Principles for Businesses
Principles for Businesses

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Chapter 1

Introduction
1.1 Application and purpose

Application

1.1.1 The Principles (see PRIN 2) apply in whole or in part to every firm. The application of the Principles is modified for firms conducting MiFID business, incoming EEA firms, incoming Treaty firms, UCITS qualifiers AIFM qualifiers, and Annex II benchmark administrators. PRIN 3 (Rules about application) specifies to whom, to what and where the Principles apply.

1.1.1A The Principles also apply to certain payment service providers and electronic money issuers that are not firms. PRIN 3.1.1AR sets out the application of the Principles to these persons. The references to a firm in PRIN 2 includes such persons.

Purpose

1.2 The Principles are a general statement of the fundamental obligations of firms and the other persons to whom they apply under the regulatory system. This includes provisions which implement the Single Market Directives. They derive their authority from the FCA’s rule-making powers as set out in the Act, including as applied by the Payment Services Regulations and the Electronic Money Regulations, and reflect the statutory objectives.

1.3 [deleted]

Link to fit and proper standard

1.4 In substance, the Principles express the main dimensions of the “fit and proper” standard set for firms in threshold condition 5 (Suitability), although they do not derive their authority from that standard or exhaust its implications. Being ready, willing and organised to abide by the Principles is therefore a critical factor in applications for Part 4A permission, and breaching the Principles may call into question whether a firm with Part 4A permission is still fit and proper.

1.4A For persons authorised or registered under the Payment Services Regulations or the Electronic Money Regulations, the relevant “fit and proper standards” are the standards set in those Regulations.
Taking group activities into account

### 1.1.5 Principles 3 (Management and control), 4 (Financial prudence) and (in so far as it relates to disclosing to the FCA) 11 (Relations with regulators) take into account the activities of members of a firm’s group. Compliance by another person to whom the Principles apply with Principles 3, 4 and 11 can also be affected by the activities of other persons who are members of their group. This does not mean that, for example, inadequacy of a group member’s risk management systems or resources will automatically lead to a firm contravening Principle 3 or 4. Rather, the potential impact of a group member’s activities (and, for example, risk management systems operating on a group basis) will be relevant in determining the adequacy of the firm’s risk management systems or resources respectively.

Standards in markets outside the United Kingdom

### 1.1.6 As set out in PRIN 3.3 (Where?), Principles 1 (Integrity), 2 (Skill, care and diligence) and 3 (Management and control) apply to world-wide activities in a prudential context. Principle 5 (Market conduct) applies to world-wide activities which might have a negative effect on confidence in the UK financial system. In considering whether to take regulatory action under these Principles in relation to activities carried on outside the United Kingdom, the FCA will take into account the standards expected in the market in which the firm or other person to whom the Principles apply is operating. Principle 11 (Relations with regulators) applies to world-wide activities; in considering whether to take regulatory action under Principle 11 in relation to cooperation with an overseas regulator, the FCA will have regard to the extent of, and limits to, the duties owed by the firm or other person to that regulator. (Principle 4 (Financial prudence) also applies to world-wide activities.)

### 1.1.6A PRIN 4 (Principles : MiFID Business) provides guidance on the application of the Principles to MiFID business.

Consequences of breaching the Principles

### 1.1.7 Breaching a Principle makes a firm or other person to whom the Principles apply liable to disciplinary sanctions. In determining whether a Principle has been breached it is necessary to look to the standard of conduct required by the Principle in question. Under each of the Principles the onus will be on the FCA to show that a firm or other person has been at fault in some way. What constitutes "fault" varies between different Principles. Under Principle 1 (Integrity), for example, the FCA would need to demonstrate a lack of integrity in the conduct of a firm’s or other person’s business. Under Principle 2 (Skill, care and diligence) a firm or other person would be in breach if it was shown to have failed to act with due skill, care and diligence in the conduct of its business. Similarly, under Principle 3 (Management and control) a firm or other person would not be in breach simply because it failed to control or prevent unforeseeable risks; but a breach would occur if the firm or other person had failed to take reasonable care to organise and control its affairs responsibly or effectively.

### 1.1.8 The Principles are also relevant to the FCA’s powers of information-gathering, to vary a firm’s Part 4A permission or authorisation or registration under the Payment Services Regulations or Electronic Money Regulations,
and of investigation and intervention, and provide a basis on which the FCA may apply to a court for an injunction or restitution order or require a firm or other person to make restitution. However, the Principles do not give rise to actions for damages by a private person (see PRIN 3.4.4 R).

