

Corporate & Financial Weekly Digest

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FSA Fines Private Investor \$9.6 million for Market Abuse

On November 9, the UK Financial Services Authority (FSA) announced that it had fined Rameshkumar Goenka (Goenka), a Dubai based private investor, \$9,621,240 for manipulating the closing price of Reliance Industries (Reliance) securities on the London Stock Exchange (LSE).

The \$9,621,240 fine is the largest ever imposed by the FSA on an individual for market abuse. It comprises a penalty of \$6,517,600 and a restitution element of \$3,103,640. The FSA has stated that the restitution element will be used to reimburse the counterparty which overpaid Goenka that sum as a result of his market abuse.

Goenka held an over-the-counter (OTC) structured product based on Reliance global depositary receipts (GDRs) which matured on October 18, 2010. The pay-out depended on the LSE closing price of Reliance shares on that day. On October 18, 2010 Goenka placed a series of trades in the final seconds of the LSE's closing auction with the intention of increasing the closing price of the Reliance securities above a certain level and ensuring that other market participants did not have sufficient time to respond before the closing price was determined. As a result of Goenka's market manipulation, which increased the Reliance closing price, Goenka's counterparty overpaid him \$3,103,640.

The FSA stated that the amount of the fine took into account the seriousness of the market abuse and also the fact that Goenka intended to engage in similar conduct on another occasion in relation to another structured product and was prevented from doing so only by factors outside his control.

Goenka received a early settlement discount of 30% on the penalty element for settling at an early stage of the FSA's investigation. If Goenka had not settled early the financial penalty element of the fine would have been \$9,310,920 – three times the profit made as a result of the market abuse conduct. The total fine (including the restitution element) would in that event have been \$12,414,560.

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

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