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The London Stock Exchange – A haven for laundered conflict assets?

In a report released today, *Asset laundering and AIM: Congo, corporate misconduct and the market value of human rights*, the business and human rights organisation Rights and Accountability in Development (RAID) catalogues the inadequacies of the London Stock Exchange's regulatory framework. The Central African Mining and Exploration Company plc (CAMEC) was allowed to trade and flourish on London's junior Alternative Investment Market (AIM) despite its close links to Robert Mugabe's ZANU PF party (Zimbabwe), the dubious provenance of its Congolese mining assets and the unsavoury reputation of key business associates.

RAID's report is the first systematic examination of the extent to which corporate conduct in zones of conflict such as the Democratic Republic of the Congo (DRC) is taken into account by stock market regulations. RAID submitted a detailed report to the Exchange in June 2011 on compliance with AIM rules by CAMEC and its adviser, Seymour Pierce. A year later, and the Exchange has not dealt publicly with the matters raised in the complaint.

"AIM's lack of transparency means there is a black hole at the heart of its regulatory system", said Tricia Feeney, RAID's Executive Director.

At issue is whether the Exchange (which supervises AIM) has become a haven for laundered conflict assets: inadequate due diligence, conflicts of interest and the absence of reliable financial information are just some of the problems identified in RAID's report.

RAID sets out the history of CAMEC's AIM listing in the context of the unresolved legacy of the DRC's wartime mining contracts, the continuing problem of corruption in the DRC's lucrative minerals sector and the country's poor human rights and governance record. It exposes the inherent conflict of interest in the role that nominated advisers are expected to play in regulating the market. It also asks whether the UK Treasury allowed individuals on sanctions lists to profit from the sale of CAMEC's assets in 2009 to the Eurasian Natural Resource Corporation (ENRC).

"London appears to be playing host to a number of companies that flagrantly flout the UK's wider commitment to business and human rights", commented Lisa Nandy MP, Chair of the All Party Parliamentary Group on International Corporate Responsibility.

The report is timely given the Financial Services Bill currently under consideration by the UK Parliament. Under that bill, the Financial Conduct Authority (FCA) will be responsible for protecting investors and regulating markets.

"The London Stock Exchange has sought to water down some of the tougher amendments. Its priority seems to be more about safeguarding companies and advisers rather than holding wrongdoers to account. Much wider action is needed to rebuild trust in the integrity of UK markets", Tricia Feeney said.

“London is revered as a financial capital for its security and stability. Yet we are falling behind other countries in our commitment to human rights and sustainability. All political parties have made much of the need for responsible capitalism and we are now presented with a perfect opportunity to take action in the Financial Services Bill”, added Lisa Nandy MP.

The report concludes with recommendations to the British Government for strengthening the way AIM is regulated and for wider market reforms.

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NOTES FOR EDITORS

1. The full report, ‘*Asset laundering and the AIM: Congo, corporate misconduct and the market value of human rights*’, is available online at http://www.raid-uk.org/docs/AIM/AIM_Report_2012.pdf. The report supplements a highly detailed complaint submitted to AIM Regulation by RAID in June 2011: ‘*Questions of compliance: The Conduct of the Central African Mining & Exploration Company (CAMEC) plc and its Nominated Adviser, Seymour Pierce Limited*’, online at http://www.raid-uk.org/docs/AIM/AIM_Submission_2011.pdf. For full documentation supporting the report, see http://www.raid-uk.org/work/aim_2012.htm.

2. CAMEC’s nominated advisor (nomad) was Seymour Pierce. In December 2011 Seymour Pierce was publicly censured and fined by AIM – but not in relation to the questions raised by RAID’s submission. In July 2012, *The Telegraph* reported that Seymour Pierce had been conditionally sold to a firm from either Ukraine or Kazakhstan, subject to FSA approval.

3. The London Stock Exchange successfully pushed for the dropping of proposals whereby the FCA’s power to require a skilled person report – studies that look further into matters of concern – would be extended beyond regulated finance firms to include listed companies; it opposed the FCA’s new power on the early disclosure of warning notices; and has resisted giving the FCA powers to publicly censure and impose financial penalties on the Exchange.

4. RAID promotes respect for human rights and responsible conduct by companies. For further information about its work and publications, visit <<http://www.raid-uk.org/>>.