1.1.9 Some of the other rules and guidance in the Handbook deal with the bearing of the Principles upon particular circumstances. However, since the Principles are also designed as a general statement of regulatory requirements applicable in new or unforeseen situations, and in situations in which there is no need for guidance, the FCA’s other rules and guidance or EU regulations should not be viewed as exhausting the implications of the Principles themselves.

Responsibilities of providers and distributors under the Principles

1.1.10 RPPD contains guidance on the responsibilities of providers and distributors for the fair treatment of customers under the Principles.
1.2 Clients and the Principles

Characteristics of the client

1.2.1 Principles 6 (Customers' interests), 7 (Communications with clients), 8 (Conflicts of interest), 9 (Customers: relationships of trust) and 10 (Clients' assets) impose requirements on firms expressly in relation to their clients or customers. These requirements depend, in part, on the characteristics of the client or customer concerned. This is because what is "due regard" (in Principles 6 and 7), "fairly" (in Principles 6 and 8), "clear, fair and not misleading" (in Principle 7), "reasonable care" (in Principle 9) or "adequate" (in Principle 10) will, of course, depend on those characteristics. For example, the information needs of a general insurance broker will be different from those of a retail general insurance policyholder.

Approach to client categorisation

1.2.2 Principles 6, 8 and 9 and parts of Principle 7, as qualified by PRIN 3.4.1 R, apply only in relation to customers. The approach that a firm (other than for credit-related regulated activities, payment services and issuing electronic money (where not a regulated activity) and regulated claims management activities in relation to which client categorisation does not apply) needs to take regarding categorisation of clients into customers and eligible counterparties will depend on whether the firm is carrying on designated investment business, insurance risk transformation and activities directly arising from insurance risk transformation, or other activities, as described in PRIN 1.2.3 G.

1.2.3 (1) In relation to the carrying on of designated investment business, insurance risk transformation and activities directly arising from insurance risk transformation, a firm's categorisation of a client under the COBS client categorisation chapter (COBS 3) will be applicable for the purposes of Principles 6, 7, 8 and 9.

(1AA) In relation to the carrying on of insurance risk transformation and activities directly arising from insurance risk transformation, the COBS client categorisation chapter (COBS 3) applies as modified by COBS 18.6A.3R.

(1A) Client categorisation under COBS 3 or PRIN 1 Annex 1 is not relevant to credit-related regulated activities and therefore the guidance on client categorisation does not apply in relation to a credit-related regulated activity. The definitions of client and customer in relation to those regulated activities reflect the modified meaning of "consumer" in articles 36J, 39M, 60LA, 60S and 89E of the Regulated
Activities Order, as well as the definitions of “individual” and of “relevant recipient of credit” in that Order.

(1AB) Client categorisation under ▲ COBS 3 or ▲ PRIN 1 Annex 1R is not relevant to regulated claims management activities and therefore the guidance on client categorisation does not apply in relation to a regulated claims management activity.

(2) The person to whom a firm gives basic advice on a stakeholder product will be a retail client for all purposes, including the purposes of Principles 6, 7, 8 and 9.

(3) In relation to carrying on activities other than designated investment business, insurance risk transformation or activities directly arising from insurance risk transformation (for example, general insurance business or accepting deposits) the firm may choose to comply with Principles 6, 7, 8 and 9 as if all its clients were customers. Alternatively, it may choose to distinguish between eligible counterparties and customers in complying with those Principles. If it chooses to make such a distinction, it must comply with ▲ PRIN 1 Annex 1 in determining whether that client is an eligible counterparty (see ▲ PRIN 3.4.2 R). In doing so, the requirements in SYSC will apply, including the requirement to make and retain adequate records.

(4) In relation to carrying on activities that fall within both (1) and (3) (for example, mixed designated investment business and accepting deposits), a firm’s categorisation of a client under the COBS client categorisation chapter (▲ COBS 3) will be applicable for the purposes of Principles 6, 7, 8 and 9.

