

Chapter 12

Financial resources requirements for operators of electronic systems in relation to lending.

12.1 APPLICATION AND PURPOSE

Application

- 12.1.1 **R** This chapter applies to an *operator of an electronic system in relation to lending*.
- 12.1.2 **G** This chapter amplifies the *threshold condition 2D* (Appropriate resources) by providing that a *firm* must meet, on a continuing basis, a basic solvency requirement. This chapter also builds on *Principle 4* which requires a *firm* to maintain adequate **financial resources** by setting out appropriate requirements for a *firm* according to what type of *firm* it is.
- 12.1.3 **G** Prudential standards have an important role in minimising the risk of harm to consumers by requiring a *firm* to behave prudently in monitoring and managing business and financial risks.
- 12.1.4 **G** More generally, having adequate **financial resources** gives the *firm* a degree of resilience and some indication to consumers of creditworthiness, substance and the commitment of its owners. The *rules* in this chapter aim to ensure that a *firm* has **financial resources** which can provide cover for operational and compliance failures and pay redress, as well as reducing the possibility of a shortfall in funds and providing a cushion against disruption if the *firm* ceases to trade.

Relevant accounting principles

- 12.1.5 **R** A *firm* must recognise an asset or liability, and measure its amount, in accordance with the relevant accounting principles applicable to it for the purpose of preparing its annual financial statements unless a *rule* requires otherwise.

Actions for damages

- 12.1.6 **R** A contravention of the *rules* in this chapter does not give rise to a right of action by a private *person* under section 138D of the *Act* (and each of those *rules* is specified under section 138D(3) of the *Act* as a provision giving rise to no such right of action).

Interpretation

12.1.7

R

The definitions in the glossary at ■ IPRU-INV 12 Appendix 1 apply to terms shown in **bold** type this chapter. Where the term is italicised, the *FCA Handbook Glossary* definition applies.