Chapter 3

Auditors
3.1 Application

3.1.1 R (1) Except as provided for in (2), this chapter applies to:

   every firm within a category listed in column (1) of the table in SUP 3.1.2 R; and

   the external auditor of such a firm (if appointed under SUP 3.3 or appointed under or as a result of a statutory provision other than in the Act);

(2) This chapter does not apply in relation to a firm’s benchmark activities.

3.1.1A G For the avoidance of doubt, this chapter does not apply to the following firms if they do not hold client money or client assets and do not appoint an auditor under or as a result of a statutory provision other than in the Act:

(1) authorised professional firms;

(2) energy market participants, including oil market participants to whom IPRU(INV) 3 does not apply;

(3) exempt insurance intermediaries;

(4) insurance intermediaries not subject to SUP 3.1.2 R(10);

(5) investment management firms;

(6) home finance administrators;

(7) home finance intermediaries;

(8) home finance providers;

(9) personal investment firms, including small personal investment firms;

(10) securities and futures firms; and

(11) service companies.

3.1.2 R Applicable sections (see SUP 3.1.1 R)

This table and the provisions in SUP 3 should be read in conjunction with GEN 2.2.23 R to GEN 2.2.25 G. In particular, the PRA does not apply any of the
provisions in SUP 3 in respect of FCA-authorised persons. SUP 3.10 and SUP 3.11 are applied by the FCA only.

