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Former Chairman of Wm Morrison Supermarkets Plc Fined for Breach of Share Disclosure Rules

On August 16, the UK Financial Services Authority (FSA) announced that it had published a final notice imposing a penalty of £210,000 (approximately $350,000) on Sir Ken Morrison (KM), the former chairman of Wm Morrison Supermarkets Plc, for breach of its shareholding disclosure rule DTR 5.8.3R.

Between September 16, 2009, and June 21, 2010, KM's voting rights in Wm Morrison Supermarkets Plc had fallen below the 6%, 5%, 4% and 3% thresholds under which notification was required. KM failed to notify the company of the reductions in his voting rights until March 1, 2011. The result of this failure was that the company was not in a position to provide the required information to the market in accordance with DTR 5.8.12R(1) and consequently the market was misled as to the ownership of voting rights in the company. In addition, KM's shareholding was consequently misstated in the company's January 2010 annual report.

KM explained his failure to make the required notifications by claiming he was unaware of the disclosure requirements.

The FSA considered the failings serious, due to KM's prominent position and significant delay in his eventually making the required notification.

KM agreed to settle at an early stage of the FSA's investigation and so qualified for a 30% reduction of the financial penalty. The FSA decided to impose a total financial penalty of £210,000 (approximately $350,000), but for the early settlement discount the FSA would have imposed a fine of £300,000 (approximately $500,000).

Tracey McDermott, acting director of enforcement and financial crime, said:

"It is important that significant shareholders recognize that timely and accurate disclosure of their shareholdings and voting rights is a fundamental component of a properly informed securities market. Investors are entitled to know when major and influential shareholders significantly reduce their interest in a listed company. Sir Ken should have been aware of his obligations and his failure to meet them has resulted in this fine.

"The rules are designed to enhance transparency and provide investors with timely information regarding voting rights in issuers. Failure to comply with the rules risks damaging investor confidence in the financial markets."

To read the FSA's announcement, click here.

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