1.2.4 [deleted]

1.2.5 [deleted]

1.2.6 If the person with or for whom the firm is carrying on an activity is acting through an agent, the ability of the firm to treat the agent as its client under ▲ COBS 2.4.3 R (Agent as client) will not be available. For example, if a general insurer is effecting a general insurance contract through a general insurance broker who is acting as agent for a disclosed policyholder, the policyholder will be a client of the firm and the firm must comply with the Principles accordingly.
Non-designated investment business - clients that a firm may treat as an eligible counterparty for the purposes of PRIN

1.1 A firm may categorise the following types of client as an eligible counterparty for the purposes of PRIN:

(1) a properly constituted government (including a quasi-governmental body or a government agency) of any country or territory;

(2) a central bank or other national monetary authority of any country or territory;

(3) a supranational whose members are either countries or central banks or national monetary authorities;

(4) a State investment body, or a body charged with, or intervening in, the management of the public debt at national level;

(5) another firm, or an overseas financial services institution;

(6) any associate of a firm (except an OPS firm), or of an overseas financial services institution, if the firm or institution consents;

(7) a client when he is classified as an eligible counterparty in accordance with 1.2; or

(8) a recognised investment exchange, regulated market or clearing house.

1.2 A firm may classify a client (other than another firm, regulated collective investment scheme, or an overseas financial services institution) as an eligible counterparty for the purposes of PRIN under 1.1(7) if:

(1) the client at the time he is classified is one of the following:

(a) a body corporate (including a limited liability partnership) which has (or any of whose holding companies or subsidiaries has) called up share capital of at least £10 million (or its equivalent in any other currency at the relevant time);

(b) a body corporate that meets (or any of whose holding companies or subsidiaries meets) two of the following tests:

(i) a balance sheet total of 12.5 million euros (or its equivalent in any other currency at the relevant time);

(ii) a net turnover of 25 million euros (or its equivalent in any other currency at the relevant time);

(iii) an average number of employees during the year of 250;

(c) [deleted]

(d) a partnership or unincorporated association which has net assets of at least £10 million (or its equivalent in any other currency at the relevant time) (and calculated, in the case of a limited partnership, without deducting loans owing to any of the partners);

(e) a trustee of a trust (other than an occupational pension scheme, SSAS, personal pension scheme or stakeholder pension scheme) with assets of at least £10 million (or its equivalent in any other currency), calculated by aggregating the value of the cash and designated investments forming part of the trust's assets, but before deducting its liabilities;

(f) a trustee of an occupational pension scheme or SSAS, or a trustee or operator of a personal pension scheme or stakeholder pension scheme where the scheme has (or has had at any time during the previous two years):
(1) at least 50 members; and
(ii) assets under management of not less than £10 million (or its equivalent in any other currency at the relevant time); and

(2) the firm has, before commencing business with the client on an eligible counterparty basis:

(a) advised the client in writing that he is being categorised as an eligible counterparty for the purposes of PRIN;
(b) given a written warning to the client that he will lose protections under the regulatory system;
(c) for a client falling under (1)(a) or (b):
(ii) not been notified by the client that the client objects to being classified as an eligible counterparty;

(d) for a client falling under (1)(c), (d), (e) or (f):
(i) taken reasonable steps to ensure that the written notices required by (a) and (b) have been delivered to a person authorised to take such a decision for the client; and
(ii) obtained the client’s written consent or is otherwise able to demonstrate that consent has been given.
Chapter 2

The Principles
## 2.1 The Principles

<table>
<thead>
<tr>
<th><strong>2.1.1</strong></th>
<th><strong>The Principles</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Integrity</td>
<td>A <em>firm</em> must conduct its business with integrity.</td>
</tr>
<tr>
<td>2 Skill, care and diligence</td>
<td>A <em>firm</em> must conduct its business with due skill, care and diligence.</td>
</tr>
<tr>
<td>3 Management and control</td>
<td>A <em>firm</em> must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.</td>
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<tr>
<td>4 Financial prudence</td>
<td>A <em>firm</em> must maintain adequate financial resources.</td>
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<tr>
<td>5 Market conduct</td>
<td>A <em>firm</em> must observe proper standards of market conduct.</td>
</tr>
<tr>
<td>6 Customers' interests</td>
<td>A <em>firm</em> must pay due regard to the interests of its customers and treat them fairly.</td>
</tr>
<tr>
<td>7 Communications with clients</td>
<td>A <em>firm</em> must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.</td>
</tr>
<tr>
<td>8 Conflicts of interest</td>
<td>A <em>firm</em> must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.</td>
</tr>
<tr>
<td>9 Customers: relationships of trust</td>
<td>A <em>firm</em> must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.</td>
</tr>
<tr>
<td>10 Clients' assets</td>
<td>A <em>firm</em> must arrange adequate protection for clients' assets when it is responsible for them.</td>
</tr>
<tr>
<td>11 Relations with regulators</td>
<td>A <em>firm</em> must deal with its regulators in an open and cooperative way, and must disclose to the FCA appropriately anything relating to the <em>firm</em> of which that regulator would reasonably expect notice.</td>
</tr>
</tbody>
</table>
Chapter 3

Rules about application
3.1 Who?

