BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

FINAL NOTICE

To:	**QIB (UK) Plc**
Of:	43 Grosvenor Street London W1K 3HL
Firm Reference Number:	**466577**
Date:	**8 April 2016**

ACTION

1. For the reasons set out in this Notice, the PRA hereby imposes a financial penalty of **£1,384,950** on QIB (UK) Plc (the "Firm"), pursuant to section 206 of the Financial Services and Markets Act 2000 (the "Act"), on the basis that the Firm contravened Principles 2 and 3 of the Principles for Businesses between 30 June 2011 and 31 December 2012 (the "Relevant Period").

2. The Firm agreed to settle at an early stage of the PRA's investigation and therefore qualified for a Stage 1 discount under the PRA's Settlement Policy of 30%. Had it not been for this, the PRA would have imposed a financial penalty of **£1,978,500.**

SUMMARY OF REASONS FOR THE ACTION

Background

3. The Firm is a bank which offers investment and finance products.

4. During the Relevant Period, the Firm failed to identify that it had to comply with requirements relating to the assessment and maintenance of financial resources, capital resources and internal capital. As a result of that failing, the Firm also failed to ensure that it undertook a regular assessment of its capital requirements.

5. In addition, during the Relevant Period the Firm failed to report properly its Large Exposures to the FSA as it had failed to aggregate its exposures to a group of connected clients. The Firm incorrectly concluded that the companies were not connected clients. It also failed to identify that its exposure to these companies was in excess of 25% of its total capital during the Relevant Period.

Summary of Failings

6. During the Relevant Period the Firm failed to:

   6.1 identify that it was required to comply with the Overall Pillar 2 Rule, including the requirement for a firm to undertake a regular assessment of its capital requirements;

   6.2 report its large exposures correctly to the FSA; and

   6.3 ensure that the total amount of its exposures to connected clients did not exceed 25% of its regulatory capital.

7. By failing properly to identify its requirements in respect of the Overall Pillar 2 Rule and Large Exposures, the Firm failed to identify that more than 25% of its capital had been lent to a single group of borrowers. When this group entered administration, the Firm had to provision for the full amount outstanding, which had the effect of removing over 25% of its capital base and leaving the Firm dangerously under-capitalised. This issue was only resolved by the Firm's shareholder quickly injecting further capital into the Firm.

8. The full particulars of the facts and matters which are relevant to this matter are set out in Annex A. The individual rule breaches which underpin and/or are supportive of the breaches of Principles 2 and 3 are set out in full in Appendix 2.

Why the PRA has investigated this matter

9. The PRA is responsible for the prudential regulation and supervision of deposit-takers, insurance companies and designated investment firms. The PRA's general objective is to promote the safety and soundness of these firms.

The PRA's expectations of subsidiaries of overseas firms

10. The PRA's legal powers and responsibilities vary depending on the location of the parent and the legal form of its operations in the United Kingdom. Regardless of this, the PRA's supervisory approach is to assess all firms to the same prudential standard.

11. For subsidiaries of overseas firms, such as QIB (UK) Plc, the PRA has full powers and responsibilities and so its approach is to treat such firms equivalently to UK-owned firms, applying its full prudential requirements.[1]

12. The Firm's failings were serious, and (as set out below) during the Relevant Period it fell significantly short of the PRA's expectations of PRA-authorised persons.

Principle 2

13. Firms are required to conduct their business with due skill, care and diligence. This includes the expectation that all firms ensure that they are aware of the relevant requirements and standards of the regulatory system, so as to be able to comply with them.

14. By failing to identify the need to comply with either the Overall Pillar 2 Rule or the regulatory requirements relating to the large exposure regime, the Firm failed to meet Principle 2. The seriousness of this breach was compounded by the significant length of time for which this breach continued; and by the failure of the firm itself to identify the need to bring itself into compliance (the firm addressed the breach only after the intervention of the regulator).

