

# Public Statement

**Mr Gufur Hussain (Mr Hussain) also spelt: Mr Ghafoor Hussain**

**Date of Birth: 27 December 1977**

**Issued: 20 May 2021**

Financial Services (Jersey) Law 1998 (FS(J)L)

## 1 Action

- 1.1 The Jersey Financial Services Commission (JFSC) issues this public statement pursuant to Article 25(a) of the FS(J)L with respect to directions issued to Mr Hussain under Article 23 of the FS(J)L.
- 1.2 The JFSC's actions support its objectives of reducing the risk to the public of financial loss and protecting and enhancing the reputation and integrity of Jersey in commercial and financial matters.

## 2 Background

- 2.1 In 2010, Mr Hussain relocated to Jersey from the United Kingdom (UK), commencing employment at a registered person<sup>1</sup>, namely **Company X**, as a Relationship Manager. Thereafter, in November 2015, Mr Hussain commenced employment as an investment employee and independent financial adviser (IFA) of another registered person, namely **Company Y**, which is registered by the JFSC to carry on investment business<sup>2</sup>. Mr Hussain held this role until his resignation on 24 June 2019.
- 2.2 In April 2016, the JFSC launched an investigation with respect to Mr Hussain and potential unauthorised financial service business having been carried out in contravention of Article 7(1) of the FS(J)L (the **2016 Investigation**).
- 2.3 The 2016 Investigation concluded the conduct of Mr Hussain did not constitute unauthorised financial service business, however, Mr Hussain was considered to have acted with a lack of candour in that he failed to act in a sufficiently transparent and co-operative manner with the JFSC. In this respect, Mr Hussain was warned, both orally and in writing, of his conduct and informed that the JFSC's concerns would remain on his regulatory record.
- 2.4 On 29 November 2018, Mr Hussain incorporated a UK company, HFZ Property Developments Limited (**HFZ Limited**), for the purpose of developing building projects. Mr Hussain is the sole beneficial owner, director and shareholder of HFZ Limited. Prior to the incorporation of HFZ Limited, Mr Hussain was already involved in property development in the UK, whereby he would purchase properties in his own name for redevelopment.
- 2.5 In May 2019, the JFSC came into possession of information which gave cause for concern over the fitness and propriety of Mr Hussain in his conduct as an IFA of Company Y. Consequently, the JFSC commenced an investigation into Mr Hussain's fitness and propriety which focused on his integrity, competence and financial standing (the **2019 Investigation**).

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<sup>1</sup> As defined in Article 1 of the FS(J)L.

<sup>2</sup> As defined in Article 2 of the FS(J)L.

## 3 Key Findings

- 3.1 The 2019 Investigation found Mr Hussain:

### **Failures to disclose to Company Y**

- 3.1.1 Repeatedly failed to disclose conflicts of interest arising from:
- 3.1.1.1 Personal friendships with four clients of Company Y, each of whom had appointed him as their IFA; and
  - 3.1.1.2 Unsecured personal loan arrangements he entered into, either personally or through HFZ Limited, with the same four clients of Company Y during the course of his employment as an IFA of Company Y,  
contrary to the policies of Company Y.

### **Candour with the JFSC**

- 3.1.2 Failed to act in an open and transparent manner with the JFSC during the course of the 2019 Investigation; and
- 3.1.3 Knowingly provided false and/or misleading information to the JFSC during the course of the 2019 Investigation in contravention of Article 28(1) of the FS(J)L.

### **Breach of Directions**

- 3.1.4 Contravened directions issued to him by the JFSC, pursuant to Article 23(1) of the FS(J)L.
- 3.2 The JFSC has concluded that the above conduct demonstrates that Mr Hussain lacks integrity.
- 3.3 Further details concerning the key findings are discussed below.