<table>
<thead>
<tr>
<th>(1) Category of firm</th>
<th>(2) Sections applicable to the firm</th>
<th>(3) Sections applicable to its auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) <strong>Authorised professional firm</strong> <strong>which is required by IPRU(INV)</strong> 2.1.2R to comply with chapters 3, 5 or 13 of IPRU(INV) and which has an auditor appointed under or as a result of a statutory provision other than in the Act (Notes 1 and 6)</td>
<td>SUP 3.1 - SUP 3.7, SUP 3.11</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</td>
</tr>
<tr>
<td>(2) <strong>Authorised professional firm</strong> <strong>not within (1) to which the custody chapter or client money chapter applies</strong></td>
<td>SUP 3.1 - SUP 3.7, SUP 3.11</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</td>
</tr>
<tr>
<td>(3) <strong>Authorised professional firm</strong> <strong>not within (1) or (2) which has an auditor appointed under or as a result of a statutory provision other than in the Act</strong></td>
<td>SUP 3.1, SUP 3.2, SUP 3.7</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8</td>
</tr>
<tr>
<td>(4) <strong>Bank, building society or dormant account fund operator</strong> <strong>which in each case carries on designated investment business</strong> (Notes 2A and 6)</td>
<td>SUP 3.1-SUP 3.7, SUP 3.11</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</td>
</tr>
<tr>
<td>(5) <strong>Bank, building society or a dormant account fund operator</strong> <strong>which in each case does not carry on designated investment business</strong> (Note 2A)</td>
<td>SUP 3.1 - SUP 3.7</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8</td>
</tr>
<tr>
<td>(5A) <strong>Credit union</strong></td>
<td>SUP 3.1 - SUP 3.7</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8</td>
</tr>
<tr>
<td>(5B) <strong>CASS debt management firm</strong> unless subject to a requirement imposed under section 55L of the Act stating that it must not hold client money or such a requirement to the same effect</td>
<td>SUP 3.1, SUP 3.10</td>
<td>SUP 3.1</td>
</tr>
<tr>
<td>(5C) <strong>CASS 7 loan-based crowdfunding firm</strong></td>
<td>SUP 3.1-3.7, SUP 3.11</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</td>
</tr>
<tr>
<td>(5D) <strong>A CASS 13 claims management firm</strong></td>
<td>SUP 3.1-3.7, 3.11</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</td>
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<td>(1) Category of firm</td>
<td>(2) Sections applicable to the firm</td>
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<td>(6) Insurer, the Society of Lloyd's, underwriting agent or members' adviser, UK ISPV (Note 5)</td>
<td>SUP 3.1 - SUP 3.7</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8</td>
</tr>
<tr>
<td>(7) Investment management firm, (other than an exempt CAD firm), personal investment firm (other than a small personal investment firm or exempt CAD firm), securities and futures firm (other than an exempt CAD firm or an exempt BIPRU commodities firm) or collective portfolio management firm that is an external AIFM which, in each case, has an auditor appointed under or as a result of a statutory provision other than in the Act (Notes 3 and 6)</td>
<td>SUP 3.1 - SUP 3.7, SUP 3.11</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</td>
</tr>
<tr>
<td>(7A) Investment management firm (other than an exempt CAD firm), personal investment firm (other than a small personal investment firm or exempt CAD firm), securities and futures firm (other than an exempt CAD firm or an exempt BIPRU commodities firm) or collective portfolio management firm that is an external AIFM not within (7) to which the custody chapter or client money chapter applies</td>
<td>SUP 3.1 - SUP 3.7, SUP 3.11</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</td>
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<tr>
<td>(7B) Collective portfolio management firm that is a UCITS firm or an internally managed AIF (Note 6)</td>
<td>SUP 3.1 - SUP 3.7, SUP 3.11</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</td>
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<tr>
<td>(7C) UK MiFID investment firm, which has an auditor appointed under or as a result of a</td>
<td>SUP 3.1 - 3.7, SUP 3.11</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</td>
</tr>
<tr>
<td>(1) Category of firm</td>
<td>(2) Sections applicable to the firm</td>
<td>(3) Sections applicable to its auditor</td>
</tr>
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<tr>
<td>statutory provision other than in the Act</td>
<td></td>
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<tr>
<td>(7D) Sole trader or partnership that is a UK MiFID investment firm (other than an exempt CAD firm) (Notes 3C and 6)</td>
<td>SUP 3.1 - SUP 3.7, SUP 3.11</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</td>
</tr>
<tr>
<td>(8) Small personal investment firm or service company which, in either case, has an auditor appointed under or as a result of a statutory provision other than in the Act</td>
<td>SUP 3.1, SUP 3.2, SUP 3.7</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8</td>
</tr>
<tr>
<td>(9) Home finance provider which has an auditor appointed under or as a result of a statutory provision other than in the Act</td>
<td>SUP 3.1 - SUP 3.7</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8</td>
</tr>
<tr>
<td>(10) Insurance intermediary (other than an exempt insurance intermediary) to which the insurance client money chapter (except for CASS 5.2 (Holding money as agent)) applies (see Note 4)</td>
<td>SUP 3.1 - SUP 3.7, SUP 3.11</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</td>
</tr>
<tr>
<td>(11) Exempt insurance intermediary and insurance intermediary not subject to SUP 3.1.2 R(10) which has an auditor appointed under or as a result of a statutory provision other than in the Act</td>
<td>SUP 3.1, SUP 3.2, SUP 3.7</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8</td>
</tr>
<tr>
<td>(12) Home finance intermediary or home finance administrator which has an auditor appointed under or as a result of a statutory provision other than in the Act.</td>
<td>SUP 3.1, SUP 3.2, SUP 3.7</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8</td>
</tr>
</tbody>
</table>

Note 1 = This chapter applies to an authorised professional firm in row (1) (and its auditor) as if the firm were of the relevant type in the right-hand column of IPRU(INV) 2.1.4R.

Note 2 [deleted]
(1) Category of firm | (2) Sections applicable to the firm | (3) Sections applicable to its auditor
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Note 2A = For this purpose, designated investment business does not include either or both:

(a) dealing which falls within the exclusion in article 15 of the Regulated Activities Order (Absence of holding out etc) (or agreeing to do so); and

(b) dealing in investments as principal (or agreeing to do so):

(i) by a firm whose permission to deal in investments as principal is subject to a limitation to the effect that the firm, in carrying on this regulated activity, is limited to entering into transactions in a manner which, if the firm was an unauthorised person, would come within article 16 of the Regulated Activities Order (Dealing in contractually based investments); and

(ii) in a manner which comes within that limitation;

having regard to article 4(4) of the Regulated Activities Order (Specified activities: general).

