
Market Notice

8 July 2021

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Disciplinary action against a member firm - public censure - Jub Capital Management LLP

Introduction

1. London Stock Exchange (the “Exchange”) announces that, on 1 July 2021 the Exchange’s Disciplinary Committee, appointed pursuant to Rule C300 of the Rules of the London Stock Exchange (the “Rules”) approved a Consent Order, agreed between the Exchange and Jub Capital Management LLP (“Jub Capital” or “the firm”).
2. Pursuant to the terms of the Consent Order, Jub Capital has been publicly censured by the Disciplinary Committee for breaches of:
 - a) Rules 1020.1 and 1020.3 (Suitability - adequate procedures and controls);
 - b) Rule 1211 (Compliance with any requirements of the Exchange made pursuant to the Rules);
 - c) Rules 1400.5 and 1400.6 (Misleading acts, conduct and prohibited practices); and
 - d) Rule 5000 (Obligation to settle).
3. No fine is to be imposed, taking into account the firm’s financial condition, but in other circumstances the Exchange would have sought a fine of £300,000.

Summary

4. The breaches to which the public censure relate arose from events which occurred between January 2020 and July 2020 in respect of Jub Capital’s failure to settle a series of sale transactions.
5. The transactions which Jub Capital failed to settle involved trades in the securities of a particular issuer (“relevant security”) and were entered into: (i) between January 2020 and February 2020, prior to a period of suspension of trading of the relevant security (for reasons unrelated to the events that are the subject of this censure) and (ii) during July 2020, after the relevant security had been restored to trading.
6. The failure to settle had a significant impact on Jub Capital’s counterparties, who were unable to settle trades that were dependent on the incoming delivery of the securities from Jub Capital. In some cases counterparties were required to obtain securities in the market at a higher price in order to then effect settlement of their own positions.
7. As a result of the firm’s actions, described further below, the Exchange suspended the membership of Jub Capital on 17 July 2020 and declared the firm a defaulter (as

Market Notice

8 July 2021

defined in the Rules) on 31 July 2020. On 11 August 2020 Jub Capital's Exchange membership was terminated as the result of its default.

Findings

8. Throughout the period of its trading in the relevant security Jub Capital did not have a viable strategy in place to ensure it could settle all of its sales, either on the due date or subsequently:
 - a) During January and February 2020, Jub Capital entered into a series of sales in relation to the relevant security but then failed to settle these trades on the settlement due dates or, in other cases, failed to settle the trades at all. Amongst other matters Jub Capital's settlement strategy had, in part, been reliant upon it obtaining certain warrants, which it would then exercise, in order to settle its trades in the relevant security. However, by January and February 2020, the firm knew, or ought to have known, that it was not going to receive the warrants but continued to enter into the sales.
 - b) Following the relevant security's restoration to trading in July 2020, rather than ensuring settlement of all of the firm's outstanding trades, which were many weeks overdue by this time, Jub Capital then continued to enter into sales of the relevant security, some of which it also then failed to settle. The firm continued to enter into sales when it should have been clear that it would be unable to fulfil its settlement obligations. This was notwithstanding the guidance to Rule 1400 that a member firm should not continue to pursue such a sales strategy in these circumstances.
9. As a result of its trading, described above, and in breach of Rules 1400.5 and 1400.6, Jub Capital engaged in a course of conduct which was likely to damage the fairness or integrity of the Exchange's markets, and which caused or contributed to breaches of the Rules by another member firm.
10. In breach of Rules 1020.1 and 1020.3 Jub Capital did not have adequate procedures, systems and controls in order to ensure compliance with the Rules. A substantial unsettled position was allowed to arise, in relation to trades on behalf of Jub Capital's underlying client (which was a closely connected entity of the firm), without effective controls in place to manage the situation. Jub Capital's procedures and systems did not enable the firm to have a clear understanding, at all times, of its settlement positions, with its settlement agent, in order to monitor any settlement delays. This also resulted in the firm being unable to provide the Exchange, in a timely manner, with requested information concerning its position.
11. By failing to settle its trades on the due dates Jub Capital breached Rule 5000.
12. To compound matters, and in breach of Rule 1211, Jub Capital did not comply with requirements pursuant to the Rules to enable the Exchange to execute buying-in requests in respect of the unsettled trades.

Market Notice

8 July 2021

Outcome

13. In reaching its decision to conclude this disciplinary action by way of a Consent Order, the Exchange has taken into account, amongst other matters:
- a) Jub Capital has taken steps to address the negative market impacts which resulted from the firm's actions;
 - b) Jub Capital attempted to mitigate some of its unsettled positions at the time through, albeit limited, attempts to acquire securities for settlement; and
 - c) Jub Capital's acknowledgement of the rule breaches and its co-operation in achieving settlement of the disciplinary action.

Guidance to member firms

14. In light of this case, member firms are reminded of their obligations under the Rules, in particular:
- a) The guidance to Rule 5000 requires member firms to be responsible for ensuring the delivery of securities on the settlement due date, whether the member firm sold as agent or principal. In order to ensure compliance with this obligation, the guidance to Rule 1400 specifies that member firms must have, at all times, adequate systems and controls to ensure that their business is being conducted and settled in accordance with the Rules and a clear strategy for ensuring settlement of their positions.
 - b) Where a member firm uses the services of a settlement agent (as permitted under Rule 1100), the member firm employing the settlement agent remains responsible (under the Rules) for the settlement of its own positions. Member firms should therefore ensure that they have adequate settlement procedures and systems in place with their settlement agent to ensure that they can readily identify unsettled trades and ensure settlement can take place on a timely basis.
 - c) Where a member firm fails to comply with its obligations under the Rules, the Exchange will take appropriate disciplinary action, including taking action, pursuant to Rule 1216, notwithstanding that a firm's membership of the Exchange has terminated.

Liam Smith
Head of Market Supervision

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