

## Corporate & Financial Weekly Digest

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### FSA Fines and Bans Hedge Fund Manager's Compliance Officer

The FSA has published the final notice it has issued to Dr. Sandradee Joseph, the former compliance officer of hedge fund manager Dynamic Decisions Capital Management Ltd (Dynamic) (a hedge fund management company).

Dr. Joseph was fined £14,000 (approximately \$22,000) and banned indefinitely from performing any significant influence controlled function (including but not limited to the compliance oversight function) for failure to comply with Principle 6 of the FSA's Statement of Principle for Approved Persons (APER).

In late 2008, a senior employee of Dynamic entered into a number of transactions for the purchase and resale of a bond which was a fraudulent instrument. These transactions were designed to conceal significant losses suffered by funds managed by Dynamic in the fourth quarter of 2008.

The FSA found that between November 2008 and February 2009, Dr. Joseph failed properly to carry out her responsibilities as Dynamic's compliance officer and failed to act with due skill, care and diligence. Specifically, she failed to:

- Properly consider issues raised in a termination letter from Dynamic's former prime broker who resigned because of concerns it raised about the bond transactions and to which Dynamic did not satisfactorily respond.
- Investigate concerns about the purchase of the bond raised by Dynamic's two principal institutional investors who repeatedly requested further information about the transactions and advised that the transactions breached investment restrictions. Dr Joseph should have ensured that these concerns were urgently investigated. Instead she wrongly relied on assurances from the employee who entered into the transactions and on a mistaken belief that external lawyers had been consulted and had addressed any relevant concerns.

In an accompanying press release, Tracey McDermott, the FSA's acting director of enforcement and financial crime, commented: "Joseph took far too narrow a view of her role as a Compliance Officer. She failed to understand the importance of her role and the wider regulatory obligations it brings."

Dr. Joseph agreed to settle during the course of the FSA investigation. She therefore qualified for a 30% reduction on her financial penalty which would otherwise have been £20,000 (approximately \$31,000).

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

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