

Chapter 6

Insurance against financial penalties

6.1 Payment of financial penalties

Application

- 6.1.1 **R** This chapter applies to every *firm*, but only with respect to business that can be regulated under section 137A (The FCA's general rules) of the *Act*.
- 6.1.2 **G** For the purposes of **■ GEN 2.2.17 R** (Activities covered by general rules), the chapter applies to *regulated* and *unregulated activities* carried on in the *United Kingdom* or overseas.

Purpose

- 6.1.3 **G** The purpose of this section is to ensure that financial penalties are paid by the *person* on whom they are imposed.

Interpretation

- 6.1.4 **R** In this chapter 'financial penalty' means a financial penalty that the *FCA* has imposed, or may impose, under the *Act*. It does not include a financial penalty imposed by any other body.

Payment of a penalty imposed on an employee

- 6.1.4A **R** No *firm*, except a *sole trader*, may pay a financial penalty imposed by the *FCA* on a present or former *employee*, *director* or *partner* of the *firm* or of an *affiliated company*.

Insurance against financial penalties

- 6.1.5 **R** No *firm* may enter into, arrange, claim on or make a payment under a *contract of insurance* that is intended to have, or has or would have, the effect of indemnifying any *person* against all or part of a financial penalty
- 6.1.6 **R** The *Society*, *managing agents* and *members' agents* must not cause or permit any *member*, in the conduct of his *insurance business* at Lloyd's, to enter into, arrange, claim on or make a payment under a *contract of insurance* that is intended to have, or has or would have, the effect of indemnifying any *person* against all or part of a financial penalty.

6.1.7

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■ GEN 6.1.4A R, ■ GEN 6.1.5 R and ■ GEN 6.1.6 R do not prevent a *firm* or *member* from entering into, arranging, claiming on or making any payment under a *contract of insurance* which indemnifies any *person* against all or part of the costs of defending *FCA* enforcement action or any costs they may be ordered to pay to the *FCA* .