Principle 3

15. The PRA expects firms to have in place adequate reporting systems and to take steps, including having documented procedures and adequate training of staff, to ensure these reporting systems operate effectively. This is because disclosure of information by firms is crucial to the PRA's ability to supervise PRA-authorised firms effectively and hence to the success of the regulatory system. The PRA therefore treats seriously failures by firms to provide to the PRA, on a timely basis, information that they are required to provide.

---

[1] See *The Prudential Regulation Authority's approach to banking supervision*, March 2016.

16. The Firm's failure to comply with Principle 3 during the Relevant Period was serious. The Firm failed to provide to the FSA all relevant information, which went to the heart of the FSA's ability to supervise it effectively.

Sanction

17. Taking into account the facts and matters set out above and the relevant factors set out in the FSA's Penalty Policy which was in force during the relevant period, the PRA considers that the imposition of a financial penalty of £1,978,500 is a reasonable, appropriate and proportionate disciplinary measure in response to the Firm's breaches of Principles 2 and 3. However, the Firm agreed to settle at Stage 1 and therefore qualified for a reduction of the financial penalty to £1,384,950. The basis for this penalty is set out in Annex C.

PROCEDURAL MATTERS

18. The procedural matters set out in Annex D are important.

DEFINITIONS

19. The definitions set out in Appendix 1 are used in this Notice.

Robert Dedman
Chief Counsel, Regulatory Action Division
for and on behalf of the PRA

ANNEX A TO THE FINAL NOTICE ISSUED BY THE PRUDENTIAL REGULATION AUTHORITY TO QIB (UK) PLC (FRN: 466577) ON 8 APRIL 2016

FACTS AND MATTERS RELIED UPON

Background

1. QIB (UK) Plc is a bank which offers investment and finance products. During the Relevant Period, it was authorised and regulated by the FSA and had permission, amongst others, to accept deposits.

Capital Adequacy

Requirements

2. During the Relevant Period, the detailed rules relating to the amount of capital required to be held by a firm were set out in the GENPRU and BIPRU sections of the FSA Handbook. These rules reflected a "three pillar" approach to capital; broadly speaking:

   2.1 Pillar 1 set minimum capital requirements that reflected the firm's credit, market and operational risks.

   2.2 Pillar 2 was intended to ensure that firms had sufficient capital to cover all relevant risks. Firms were required to review and identify risks not already considered as part of the firm's Pillar 1 requirement.

   2.3 Pillar 3 encouraged market discipline by imposing certain public disclosure requirements relating to the level of capital held by firms.

3. As part of this three pillar approach to capital, firms were subject to the Overall Pillar 2 Rule. This rule required firms to have in place sound, effective and complete processes, strategies and systems to assess risks to capital adequacy; firms were also required to identify and manage any risks with respect to capital adequacy. Firms were required to document the results of their assessment of these matters, with the output commonly being referred to as an Individual Capital Adequacy Assessment Process ("ICAAP"). The ICAAP was the tool by which a firm would identify the amount of capital that it was required to hold.

4. The assessment process carried out pursuant to the Overall Pillar 2 Rule was not static: firms were expected to carry out such an assessment at least annually. A firm was

required to have in place processes, strategies and systems to enable it to ensure that it carried out these assessments on an ongoing basis.

The Firm's Compliance with the Overall Pillar 2 Rule

5. The Firm's draft ICAAP was presented to the Board Audit and Risk Committee ("BARC") in September 2011 and was discussed again in October 2011. The draft ICAAP demonstrated that there was a capital shortfall at the end of June 2011 and the position continued to deteriorate up to and including October 2011. During the September meeting, BARC agreed the steps that should be taken to enable the draft ICAAP to be signed off expeditiously. However, the Firm failed to complete the steps during the Relevant Period necessary to approve the draft ICAAP. Consequently, the Firm failed to complete an assessment pursuant to the Overall Pillar 2 Rule at any time during the Relevant Period.

