

Financial Reporting Council

The Executive Counsel to the Financial Reporting Council

and

Christopher Gee

Settlement Agreement

1. This Settlement Agreement ("**Agreement**") is made on the 19th day of June 2015 between Gareth Rees QC as the Executive Counsel of the Financial Reporting Council ("**FRC**"), of 8th Floor, 125 London Wall, London EC2Y 5AS ("**the Executive Counsel**") of the first part, and Christopher Gee of the second part. The Executive Counsel and Christopher Gee together are described as "**the Parties**".
2. The Agreement is evidenced by the signatures of the Executive Counsel on his own behalf and by Christopher Gee on his own behalf.
3. The Particulars of Fact and Acts of Misconduct ("**the Particulars**") against Mr Gee were prepared by the Executive Counsel in accordance with the FRC Accountancy Scheme ("**the Scheme**") and are annexed. The Particulars relate to the conduct of Mr Gee in connection with the preparation of the financial statements by MBS which adopted hedge accounting purporting to be in compliance with IAS 39 and the failure of Mr Gee to identify breaches of this accounting standard.
4. The parties have agreed terms of settlement with respect to the Particulars.
5. The Parties have agreed the following terms of settlement:
 - (a) A Fine of £25,000 to be paid by Mr Gee. The Fine shall be paid not later than 28 days after the date when the Agreement takes effect;
 - (b) Mr Gee to receive a Reprimand.

6. A sum of £5,000 to be paid by Mr Gee as a contribution towards the Executive Counsel's costs of, and incidental to, the investigation. The costs shall be paid not later than 28 days after the date when the Agreement takes effect.
7. In reaching this Agreement, the Executive Counsel considered the following stages and took account of the following factors in accordance with the FRC's Sanctions Guidance:

Nature and Seriousness of the Misconduct

- (a) The Misconduct could undermine confidence in the standards of conduct in general of Members;
- (b) The Misconduct was not dishonest, deliberate or reckless;
- (c) The Misconduct related to the UK's 19th largest building society;
- (d) The Member was not solely responsible for the Misconduct;
- (e) Mr Gee held a senior position and supervisory responsibilities.

Identification of Sanction

8. The Executive Counsel determined that a Fine within a range of £80,000 to £120,000 and a Reprimand are appropriate sanctions considering the seriousness of the Misconduct involved.

Aggravating Factors or Mitigating Factors

Aggravating

- (a) The Misconduct was repeated and occurred over an extended period of time;

Mitigating

- (a) Mr Gee cooperated during the investigation of the Misconduct by the FRC;
- (b) Appropriate remedial steps were taken once the Misconduct was identified;
- (c) Mr Gee did not stand to gain any profit or benefit from the Misconduct;
- (d) Mr Gee has a good compliance history and disciplinary record.

Deterrence

9. No adjustment for deterrence is required in this case.

Discount for Admissions and Settlement

10. Having taken into account Mr Gee's full admissions and the stage at when those admissions were made (in Stage 1 of the case in accordance with paragraph 59 of the

FRC's Sanctions Guidance), the Executive Counsel determined that a reduction of 35% as to the Fine as a settlement factor is appropriate.

Other Considerations

11. The Executive Counsel has taken into account Mr Gee's financial resources and Mr Gee has confirmed that no part of the Fine will be paid or indemnified by insurers, or by his employer.
12. If the decision of the person appointed under paragraph 8(4)(i) of the Scheme is to approve the Agreement, including the sanctions set out at paragraph 5 above, then the Agreement shall take effect from the next working day after the date on which notice of the decision is given to Mr Gee in accordance with paragraph 8(4) of the Scheme.
13. The Agreement and annex will remain confidential until publication in accordance with paragraph 8(6) of the Scheme.



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Gareth Rees QC
Executive Counsel



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Date



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Christopher Gee



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Date