FINANCIAL CONDUCT AUTHORITY

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Harriett Baldwin MP
Chair
Treasury Select Committee
House of Commons
SW1A 0AA

9 October 2023

Dear Ms Baldwin,

Re: Greensill Capital

I write following Nikhil Rathi's letter dated 4 May 2021,[1] which provided information on the regulation of Greensill Capital, and its associated companies.

Given the Committee's and wider public interest in Greensill Capital, I thought it would be helpful to share with you details of developments in our work.

Background

In our previous letter, we set out how financial regulation interacted with the various Greensill entities. We explained that Greensill Capital (UK) Limited (GCUK) was a registered entity under the Money Laundering Regulations (MLRs) since 6 May 2014. This means that the FCA was responsible for supervising it only in relation to its compliance with anti-money laundering rules.

Greensill Capital Securities Limited (GCSL), part of GCUK group, was an appointed representative (AR) of Mirabella Advisers LLP (Mirabella).

The AR regime is created by statute. It allows a firm to carry out a limited number of regulated activities under the supervision of a firm we directly authorise (known as a principal firm). This limited number of regulatory activities includes advising and arranging deals in investments. A principal firm (in this case Mirabella) is responsible for ensuring that, on an ongoing basis, its AR complies with the requirements, rules and regulations of the FCA.

We have carried out significant work to reduce the harm caused by ARs. In December 2021 we consulted on changes to FCA rules, and we published our new rules in August 2022 which have now taken effect.[2] Our changes have strengthened the oversight obligations and reporting requirements for the principal firms overseeing ARs. The FCA has also established a dedicated AR department which directly supervises principal firms against these new rules, and we have devoted additional resources to our Enforcement and Authorisations divisions to specifically tackle AR related harm.

Mirabella was authorised by the FCA on 1 July 2014 and has permission to provide investment advice, to make arrangements with a view to transactions in investments and arrange deals in investments. Mirabella is also subject to the Senior Managers and Certification Regime. As a principal firm, Mirabella can contract with a firm so that it can become its AR. GCSL was an AR of Mirabella from 10 August 2017 to 5 March 2021.

GCSL managed GCUK's loans to institutional investors, while GCUK structured these loans and provided supply chain financing. Most commercial lending falls outside the FCA's remit and under

[1] Letter from Nikhil Rathi Chief Executive FCA to Rt Hon Mel Stride MP House of Commons dated 4 May 2021 RE: Greensill Capital - https://committees.parliament.uk/publications/5761/documents/66071/default/.
[2] https://www.fca.org.uk/publications/policy-statements/ps22-11-improving-appointed-representatives-regime

current legislation, supply-chain finance instruments and Employer Salary Advance Schemes are not defined as credit products and are, therefore, not regulated by the FCA.

As supply chain finance is not a regulated activity, GCSL was not required to be authorised by the FCA. GCSL's AR status was terminated by Mirabella on 5 March 2021 and all related approvals were also terminated on that date.

Enforcement Investigations

As explained above, our powers related to GCUK and GCSL are limited because the wider activities of both entities were not regulated by the FCA. We therefore undertook an investigation to establish whether there was evidence of breaches by either firm of our requirements.

The investigation did not identify breaches by either GCUK or GCSL for which the FCA considered further action was appropriate. As a result, the FCA has closed its investigation. We reserve the right to review our decision and take action in the future if new information comes to light.

The FCA continues, however, to investigate matters relating to the oversight of GCSL by its principal Mirabella.

We will continue to cooperate with and support our counterparts in other UK enforcement and regulatory agencies who are continuing their own enquiries, as well as authorities in a number of overseas jurisdictions.

As the Committee will be aware, a number of allegations have been made regarding the circumstances of Greensill's failure, some of which are potentially criminal in nature. There are, therefore, some aspects of the FCA's ongoing interactions with Greensill related entities and third parties that I am not able to disclose so as not to prejudice those ongoing investigations.

As with all investigations in which potential misconduct falls within the jurisdiction of multiple agencies, we will continue to ensure that we share information and cooperate as fully as possible.

I hope that this is helpful to the Committee.

Yours sincerely

Therese Chambers

Joint Executive Director of Enforcement & Market Oversight