6. There was some discussion within the Firm as to whether it was required to comply with the Overall Pillar 2 Rule, but the Firm wrongly concluded that it was not required to comply with this rule. The Firm's erroneous conclusion that it was not required to comply with the Overall Pillar 2 Rule gave the Firm false comfort with respect to its continued failure to carry out an assessment pursuant to the Overall Pillar 2 Rule.

Identification of Capital Inadequacy

7. The Firm only brought itself into compliance with the Overall Pillar 2 rule after the FSA had drawn the Firm's attention to the existence of the breach.

Large Exposure Reporting

Introduction

8. The FSA's large exposure regime sought to avoid risks to the sustainability of the finances of certain financial institutions (including banks) by preventing concentration of a firm's exposures. As part of the regime, banks were required to monitor and control their large exposures and report such exposures to the regulator. In addition, banks were not permitted to have a total exposure to a group, third party or connected parties equal to or greater than 25% of their capital assets.

Requirements

9. During the Relevant Period, the FSA's detailed rules on large exposures were contained in the BIPRU chapter of the FSA's Handbook. BIPRU required a firm to:

9.1 report large exposures to the FSA on a quarterly basis, by way of the FSA008 form; and

9.2 ensure that the total amount of its exposures to a group of connected clients did not exceed 25% of its regulatory capital.

Breach of Large Exposure Requirements

10. The FSA Handbook defined a 'group of connected clients' as:

"[O]ne of the following:

(a) two or more persons who, unless it is shown otherwise, constitute a single risk because one of them is the parent undertaking, direct or indirect, of the other or others; or

(b) two or more persons between whom there is no relationship as set out in (a) but who are to be regarded as constituting a single risk because they are so interconnected that, if one of them were to experience financial problems, in particular funding or repayment difficulties, the other or all of the others would be likely to encounter funding or repayment difficulties."

11. The Firm had exposures to three companies, "Company A", "Company B" and "Company C", which were 100% subsidiaries of "Company Z" and therefore a group of connected clients for the purposes of the large exposure regime.

12. Between February 2009 and September 2011 the Firm provided finance facilities totalling £3.6 million to Companies A, B and C. Following financial restructuring in December 2011 the Firm's total exposure to the three companies increased to over £4.5 million.

13. However, the Firm failed to report its exposure to the subsidiaries of Company Z in accordance with regulatory requirements:

13.1 the Firm's FSA008 returns for the periods ending December 2011 and March 2012 failed to report its exposures to Companies B and C;

13.2 the Firm's FSA008 returns for the periods ending June 2012, September 2012 and December 2012 failed to report its exposures to Company C; and

13.3 the Firm's FSA008 returns for the periods ending June 2012, September 2012 and December 2012 did not aggregate its exposures to Company A and Company B.

14. These errors were made despite the clear instructions in Form FSA008 during the Relevant Period to report both details of both Large Exposures (Part 1 of FSA008) and Connected Counterparties (Part 2 of FSA008).

15. In addition, on the basis that throughout the period December 2011 to December 2012 the Firm's exposure to Company B was £900,000 and to Company C was £281,088, the Firm's total exposure to the subsidiaries of Company Z exceeded 25% of the Firm's total capital throughout the period.

The Firm's Large Exposure Policy

16. During the Relevant Period, the Firm had a Large Exposure policy[2] which purported "to manage large exposures and concentration risks". However, this policy provided no guidance as to how the Firm should identify groups of connected clients. While there was some discussion within the Firm as to whether the exposure to Companies A, B and C should be aggregated for the purposes of reporting to the FSA, the Firm wrongly concluded that these exposures need not be aggregated.

17. An internal report, dated May 2012 and produced following a familiarisation visit by executives of the Firm's parent, observed that the Firm's exposures to Company A and Company C:

> *"represent total exposure of £4.1m which is now very close to the FSA stipulated level (25% of capital) by which they should flag the lending prior to entering into a transaction. Anything over 10% should be regularly reported to the FSA in any case. We don't believe either has happened."* [emphasis in the report]

18. Nevertheless, the Firm took no action to investigate or address the failures in reporting of large exposures identified in this report.

