

## Chapter 12

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

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|--------|---|--|
|        |   | <div>12.1</div> <div>APPLICATION AND PURPOSE</div>   |
|        |   | <div>Application</div>   |
| 12.1.1 | R | This chapter applies to an <i>operator of an electronic system in relation to lending</i> .  |
| 12.1.2 | G | This chapter amplifies the <i>threshold condition 2D</i> (Appropriate resources) by providing that a <i>firm</i> must meet, on a continuing basis, a basic solvency requirement. This chapter also builds on <i>Principle 4</i> which requires a <i>firm</i> to maintain adequate <b>financial resources</b> by setting out appropriate requirements for a <i>firm</i> according to what type of <i>firm</i> it is.  |
| 12.1.3 | G | Prudential standards have an important role in minimising the risk of harm to consumers by requiring a <i>firm</i> to behave prudently in monitoring and managing business and financial risks.  |
| 12.1.4 | G | More generally, having adequate <b>financial resources</b> gives the <i>firm</i> a degree of resilience and some indication to consumers of creditworthiness, substance and the commitment of its owners. The <i>rules</i> in this chapter aim to ensure that a <i>firm</i> has <b>financial resources</b> 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 <i>firm</i> ceases to trade. |
|        |   | <div>Relevant accounting principles</div>  |
| 12.1.5 | R | A <i>firm</i> 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 <i>rule</i> requires otherwise.   |
|        |   | <div>Actions for damages</div>   |
| 12.1.6 | R | A contravention of the <i>rules</i> in this chapter does not give rise to a right of action by a private <i>person</i> under section 138D of the <i>Act</i> (and each of those <i>rules</i> is specified under section 138D(3) of the <i>Act</i> 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.