

Financial Reporting Council

Executive Counsel to the Financial Reporting Council and

(1) Mazars LLP

(2) Richard Karmel

Settlement Agreement

1. This Settlement Agreement ("Agreement") is made on the 15th day of August 2014 between Gareth Rees QC as Executive Counsel of the Financial Reporting Council ("FRC"), of Aldwych House, 71-91 Aldwych, London WC2B 4HN ("Executive Counsel") of the first part, and Mazars LLP ("Mazars") of the second part, and Mr Richard Karmel ("Mr Karmel") of the third part. Executive Counsel, Mazars and Mr Karmel together are described as "the Parties".
2. The Agreement is evidenced by the signatures of Executive Counsel on his own behalf, by Philip Verity on behalf of Mazars and by Mr Karmel on his own behalf.
3. The Formal Complaint, alleging Misconduct against Mazars and Mr Karmel, in their capacities as a member firm and member of the ICAEW, was issued by the Executive Counsel under paragraph 7(11) of the FRC Accountancy Scheme ("the Scheme"), on 16 July 2013. The Formal Complaint relates to the conduct of Mazars and Mr Karmel in connection with their engagement in 2007 to provide advice to the Trustee of the First Quench Pension Fund in respect of a proposed replacement of First Quench Retailing Limited as the sponsoring employer of the First Quench Pension Fund, and the advice given by them in that regard. The Formal Complaint was subsequently amended to withdraw some of the allegations of Misconduct against Mazars and Mr Karmel. The Parties have agreed terms of settlement with respect to the annexed amended Formal Complaint.

4. Mazars and Mr Karmel admit the Misconduct pleaded in the amended Formal Complaint.

5. The Parties recognise that the determination to be made in this case is a matter for the Disciplinary Tribunal ("the Tribunal") in accordance with paragraph 8(5) of the Scheme. The Parties have agreed the following terms of settlement:
 - (a) A Fine of £750,000 to be paid by Mazars, adjusted from £850,000 to reflect the admissions made by Mazars (in accordance with paragraphs 57 and 59 of the FRC's Sanctions Guidance);
 - (b) Mazars to receive a Severe Reprimand;
 - (c) A sum of £1,120,000 to be paid by Mazars as a contribution to the Executive Counsel's costs of, and incidental to, the investigation and the Formal Complaint;
 - (d) A Fine of £50,000 to be paid by Mr Karmel, adjusted from £57,000 to reflect the admissions made by Mr Karmel (in accordance with paragraphs 57 and 59 of the FRC's Sanctions Guidance);
 - (e) Mr Karmel to receive a Severe Reprimand;
 - (f) A sum of £80,000 to be paid by Mr Karmel as a contribution to the Executive Counsel's costs of, and incidental to, the investigation and the Formal Complaint.

6. The above sanctions were agreed taking into account the following key factors in accordance with the FRC's Sanctions Guidance:

Seriousness


- (a) The Misconduct risked the loss of significant sums of money and potentially adversely affected the beneficiaries of the First Quench Pension Fund (but did not cause actual loss).
- (b) The Misconduct was significant, given the nature, extent and importance of the standards breached.
- (c) The Misconduct was not dishonest or deliberate.

- (d) The Misconduct could undermine confidence in the standards of conduct in general of Members and Members Firms and financial reporting.

Mitigating Factors

- (e) Mazars and Mr Karmel cooperated during the investigation of the Misconduct by the FRC.
- (f) Mazars took appropriate remedial steps, once the Misconduct was identified, to introduce licensing for this service line and an Employer Covenant Advisory Services procedures manual providing real time quality assurance and quality assurance reviews.
- (g) Mazars and Mr Karmel have a good compliance history and disciplinary record with the FRC.

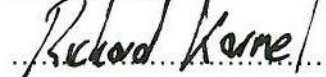
- 7. If the Tribunal's decision is to approve the Agreement, including the sanctions and costs set out at paragraph 5 above, then the Agreement shall take effect from the next working day after the date on which notice of the decision is given to Mazars and Mr Karmel in accordance with paragraph 8(5) of the Scheme.
- 8. The Agreement and annex will remain confidential until publication in accordance with paragraph 8(6) of the Scheme.


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Executive Counsel


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Mazars LLP


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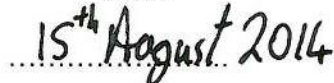
Richard Karmel


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Date


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