Identification of Large Exposures

19. The failings in large exposure reporting were not identified by the Firm until 7 February 2013 and only after the FSA had queried a disparity between information provided by the Firm to the FSA orally and the information which the Firm had reported in its FSA008 returns.

[2] The Large Exposure Policy was an Appendix to the firm's Credit Risk Policy.

Events following discovery of the breaches

20. The Firm co-operated with the FSA and with the PRA throughout its investigation.

21. The Firm took a number of steps to address the breaches including commissioning an internal investigation in February 2013 and undertaking a full portfolio review following which its shareholder took steps to improve the Firm's capital position.

22. Since December 2012 the Firm has undergone significant restructuring and has committed significant resources to matters of governance, capital monitoring and reporting systems and controls to mitigate the risk of similar breaches occurring again.

ANNEX B TO THE FINAL NOTICE ISSUED BY THE PRUDENTIAL REGULATION AUTHORITY TO QIB (UK) PLC (FRN: 466577) ON 8 APRIL 2016

PARTICULARS OF BREACHES AND FAILINGS

1. The facts and matters to which the following conclusions relate are set out in Annex A. The regulatory provisions to which this Notice relate are set out in Appendix 2.

Relevant Principles

Principle 2

2. Principle 2 states that a firm must conduct its business with due skill, care and diligence.

3. The Firm breached Principle 2 as it failed to conduct its business with due skill, care and diligence in that it failed to identify the requirements:

   3.1 to comply with the Overall Pillar 2 Rule, including the requirement to maintain on an ongoing basis adequate amounts, types and distribution of financial resources, capital resources and internal capital; and

   3.2 to aggregate its exposures to Companies A, B and C for the purposes of the large exposure regime.

Principle 3

4. Principle 3 states that a firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.

5. The Firm breached Principle 3 as it failed to take reasonable care to organise and control its affairs responsibly and effectively, with the result that it failed to:

   5.1 identify during the Relevant Period the incorrect conclusions reached with respect to compliance with the Overall Pillar 2 Rule and aggregation for the purposes of the large exposure regime;

   5.2 carry out regularly the assessments required by the Overall Pillar 2 Rule; and

   5.3 ensure that information which it provided to the FSA, with respect to large exposures, was factually accurate and complete.

6. The result of this breach was that the FSA had an incomplete and erroneous understanding of the risks to which the Firm was exposed and, therefore, the Firm's

capital adequacy. This went to the heart of the FSA's ability to supervise the firm effectively.

Relevant Rules

7. Detailed rules on the amount of capital to be held by the Firm, including the Overall Pillar 2 Rule, were contained in the General Prudential Sourcebook ("GENPRU") and Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") chapters of the FSA's Handbook.

8. The Senior Management Arrangements, Systems and Controls ("SYSC") section of the FSA Handbook amplified the requirements of Principle 3. In particular, SYSC 4 of the FSA Handbook contained rules and guidance on general organisational requirements applying to firms, including banks.

9. The Supervision ("SUP") section of the FSA Handbook contained, amongst other rules, detailed requirements upon firms to report regularly to the FSA. This included requirements as to the frequency and format of such reporting and the information that was required to be contained within the reports.

ANNEX C TO THE FINAL NOTICE ISSUED BY THE PRUDENTIAL REGULATION AUTHORITY TO QIB (UK) PLC (FRN: 466577) ON 8 APRIL 2016

1. PENALTY FRAMEWORK

1.1. The breaches of Principle 2 and Principle 3 occurred from 30 June 2011 to 31 December 2012. Prudential regulation of the Firm transferred to the PRA on 1 April 2013. As the breaches did not continue after 1 April 2013, in accordance with section 210(7) of the Act and pursuant to article 11(6)(a) of the Transitional Provisions Order, the PRA must apply the penalty regime that was in effect during the Relevant Period. That penalty regime is set out in the version of the FSA Handbook in force during the Relevant Period.