3.1.1 PRIN applies to every firm, except that:

(1) for an incoming EEA firm or an incoming Treaty firm, the Principles apply only in so far as responsibility for the matter in question is not reserved by an EU instrument to the firm’s Home State regulator;

(2) for an incoming EEA firm which is a CRD credit institution without a top-up permission, Principle 4 does not apply;

(3) for an incoming EEA firm which has permission only for cross border services and which does not carry on regulated activities in the United Kingdom, the Principles do not apply;

(4) for a UCITS qualifier and AIFM qualifier, only Principles 1, 2, 3, 7 and 9 apply, and only with respect to the activities in PRIN 3.2.2 R (Communication and approval of financial promotions);

(5) PRIN does not apply to an incoming ECA provider acting as such; and

(6) PRIN does not apply to a firm in relation to its carrying on of auction regulation bidding.

3.1.1A PRIN also applies:

(1) to an electronic money institution, an authorised payment institution, a small payment institution or a registered account information service provider; and

(2) with the exception of Principle 4, and only in so far as responsibility for the matter in question is not reserved by the Payment Services Directive, Electronic Money Directive or other EU instrument to the person’s Home State regulator, to an EEA authorised electronic money institution, an EEA authorised payment institution and an EEA registered account information service provider.

3.2 COBS 1 Annex 1 contains guidance that is relevant to the reservation of responsibility to a Home State regulator referred to in PRIN 3.1.1 R (1).

3.3 [deleted]
3.1.4 G PRIN 3.1.1 R (3) puts incoming EEA firms on an equal footing with unauthorised overseas persons who utilise the overseas persons exclusions in article 72 of the Regulated Activities Order.

3.1.5 G PRIN 3.1.1 R (4) reflects section 266 of the Act (Disapplication of rules).

3.1.6 R A firm or other person will not be subject to a Principle to the extent that it would be contrary to the UK’s obligations under an EU instrument.

3.1.7 G PRIN 4 provides specific guidance on the application of the Principles for MiFID business.

3.1.8 G The Principles will not apply to the extent that they purport to impose an obligation which is inconsistent with the Payment Services Directive, the Consumer Credit Directive or the Electronic Money Directive. For example, there may be circumstances in which Principle 6 may be limited by the harmonised conduct of business obligations applied by the Payment Services Directive and the Electronic Money Directive to payment service providers and electronic money issuers (see Parts 6 and 7 of the Payment Services Regulations and Part 5 of the Electronic Money Regulations) or applied by the Consumer Credit Directive (see, for example, the information requirements in the Consumer Credit (Disclosure of Information) Regulations 2010 (SI 2010/1013)).
3.2 What?

3.2.1A PRIN applies with respect to the carrying on of:

1. regulated activities;
2. activities that constitute dealing in investments as principal, disregarding the exclusion in article 15 of the Regulated Activities Order (Absence of holding out etc);
3. ancillary activities in relation to designated investment business, home finance activity, credit-related regulated activity, insurance distribution activity and accepting deposits; and
4. activities directly arising from insurance risk transformation.

3.2.1B Other than with respect to a firm that is a credit union, PRIN also applies with respect to:

1. the provision of payment services;
2. issuing of electronic money (where not the activity of issuing electronic money specified in article 9B of the Regulated Activities Order); and
3. activities connected to the provision of payment services and to the issuing of electronic money (whether or not the activity of issuing electronic money specified in article 9B of the Regulated Activities Order).

3.2.1C Issuing of electronic money will therefore be covered under either
   ■ PRIN 3.2.1AR(1) where it is the regulated activity of issuing electronic money specified in article 9B of the Regulated Activities Order, or under
   ■ PRIN 3.2.1BR where it is not that regulated activity.