### **Repeated failures to disclose conflicts to Company Y**

- 3.4 During the ordinary course of business, conflicts of interest may arise between a registered person, its clients and/or employees which could, in certain circumstances, adversely impact a registered person and/or the interests of its clients. As such, pursuant to the Code of Practice for Investment Business, registered persons, through the conduct of their employees, are required to identify as well as manage conflicts of interest and endeavour to avoid any conflict of interest arising.
- 3.5 In November 2015, upon commencing employment with Company Y, Mr Hussain considered and signed Company Y's Conflicts of Interest Policy (the **Conflicts Policy**), declaring his acknowledgment and understanding of it. Mr Hussain also reviewed the Conflicts Policy and confirmed his understanding on an annual basis.
- 3.6 Within the Conflicts Policy, a non-exhaustive list was provided to employees detailing various circumstances Company Y considered would give rise to a conflict of interest. Such circumstances included employees securing personal loans, or financing of any description, from a client.
- 3.7 The Conflicts Policy also clearly stated that employees were prohibited from managing or dealing with transactions for family members or friends and where a conflict of interest arose, the employee was required to notify Company Y, to enable its Conflicts of Interest Register to be updated.
- 3.8 Shortly after commencing employment, and following a review of the Conflicts Policy, Mr Hussain declared one conflict of interest relating to his friendship with a client of Company Y. This shows that Mr Hussain understood the Conflicts Policy, including the requirement to declare conflicts of interest and, in particular, friendships with clients.

- 3.9 The 2019 Investigation identified that four clients of Company Y had appointed Mr Hussain as their IFA (together, the **Four Clients**) and that Mr Hussain had long-standing friendships with each of the Four Clients prior to commencing employment at Company Y. The 2019 Investigation also found that subsequent to being appointed as the Four Clients' IFA at Company Y, Mr Hussain, either personally or through his company HFZ Limited, entered into unsecured personal loan arrangements with each of the Four Clients totalling approximately £1,190,000.00 for the purpose of off-plan property development (together, the **Four Loan Arrangements**).
- 3.10 Under the Conflicts Policy, it was a declarable conflict of interest to enter into loan arrangements with any of the Four Clients and to act as their IFA while at the same time being a personal friend. However, despite being aware of the requirements of the Conflicts Policy, having reviewed it on an annual basis and previously declaring a separate conflict of interest, Mr Hussain failed to declare any of these conflicts of interest to Company Y relating to the Four Clients.
- 3.11 Following the commencement of the 2019 Investigation Mr Hussain declared his friendships with the Four Clients to Company Y. However he again failed to disclose the existence of the Four Loan Arrangements to Company Y as he was required to under the Conflicts Policy.
- 3.12 In addition, Mr Hussain failed to declare not only the true extent of the personal arrangements he had put in place with one of the Four Clients (**Client 1**) but also his appointment in 2016 as Executor of Client 1's estate, which should also have been declared under the Conflicts Policy.

### Conclusion

- 3.13 The JFSC has concluded Mr Hussain was fully aware of his obligations to disclose conflicts of interests to Company Y. Accordingly, failing to declare such conflicts of interest relating to the Four Clients was an intentional act that enabled him to conceal information that he was required to disclose to Company Y. This resulted in Company Y being unable to consider the position of and, if appropriate, offer advice or protection to any of the Four Clients from whom Mr Hussain obtained the significant personal financial advantage by way of the Four Loan Arrangements.
- 3.14 In this respect, the JFSC has concluded that Mr Hussain lacks integrity.

### Candour with the JFSC

#### Receipt of Monies from Client 1

- 3.15 Shortly before the commencement of the 2019 Investigation, Mr Hussain's company HFZ Limited entered into a loan arrangement under which Client 1 lent the majority of their investible wealth to HFZ Limited for the purposes of off-plan property development (the **Loan Agreement**). The monies Client 1 lent under the Loan Agreement came from redeeming an investment bond with a major UK product provider that Mr Hussain had arranged for them two years earlier (the **Redemption Proceeds**). At the time of entering into the Loan Agreement, Client 1 was 86 years old and deemed a "vulnerable person" by Company Y pursuant to its Vulnerable Persons Policy.
- 3.16 During the course of the 2019 Investigation, the JFSC became aware that Client 1 had attempted to pay the Redemption Proceeds into the personal bank account of Mr Hussain in fulfilment of the Loan Agreement. Due to concerns over the appropriateness of the arrangements between Mr Hussain and Client 1, the JFSC put measures in place to safeguard the interests of Client 1 and the wider client base of Company Y.
- 3.17 Accordingly the JFSC on 8 May 2019 issued Mr Hussain directions pursuant to Article 23(1) of the FS(J)L (the **8 May Directions**) which required him to:
- 3.17.1 refrain from receiving any monies from any current, former or prospective client of Company Y, directly or by anyone personally connected to him; and