1.2. To arrive at a penalty, the PRA has therefore adopted the approach set out in the FSA's Decision Procedure and Penalties Manual ("DEPP") 6.5A.

Step 1: disgorgement

1.3. The Firm derived no financial benefit (including any profit or avoidance of loss) as a result of the breaches. The Step 1 figure is therefore **£0**.

Step 2: seriousness of the breach

1.4. In accordance with DEPP 6.5A.2(1)G, the PRA will determine a Step 2 figure that reflects the seriousness of the breach by the Firm and is based on an appropriate indicator of the size and financial position of the Firm. In this instance, the PRA has determined that revenue is an appropriate indicator.

1.5. DEPP 6.5A.2(2)G states that where revenue is an appropriate indicator, the PRA will determine a figure which will be based on a percentage of the Firm's relevant revenue. Relevant revenue is the revenue derived by the Firm during the period of the breach from the business area to which the breach relates.

1.6. The breaches in this case concern the firm's failure to identify properly its capital requirements (including the need to comply with its Pillar 2 Requirement) and its failure to meet regulatory requirements under the Large Exposure Regime. The PRA has therefore concluded that the relevant revenue is the Firm's total revenue during the Relevant Period. In determining the Firm's relevant revenue, the PRA has reviewed the Firm's regulatory returns submitted to the FSA during the Relevant Period, as well as the Firm's audited financial statements. Based on this information, the total relevant revenue is **£13,190,000.**

1.7. To arrive at the penalty, the PRA has adopted the approach set out in DEPP 6.5A.

1.8. The PRA has taken the following factors into account to determine the Step 2 figure:

1.8.1. as a result of the breaches the Firm required an emergency recapitalisation in order to address capital shortfall issues;

1.8.2. for the duration of the breaches neither the FSA nor the Firm was able to determine accurately the Firm's capital position;

1.8.3. the breaches extended over a period of eighteen months;

1.8.4. the accuracy of a Firm's capital position and an accurate representation of this via its regulatory returns was of fundamental importance in ensuring that the FSA was able to meet its financial stability objective;

1.8.5. accurate disclosure of information by Firms was crucial to the FSA's ability to supervise firms effectively;

1.8.6. the Firm did not have appropriate systems and controls to ensure that the information which it provided to the FSA was factually accurate and complete;

1.8.7. the Firm failed to identify whether it was in practice complying with its regulatory reporting obligations and it failed to take action to investigate or address these failures; and

1.8.8. the PRA does not consider the breaches to be deliberate or reckless.

1.9. On this basis, the PRA considered that a seriousness factor of 15% should be applied to the relevant revenue and, therefore, the Step 2 figure is **£1,978,500.**

Step 3: mitigating and aggravating factors

1.10. The PRA considered that there were no relevant aggravating or mitigating factors and, therefore, there should be no adjustment to the Step 2 figure. The Step 3 figure is therefore **£1,978,500**.

Step 4: adjustment for deterrence

1.11. If the PRA considers that the penalty determined following Steps 2 and 3 is insufficient to effectively deter the Firm which committed the breach and other PRA-authorised firms from committing further or similar breaches, it may increase the penalty at Step 4 by making an appropriate deterrence adjustment to it.

1.12. The PRA did not consider an adjustment for deterrence is appropriate in this instance. The Step 4 figure is therefore **£1,978,500**.

Step 5: settlement discount

1.13. Pursuant to DEPP 6.5A.5G, the PRA and the firm on whom a penalty is to be imposed may seek to agree the amount of any financial penalty and other terms. In recognition of the benefits of such agreements, DEPP 6.7 provides that the amount of the financial penalty which might otherwise have been payable will be reduced to reflect the stage at which the PRA and the Firm reached agreement.