3.2.2 PRIN also applies with respect to the communication and approval of financial promotions which:

1. if communicated by an unauthorised person without approval would contravene section 21(1) of the Act (Restrictions on financial promotion); and
(2) may be communicated by a firm without contravening section 238(1) of the Act (Restrictions on promotion of collective investment schemes).

3.2.2-A **G** PRIN applies to the communication of promotions concerning payment services and electronic money.

3.2.2A **R** ■ PRIN 1 Annex 1, ■ PRIN 3.4.1 R and ■ PRIN 3.4.2 R do not apply with respect to the carrying on of credit-related regulated activities or regulated claims management activities, or to the provision of payment services or the issuing of electronic money (where not a regulated activity).

3.2.3 **R** Subject to ■ PRIN 3.2.4R, Principles 3, 4 and (in so far as it relates to disclosing to the FCA) 11 (and this chapter) also:

(1) apply to firms with respect to the carrying on of unregulated activities (for Principle 3 this is only in a prudential context); and

(2) for firms and other persons that are subject to the Principles, take into account any activity of other members of a group of which the firm is a member.

3.2.4 **R** In relation to an Annex II benchmark administrator which:

(1) administers only benchmarks which are subject to Annex II to the benchmarks regulation; and

(2) does not have permission to carry on any other regulated activities in relation to which Principle 11 applies,

Principle 11 (in so far as it relates to disclosing to the FCA) applies only to the regulated activity of administering a benchmark.

3.2.5 **G** The FCA only expects an Annex II benchmark administrator subject to ■ PRIN 3.2.4R to disclose information under Principle 11 which is relevant to the firm’s compliance with its obligations under the benchmarks regulation.
3.3 Where?

### Territorial application of the Principles

<table>
<thead>
<tr>
<th>Principle</th>
<th>Territorial application</th>
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<tbody>
<tr>
<td><em>Principles 1, 2 and 3</em></td>
<td>in a prudential context, apply with respect to activities wherever they are carried on; otherwise, apply with respect to activities carried on from an establishment maintained by the firm (or its appointed representative) in the United Kingdom, or in respect of regulated claims management activities, apply with respect to activity carried on in Great Britain, even if the establishment from which it is carried on is not located in the UK (see PERG 2.4A), unless another applicable rule or EU regulation which is relevant to the activity has a wider territorial scope, in which case the Principle applies with that wider scope in relation to the activity described in that rule or EU regulation.</td>
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<tr>
<td>Principle 4</td>
<td>applies with respect to activities wherever they are carried on.</td>
</tr>
<tr>
<td>Principle 5</td>
<td>if the activities have, or might reasonably be regarded as likely to have, a negative effect on confidence in the UK financial system, applies with respect to activities wherever they are carried on; otherwise, applies with respect to activities carried on from an establishment maintained by the firm (or its appointed representative) in the United Kingdom, or in respect of regulated claims management activities, applies with respect to activity carried on in Great Britain, even if the establishment from which it is carried on is not located in the UK (see PERG 2.4A).</td>
</tr>
<tr>
<td><em>Principles 6, 7, 8, 9 and 10</em></td>
<td><em>Principle 8</em>, in a prudential context, applies with respect to activities wherever they are carried on; otherwise apply with respect to activities carried on from an establishment maintained by the firm (or its appointed representative) in the United Kingdom, or in respect of regulated claims management activities, apply with respect to activity carried on in Great Britain, even if the establishment from which it is carried on is not located in the UK (see PERG 2.4A), unless another applicable rule or EU regulation which is relevant to the activity has a wider territorial scope, in which case the Principle applies with</td>
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</table>
**PRIN 3 : Rules about application**

**Section 3.3 : Where?**

<table>
<thead>
<tr>
<th>Principle</th>
<th>Territorial application</th>
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<tr>
<td></td>
<td>that wider scope in relation to the activity described in that rule or EU regulation.</td>
</tr>
<tr>
<td>Principle 11</td>
<td>applies with respect to activities wherever they are carried on.</td>
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**3.3.2**

[deleted]

**3.3.3**

- PRIN 3.3.1R applies to electronic money institutions, EEA authorised electronic institutions, payment institutions, registered account information service providers and EEA registered account information service providers as if the references to a firm were references to a person within that description, and references to an appointed representative were to an agent of such a person within the meaning of the Payment Services Regulations.
3.4 General

Clients and the Principles

3.4.1 R For business other than MiFID or equivalent third country business, the only requirement of Principle 7 relating to eligible counterparties is that a firm must communicate information to eligible counterparties in a way that is not misleading.