- 3.17.2 arrange the presence of a Director and/or the Compliance Officer of Company Y, in the event that he was to attend and/or be included in any client visits, meetings and/or on telephone calls.
- 3.18 On 10 May 2019, the JFSC became aware Client 1 had again attempted to pay the Redemption Proceeds to Mr Hussain, albeit via his company, HFZ Limited. The JFSC determined that the transfer of the monies to HFZ Limited fell outside the precise wording of the 8 May Directions and therefore issued further restrictions by way of additional directions to Mr Hussain.
- 3.19 The 2019 Investigation found that Mr Hussain understood that the purpose of the 8 May Directions was to restrict him from receiving monies from Client 1. It also found that Mr Hussain knew that HFZ Limited was due to receive these monies from Client 1 but concealed this from the JFSC.
- 3.20 In doing so, the JFSC has determined Mr Hussain has failed to act in an open and transparent manner with the JFSC and lacks integrity.

#### Financial Liabilities

- 3.21 On 20 May 2019, Mr Hussain was required to attend the JFSC for interview to answer questions relevant to the 2019 Investigation (the **May Interview**). During the course of the May Interview, in order to assess his financial standing, the JFSC required Mr Hussain to explain the extent of his income and liabilities.
- 3.22 The 2019 Investigation subsequently discovered that prior to the May Interview, Mr Hussain had borrowed a significant sum of money from his company HFZ Limited and was entering into a Hire Purchase Agreement, in order to acquire an Aston Martin sports car.
- 3.23 Mr Hussain failed, when questioned, to disclose either the borrowing from his company or the Hire Purchase Agreement. By failing to disclose such matters to the JFSC when being directly asked about his assets and liabilities, Mr Hussain failed to act in an open and transparent manner with the JFSC and also lacks integrity.

#### Mr Hussain's Laptop

- 3.24 During the course of the May Interview, Mr Hussain was also requested to provide documentary evidence of the Four Loan Arrangements entered into with the Four Clients. Mr Hussain confirmed they had been created on a laptop. When asked to provide the laptop for forensic analysis, Mr Hussain then said they had in fact been created on a Surface Pro device (**Surface Pro**) and not on a laptop. However, he stated that this Surface Pro was broken and unusable so that he could not provide copies of the Four Loan Arrangements to the JFSC.
- 3.25 The JFSC subsequently emailed Mr Hussain on 23 May 2019 seeking further clarity regarding the creation of the Four Loan Arrangements. Mr Hussain responded that he did not have in his possession, custody or control any personal computer device used to create the Four Loan Arrangements or that held any details of them. Mr Hussain also confirmed that the broken Surface Pro had now been recycled.
- 3.26 On 1 June 2019, the JFSC seized a laptop (the **Laptop**) and a mobile phone, in Mr Hussain's possession as he was seeking to board a flight at the airport. Following a forensic examination of the Laptop, the JFSC found two unsigned loan agreements relating to two of the Four Clients (together, the **Unsigned Loan Agreements**) which were located in the Laptop's recycle bin.
- 3.27 As a result of the forensic examination of the Laptop, the JFSC has determined that Mr Hussain:
- 3.27.1 Moved the Unsigned Loan Agreements to the Laptop's recycle bin within minutes of receiving the JFSC's email of 23 May 2019.
- 3.27.2 Falsely informed the JFSC that he was not in possession of a computer device holding details of any of the Four Loan Arrangements.

- 3.28 When questioned by the JFSC in a second interview Mr Hussain admitted that, directly contrary to the information he had provided in his email reply to the JFSC of 23 May 2019, he was in fact in possession of the Laptop at that time.
- 3.29 The JFSC has concluded that through the conduct described at 3.27 and 3.28 above Mr Hussain knowingly provided the JFSC with false and/or misleading information in contravention of Article 28(1) of the FS(J)L.

