in the Regulatory Tribunal's view, that although both cases involve IFSQ, and both men were directors of the firm, the similarities between the cases are limited. In short, the case against Mr Perera was far less serious than the case against the Appellant. In other words, it is not a reliable comparable. But even allowing for this, the disparity between the penalty imposed on the Appellant being over five

times greater than that imposed on Mr Perera is difficult in the Regulatory Tribunal's view to justify.

186. The Regulatory Tribunal has looked with care at the cases of *Jean-Marc Mantegani v QFCRA* [2023] QIC (RT) 1 and *Patrick Baeriswyl v QFCRA* [2023] QIC (RT) 2. In the former, a financial penalty of $300,000 imposed on an individual was upheld by the Regulatory Tribunal, and in the latter a financial penalty of USD200,000 imposed on an individual was upheld by the Regulatory Tribunal. There were also prohibitions in respect of each. Though it is correct (as the QFCRA points out) that there was no case of lack of integrity brought against either of them, overall, the cases were of at least as much gravity in the Regulatory Tribunal's view as that against the Appellant, and there would not appear in either of those cases to have been any of the mitigating factors which the Regulatory Tribunal has identified and must take into account in this case. On the other hand, there were no allegations of knowingly breaching a supervisory prohibition as in the present case.

187. Also relevant in the Regulatory Tribunal's view are settlements agreed in 2019 with directors of a firm called Guardian Wealth Management Qatar LLC (Mr Howell and Mr Hasberry) which had a similar business to that of IFSQ under which the directors each agreed financial penalties of $200,000. There was no case of lack of integrity. Though this is not recorded in the press release, there was presumably a discount applied on settlement, so that the figure absent settlement would have been higher. There were also prohibitions in respect of each.

188. The Regulatory Tribunal expresses its conclusion as follows. The Regulatory Tribunal accepts and starts from the premise that this is a serious case, and this must be reflected in the penalty. On the other hand, it is of the view that the penalty imposed on the Appellant of $500,000 cannot be upheld because: (i) it exceeds penalties in comparable cases by a considerable margin; (ii) the case as found by the Regulatory Tribunal is considerably less extensive than the case in the Decision Notice upon which the penalty was based; (iii) even if the QFCRA had established all of the allegations which it advanced, including those about which, through no fault on the part of the Appellant, it was mistaken and which it had been wrong to advance, the penalty imposed was disproportionate; (iv) no account was taken of the fact that the Appellant invested in

IFSQ, and has now lost, QAR 1,046,395, and (leaving aside onboarding of customers in breach of the prohibition) he made genuine efforts to deal with the parlous state of the company in which he made those investments; and (v) he was made the subject of criminal proceedings which the court subsequently decided did not have a sound legal basis and a travel ban which was consequently lifted, both of which must on any view have imposed significant strain. The Regulatory Tribunal accordingly substitutes a financial penalty of $240,000 (or its QAR equivalent) which reflects both the gravity of the case and the mitigating factors.

Financial hardship

189. Against the possibility that the Regulatory Tribunal would uphold a financial penalty against the Appellant, as it has, the Appellant has given substantial disclosure of his financial circumstances, albeit as at last year when the appeal process began. This was a responsible way to proceed. He contends however that he has no obvious way to pay any meaningful fine, whether in instalments or not.

190. The QFCRA contends that the seriousness of the case is such that a reduction for hardship is not appropriate, applying the QCFRA's paragraph 6.54 of the EPS. If that is wrong, it says that time to pay would be appropriate, reflecting that the Appellant has substantial earnings capacity having earned $225,000 last year (from work outside the QFC). He therefore retains extensive earnings capacity. He has not disclosed his earnings this year to date. It is assumed that they are similar.

191. The Regulatory Tribunal does not accept that this is a case in which paragraph 6.54 of the EPS applies. But what the Appellant requests is in effect to have the penalty commuted in whole on the basis of financial hardship. The criteria for such an order were set out in the *Russell* case (see above). As the Regulatory Tribunal made clear in the *Perera* case (see above), it is wholly exceptional for a penalty to be commuted and, as in that case, the present case is not in that category.

192. If the Appellant cannot pay the penalty immediately and wishes to pursue an application for time to pay, he must update his financial disclosure and provide it to the QFCRA. The parties should then seek to agree a repayment schedule between them. If they cannot agree, the matter can be referred back to the Regulatory Tribunal.

Decision

193. On the Appellant's appeal it is ordered that:

i. The appeal against the prohibition order is dismissed.

ii. The appeal against the financial penalty is allowed to the extent that a penalty of $240,000 (or its QAR equivalent) is substituted for that in the Decision Notice.

By the Regulatory Tribunal,

[signed]

Sir William Blair, Chairman

A signed copy of this Decision has been filed with the Registry.

Representation:

The Appellant was represented by Amy Rogers and Michael White of 11 Kings Bench Walk, (London, UK), instructed by Alexander Whyatt of Eversheds Sutherland (International) LLP (Doha, Qatar).

The Respondent was represented by Ben Jaffey KC of Blackstone Chambers (London, UK), and Natasha Barnes of 1 Crown Office Row, (London, UK), instructed by the Respondent directly (Doha, Qatar).