3.4.1A G Principle 7 applies in full to MiFID or equivalent third country business.

3.4.2 R For the purposes of PRIN, a firm intending to carry on, or carrying on, activities that do not involve designated investment business, may treat a client as an eligible counterparty in accordance with PRIN 1 Annex 1 R.

3.4.3 G (1) COBS 3 (Client categorisation) applies to a firm intending to conduct, or conducting, designated investment business (other than giving basic advice), ancillary activities relating to designated investment business and to a firm intending to carry on, or carrying on, insurance risk transformation and activities directly arising from insurance risk transformation. Any client categorisation established in relation to such business will be applicable for the purposes of Principles 6, 7, 8 and 9.

(2) The person to whom a firm gives basic advice will be a retail client for all purposes including the purposes of Principles 6, 7, 8 and 9.

(3) PRIN 3.4.1 R and PRIN 3.4.2 R do not apply with respect to the carrying on of credit-related regulated activities. Client categorisation does not apply in relation to carrying on a credit-related regulated activity. The definitions of client and customer in relation to those regulated activities reflect the modified meaning of “consumer” in articles 36J, 39M and 89E of the Regulated Activities Order, as well as the definitions of “individual” and of “relevant recipient of credit” in that Order.

(4) PRIN 3.4.1R and PRIN 3.4.2R do not apply with respect to the carrying on of regulated claims management activities. Client categorisation does not apply in relation to carrying on a regulated claims management activity.
(5) PRIN 3.4.1R and PRIN 3.4.2R do not apply with respect to the provision of payment services or the issuing of electronic money where it is not a regulated activity. Client categorisation does not apply in relation to carrying on of those activities. The definitions of customer in relation to those activities reflects the scope of the corporate opt out under the Payment Services Regulations.

Guarantors etc

3.4.3A

(1) Paragraph (2) applies in relation to an individual who:
(a) has provided, or is to provide, a guarantee or an indemnity (or both) in relation to a regulated credit agreement, a regulated consumer hire agreement or a P2P agreement; and
(b) is not the borrower or the hirer.

(2) If the individual is not a customer, they are to be treated as if they were a customer for the purposes of Principles 6 and 7.

(3) For the purposes of this rule, a guarantee does not include a legal or equitable mortgage or a pledge.

Actions for damages

3.4.4

A contravention of the rules in PRIN 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).

Reference to "regulators" in Principle 11

3.4.5

Where Principle 11 refers to regulators, this means, in addition to the FCA, other regulators with recognised jurisdiction in relation to regulated activities, payment services and electronic money whether in the United Kingdom or abroad.
Chapter 4

Principles: MiFID business
4.1 Principles: MiFID business

4.1.1 PRIN 3.1.6 R ensures that the Principles do not impose obligations upon firms which are inconsistent with an EU instrument. If a Principle does purport to impose such an obligation, PRIN 3.1.6 R disapplies that Principle but only to the extent necessary to ensure compliance with European law. This disapplication has practical effect only for certain matters covered by MiFID, which are explained in this section.

Where?

4.1.2 Under PRIN 3.3.1 R, the territorial application of a number of Principles to a UK MiFID investment firm is extended to the extent that another applicable rule or EU regulation which is relevant to an activity has a wider territorial scope. Under PRIN 3.1.1 R, the territorial application of a number of Principles to an EEA MiFID investment firm is narrowed to the extent that responsibility for the matter in question is reserved to the firm’s Home State regulator. These modifications are relevant to Principles 1, 2, 3, 6, 7, 8, 9 and 10. We have added further guidance in PERG on the ability of a Host State to impose conduct of business requirements (see Q67).

4.1.3 Principles 4, 5 and 11 will have the same scope of territorial application for MiFID business as for other business.

What?

4.1.4 (1) Certain requirements under MiFID are disapplied for:
   (a) eligible counterparty business;
   (b) transactions concluded under the rules governing a multilateral trading facility between its members or participants or between the multilateral trading facility and its members or participants in relation to the use of the multilateral trading facility;
   (c) transactions concluded on a regulated market between its members or participants.