#### Conclusion

- 3.30 Following the 2016 Investigation, Mr Hussain received a warning from the JFSC with respect to his lack of candour. As such, the JFSC considers he was fully aware of his obligations to act in an open and transparent manner in his dealing with the JFSC, and his failure to do so during the 2019 Investigation is an aggravating factor.
- 3.31 Mr Hussain repeatedly failed to act during the 2019 Investigation in an open and transparent manner and attempted to deceive the JFSC by providing false and/or misleading information. In doing so, the JFSC has concluded Mr Hussain lacks integrity.

#### **Breach of Directions issued pursuant to Article 23(1) of the FS(J)L**

- 3.32 On 24 June 2019, Mr Hussain informed the JFSC that he had resigned from Company Y and requested confirmation as to which of the directions, previously issued to him pursuant to Article 23(1) of FS(J)L, remained in force following his resignation.
- 3.33 On 25 June 2019, the JFSC confirmed to Mr Hussain that all directions remained in force irrespective of his resignation.
- 3.34 The 2019 Investigation found that despite Mr Hussain being aware of the requirements of the 8 May Directions and that they remained in place, he attended a meeting with two of the Four Clients without the presence of a Director and/or the Compliance Officer of Company Y, as required by the 8 May Directions.

#### Conclusion

- 3.35 The JFSC concluded Mr Hussain contravened the 8 May Directions and in doing so, lacks integrity.

## **4 Conclusion**

- 4.1 The JFSC concludes that Mr Hussain, in dealing with the JFSC and Company Y, has done so with a persistent lack of transparency, and that his individual actions demonstrate of a lack of integrity and formed part of a series of actions lacking integrity.
- 4.2 Mr Hussain secured funding for a personal purpose that he knew was in contravention of Company Y's policies. Mr Hussain deliberately concealed his actions from both Company Y and the JFSC, and in doing so, wrongly circumvented restrictions the JFSC had put in place to safeguard the Four Clients.
- 4.3 The JFSC has concluded, therefore, that Mr Hussain's conduct demonstrates a lack of integrity, shown by (i) his conduct towards Company Y (ii) his conduct towards the JFSC; and (iii) his conduct towards the Four Clients.
- 4.4 The JFSC has concluded that Mr Hussain has shown a lack of integrity. The JFSC has published guidance on its approach to determining integrity<sup>3</sup> where it states that a person who: (i) seeks to mislead the JFSC; or (ii) is not prepared to observe required regulatory requirements and professional standards expected, demonstrates a lack of integrity. The JFSC is satisfied that Mr Hussain has demonstrated that he lacks integrity in accordance with this guidance.

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<sup>3</sup> <https://www.jerseyfsc.org/industry/guidance-and-policy/integrity-and-competence/>

## 5 Sanction

- 5.1 The JFSC has concluded it is necessary and proportionate to issue directions to Mr Hussain under Article 23 of the FS(J)L. Mr Hussain has also been issued with equivalent directions under the other regulatory laws<sup>4</sup> and the Proceeds of Crime (Supervisory Bodies) (Jersey) Law 2008.
- 5.2 The directions prevent Mr Hussain from performing any function for, engaging in any employment by, or holding any position in, any business licensed to conduct financial services business in Jersey without the prior written approval of the JFSC. The JFSC is taking this action in order to fulfil its duty to reducing risk to the public of financial loss and protect Jersey's reputation.
- 5.3 Mr Hussain will commit an offence, under Article 23(15) of the FS(J)L, in the event he fails to comply with the provisions of the directions.
- 5.4 Any person who allows Mr Hussain to perform a function, engage in employment or hold a position knowing that such performance, engagement or holding is in contravention of the directions shall also commit an offence.

## 6 Guidance for members of the public

- 6.1 Reducing the risk to the public of financial loss and protecting Jersey's reputation are two key responsibilities of the JFSC.

Further information with regard to investing, can be found by accessing the following guidance: <https://www.jerseyfsc.org/protecting-the-public/investment-mis-selling/>

For further enquiries, please contact the Acting Director of Enforcement, Kerry Petulla.

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<sup>4</sup> Banking Business (Jersey) Law 1991; Collective Investment Funds (Jersey) Law 1988; and Insurance Business (Jersey) Law 1996.