1.14. As the PRA and the Firm were able to reach agreement at Stage 1, a 30% discount was applied to the Step 4 figure.

1.15. The Step 5 figure is therefore **£1,384,950**.

ANNEX D TO THE FINAL NOTICE ISSUED BY THE PRUDENTIAL REGULATION AUTHORITY TO QIB (UK) PLC (FRN: 466577) ON 8 APRIL 2016

PROCEDURAL MATTERS

Decision-Maker

1. The decision which gave rise to the obligation to give this Notice was made by the PRA's settlement decision-makers.

2. This Notice is given to the Firm under and in accordance with section 390 of the Act.

Manner of and time for payment

3. The financial penalty must be paid in full by the Firm to the PRA no later than 14 days from the date on which this Notice is given to the Firm.

If the financial penalty is not paid

4. If all or any of the financial penalty is outstanding on the day after the due date for payment, the PRA may recover the outstanding amount as a debt owed by the Firm and due to the PRA.

Publicity

5. Sections 391(4), 391(6A) and 391(7) of the Act apply to the publication of information about the matter to which this Notice relates. Under those provisions the PRA must publish such information about the matter to which this notice relates as the PRA considers appropriate. The information may be published in such manner as the PRA considers appropriate. However, the PRA may not publish information if such information would, in the opinion of the PRA, be unfair to the person with respect to whom the action was taken or prejudicial to the safety and soundness of PRA-authorised persons.

PRA contacts

6. For more information concerning this matter generally, the Firm should contact Tara Connolly (direct line: 020 3461 8337) at the PRA.

APPENDIX 1 TO THE FINAL NOTICE ISSUED BY THE PRUDENTIAL REGULATION AUTHORITY TO QIB (UK) Plc (FRN: 466577) ON 8 APRIL 2016

DEFINITIONS

The definitions below are used in this Notice:

"the Act" means the Financial Services and Markets Act 2000;

"BARC" means QIB (UK) plc's Board Audit and Risk Committee;

"BIPRU" means the Prudential Sourcebook for Banks, Building Societies and Investment Firms;

"CRR" means a firm's capital resources requirement;

"the Firm" means QIB (UK) plc;

"the FSA" means the body corporate known until 1 April 2013 as the Financial Services Authority;

"ICAAP" means Internal Capital Adequacy Assessment Process, which is a firm's assessment of the adequacy of its capital and financial resources, as required during the Relevant Period by rules contained in the FSA Handbook;

"Large Exposure" means the exposure of a firm to a counterparty, or a group of connected clients, whether in the firm's non-trading book or trading book or both, which in aggregate equals or exceeds 10% of the firm's capital resources;

"LER" means large exposure reporting;

"Notice" means this final notice and its appendices;

"the Overall Financial Adequacy Rule" means the rule that was contained in GENPRU 1.2.26R of the FSA's Handbook, requiring certain firms to have adequate financial resources;

"the Overall Pillar 2 Rule" means the rule in GENPRU 1.2.30R of the FSA's Handbook requiring a firm to have in place sound, effective and complete processes, strategies and systems to assess risks to capital adequacy and to identify and manage those risks;

"Pillar 2 Requirement" means the amount, type and distribution of financial resources, capital resources and internal capital that a firm considers adequate to cover risks identified pursuant to the Overall Pillar 2 Rule;

"the PRA" means the body corporate known as the Prudential Regulation Authority;

"the PRA's Settlement Policy" means "The Prudential Regulation Authority's approach to enforcement: statutory statements of policy and procedure January 2016 – Appendix 4 – Statement of the PRA's settlement decision-making procedure and policy for the determination and amount of penalties and the period of suspensions or restrictions in settled cases";

"Principle" means the FSA's Principles for Businesses;

"the Relevant Period" is the period between 30 June 2011 and 31 December 2012; and

"the Transitional Provisions Order" is the Financial Services Act 2012 (Transitional Provisions) (Enforcement) Order 2013 (SI 2013/441).

