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PRINCIPLES FOR BUSINESSES (PRIN)

Section 2 - High Level Standards

1. Principles for Businesses (PRIN)

Under the FCA's regulatory regime, the firm itself will be regulated by a series of principles of best practice, the 'Principles for Businesses'. These Principles are provided below and comprise of general statements of the main regulatory obligations of authorised firms. They express what is meant by the fit and proper standards set for a firm in Threshold Condition 5 (suitability). A firm needs to be mindful of these principles in the running of its business. If these Principles are not followed then the firm will leave itself vulnerable to being regarded as not a fit and proper firm. The FCA can take disciplinary action if one or more Principles are breached. They need to be part of the culture of the business and incorporated at all levels of the business.

One way to achieve this is to incorporate them into a firm's business handbooks such as compliance manual and/or staff handbook or the firm's employment contract.

1.	**Integrity**	A firm must conduct its business with integrity**.**
2.	**Skill, care and diligence**	A firm must conduct its business with due skill, care and diligence.
3.	**Management and control**	A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
4.	**Financial prudence**	A firm must maintain adequate financial resources.
5.	**Market conduct**	A firm must observe proper standards of market conduct.
6.	**Customers' interests**	A firm must pay due regard to the interests of its customers and treat them fairly.
7.	**Communications with clients**	A firm 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.
8.	**Conflicts of interest**	A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.
9.	**Customers: relationships of trust**	A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely on its judgement.

10.	**Clients' assets**	A firm must arrange adequate protection for its clients' assets when it is responsible for them.
11.	**Relations with regulators**	A firm must deal with its regulators in an open and co-operative way, and must disclose to the FCA appropriately anything relating to the firm of which the FCA would reasonably expect notice.

One of the key principles is Principle 3 – which requires the firm to have adequate risk management systems in place. This can be satisfied in part by the organisation of regular monitoring systems with the High Level Standards, including the 11 Principles above. The larger the firm the more complex the corporate governance management systems and controls are liable to be.

All Principles apply to all regulated business and Principles 3, 4 and 11 also apply to both unregulated business and the activities of the firm's group.

Where Principle 11 refers to regulators, this means all regulators with recognised jurisdiction in relation to regulated activities, not just the FCA.