Note 3 = This note applies in relation to an oil market participant to which IPRU(INV) 3 does not apply and in relation to an energy market participant to which IPRU(INV) 3 does not apply. In SUP 3:

(a) only SUP 3.1, SUP 3.2 and SUP 3.7 are applicable to such a firm; and

(b) only SUP 3.1, SUP 3.2 and SUP 3.8 are applicable to its auditor;

and, in each case, only if it has an auditor appointed under or as a result of a statutory provision other than in the Act.

Note 3A [deleted]

Note 3B = UK MiFID investment firms include exempt CAD firms. An exempt CAD firm that has opted into MiFID can benefit from the audit exemption for small companies in the Companies Act legislation if it meets is an exempt investment firm as defined by article 8 of the MiFID Regulations. If a firm does so benefit then SUP 3 will not apply to it. For further details about exempt CAD firms, see PERG 13, Q58.

Note 3C = A sole trader or a partnership that is a UK MiFID investment firm to which the custody chapter or client money chapter applies must have its annual accounts audited.

Note 4 = The client money audit requirement in SUP 3.1.2 R(10) therefore applies to all insurance intermediaries except:

• those which do not hold client money or other client assets in relation to insurance distribution activities; or

• those which only hold up to, but not exceeding, £30,000 of client money under a statutory trust arising under CASS 5.3.

Insurance intermediaries which, in relation to insurance distribution activities, hold no more than that amount of client money only on a statutory trust are exempt insurance intermediaries.

Note (5) = In row (6):

(a) SUP 3.1 - SUP 3.7 applies to a managing agent in respect of its own business and in respect of the insurance business of each syndicate which it manages; and

(b) SUP 3.1, SUP 3.2 and SUP 3.8 apply to the auditors of a managing agent and the auditors of the insurance business of each syndicate which the managing agent manages.
3.1.2A  G  If a firm falls within more than one row in column (1) of the table in SUP 3.1.2 R, SUP 3.1.1 R requires the firm and its external auditor to comply with all the sections referred to in column (2) or (3).

Incoming firms

3.1.3  R  This chapter applies to an incoming EEA firm (and the auditor of such a firm) only if it has a top-up permission.

3.1.4  G  The application of SUP 3.10 to the auditor of an incoming EEA firm with a top-up permission is qualified in SUP 3.10.3 R.

3.1.5  R  This chapter does not apply to an incoming Treaty firm, which:

1. does not have a top-up permission; and
2. is not required to comply with the client asset rules.

3.1.6  G  The application of SUP 3.7 to an incoming Treaty firm or an auditor of such a firm is further qualified in SUP 3.7.1 G.

Auditors of lead regulated firms

3.1.7  G  The application of SUP 3.10 to the auditor of a lead regulated firm is qualified in SUP 3.10.3 R.

3.1.8  G  [deleted]

Material elsewhere in the Handbook

3.1.9  G  A firm which is mentioned in SUP 3.1.10 G should see the Prudential Standards part of the Handbook for further provisions on auditors as set out in SUP 3.1.10 G.

3.1.10  G  Other relevant sections of the Handbook (see SUP 3.1.9 G)

<p>| Friendly society | IPRU(FSOC) |
| Insurer (other than a Solvency II firm or a friendly society) | IPRU(INS) |</p>
<table>
<thead>
<tr>
<th>Investment management firm, personal investment firm, securities and futures firm and collective portfolio management firm (other than IFPRU investment firms and BI-PRU firms)</th>
<th>IPRU(INV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Society of Lloyd’s and Lloyd’s managing agents</td>
<td>IPRU(INS)</td>
</tr>
</tbody>
</table>