(2) Under PRIN 3.1.6 R, these disapplications may affect Principles 1, 2, 6 and 9. PRIN 3.1.6 R applies only to the extent that the application of a Principle would be contrary to the UK’s obligations under a Single Market Directive in respect of a particular transaction or matter. In line with MiFID, these limitations relating to eligible counterparty business and transactions under the rules of a multilateral trading facility or on a regulated market only apply in relation to a firm’s conduct of business obligations to its clients under MiFID. They do not
limit the application of those Principles in relation to other matters, such as client asset protections, systems and controls, prudential requirements and market integrity. Further information about these limitations is contained in COBS 1 Annex 1.

(3) Principles 3, 4, 5, 7, 8, 10 and 11 are not limited in this way.
## Principles for Businesses

### PRIN TP 1

#### Transitional provisions

<table>
<thead>
<tr>
<th>Material to which the transitional provision applies</th>
<th>Transitional Provision</th>
<th>Transitional Provision: dates in force</th>
<th>Handbook provision: coming into force</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRIN 1 Annex 1 R 1.2(2) R</td>
<td>A <em>firm</em> need not comply with PRIN Ann 1R 1.2(2) in relation to an <em>eligible counterparty</em> if the <em>client</em> was correctly categorised as a <em>market counterparty</em> on 31 October 2007 and the <em>firm</em> complied with COB 4.1.12 R (2) (Large intermediate customer classified as market counterparty).</td>
<td>From 1 November 2007 indefinitely</td>
<td>1 November 2007</td>
</tr>
</tbody>
</table>
Principles for Businesses
Schedule 1
Record Keeping Requirements

Sch 1.1 G

There are no record keeping requirements in PRIN.
Principles for Businesses

Schedule 2
Notification requirements

Sch 2.1 G

The aim of the guidance in the following table is to give the reader a quick overall view of the relevant requirements for notification and reporting.

It is not a complete statement of those requirements and should not be relied on as if it were.

Sch 2.2 G

<table>
<thead>
<tr>
<th>Handbook reference</th>
<th>Matter to be notified</th>
<th>Contents of notification</th>
<th>Trigger event</th>
<th>Time allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principle 11</td>
<td>Anything relating to the firm of which the appropriate regulator would reasonably expect notice</td>
<td>Appropriate disclosure</td>
<td>Anything relating to the firm of which the appropriate regulator would reasonably expect notice</td>
<td>Appropriate</td>
</tr>
</tbody>
</table>
Principles for Businesses

Schedule 3
Fees and other required payments

Sch 3.1 G

There are no requirements for fees or other payments in PRIN.
Principles for Businesses

Schedule 4
Powers Exercised

Sch 4.1 G
[deleted]

Sch 4.2 G
[deleted]
Principles for Businesses
Schedule 5
Rights of action for damages

Sch 5.1 G
The table below sets out the rules in PRIN contravention of which by an authorised person may be actionable under section 138D of the Act (Actions for damages) by a person who suffers loss as a result of the contravention.

Sch 5.2 G
If a "Yes" appears in the column headed "For private person?", the rule may be actionable by a "private person" under section 138D (or, in certain circumstances, his fiduciary or representative; see article 6(2) and (3)(c) of the Financial Services and Markets Act 2000 (Rights of Action) Regulations 2001 (SI 2001 No 2256)). A "Yes" in the column headed "Removed" indicates that the FCA has removed the right of action under section 138D(3) of the Act. If so, a reference to the rule in which it is removed is also given.

Sch 5.3 G
The column headed "For other person?" indicates whether the rule may be actionable by a person other than a private person (or his fiduciary or representative) under article 6(2) and (3) of those Regulations. If so, an indication of the type of person by whom the rule may be actionable is given.

Sch 5.4 G

<table>
<thead>
<tr>
<th>Chapter/Appendix</th>
<th>Section/Annex</th>
<th>Paragraph</th>
<th>Right of Action</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>For private person?</td>
</tr>
<tr>
<td>All rules in PRIN</td>
<td></td>
<td></td>
<td>No</td>
</tr>
</tbody>
</table>
Principles for Businesses

Schedule 6
Rules that can be waived

Sch 6.1A G
As a result of section 138A of the Act (Modification or waiver of rules) the FCA has power to waive all its rules, other than rules made under section 137O (Threshold condition code), section 247 (Trust scheme rules), section 248 (Scheme particular rules), section 261I (Contractual scheme rules) or section 261J (Contractual scheme particulars rules) of the Act. However, if the rules incorporate requirements laid down in European directives, it will not be possible for the FCA to grant a waiver that would be incompatible with the United Kingdom's responsibilities under those directives.