APPENDIX 2 TO THE FINAL NOTICE ISSUED BY THE PRUDENTIAL REGULATION AUTHORITY TO QIB (UK) Plc (FRN: 466577) ON 8 APRIL 2016

RELEVANT STATUTORY AND REGULATORY PROVISIONS

1. References in this Notice to the Handbook are to the FSA's Handbook.

2. Principle 2 of the FSA's Principles for Businesses stated that a firm must conduct its business with due skill, care and diligence.

3. Principle 3 of the FSA's Principles for Businesses stated that a firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.

4. GENPRU 1.2.30R required a firm to have in place sound, effective and complete processes, strategies and systems:

    a. to assess and maintain on an ongoing basis the amounts, types and distribution of financial resources, capital resources and internal capital that it considers adequate to cover:

        i. the nature and level of the risks to which it was or might be exposed;

        ii. the risk in the Overall Financial Adequacy Rule; and

        iii. the risk that the firm might not be able to meet its CRR in the future; and

    b. that enabled it to identify and manage the major sources of risks referred to in 11.1, including the major sources of risk in each of the following categories where they are relevant to the firm given the nature and scale of its business:

        i. credit risk;

        ii. market risk;

        iii. liquidity risk;

        iv. operational risk;

        v. insurance risk;

vi. concentration risk;

vii. residual risk;

viii. securitisation risk;

ix. business risk;

x. interest rate risk (including, in the case of a BIPRU firm, interest rate risk in the non-trading book); and

xi. pension obligation risk.

5. GENPRU 1.2.35R stated that the processes, strategies and systems required by the Overall Pillar 2 Rule must be comprehensive and proportionate to the nature, scale and complexity of the firm's activities.

6. GENPRU 1.2.36R required a firm to identify separately the amount of tier one capital, tier two capital, tier three capital, other capital eligible to form part of its capital resources and each category of capital (if any) that is not eligible to form part of its capital resources which it considered adequate for the purposes described in GENPRU 1.2.30R (1).

7. GENPRU 1.2.39R required a firm to carry out regularly the assessments required by the Overall Pillar 2 Rule; and carry out regularly assessments of the processes, strategies and systems required by the Overall Pillar 2 Rule to ensure that they remain compliant with GENPRU 1.2.35R. GENPRU 1.2.40G stated that a firm should carry out assessments of the sort described in the Overall Pillar 2 Rule and GENPRU 1.2.39R at least annually, or more frequently if changes in the business, strategy, nature or scale of its activities or operational environment suggest that the current level of financial resources is no longer adequate. GENPRU 1.2.40G also stated that the processes and systems should ensure that the assessment of the adequacy of a firm's financial resources is reported to its senior management as often as is necessary.

8. GENPRU 1.2.60R required a firm to make a written record of the assessments required under GENPRU 1.2 (Adequacy of financial resources). In particular a firm was required to make a written record of:

a. the major sources of risk identified in accordance with GENPRU 1.2.30R;

b. how it intended to deal with those risks; and

c. details of the stress tests and scenario analyses carried out.

9. GENPRU 1.2.61R required a firm to retain the records of its assessments referred to in GENPRU 1.2.60R for at least three years.

10. BIPRU 10.5.6R required a firm to ensure that the total amount of its exposures to a group of connected clients did not exceed 25% of its capital resources.

11. SYSC 4.1.1R required a firm to have robust governance arrangements, which include a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks it is or might be exposed to, and internal control mechanisms, including sound administrative and accounting procedures and effective control and safeguard arrangements for information processing systems.

12. SYSC 4.1.3R required a firm to ensure that its internal control mechanisms and administrative and accounting procedures permit the verification of its compliance with rules adopted in accordance with the Capital Adequacy Directive at all times.

13. SUP 16.3.11R required a firm to submit reports required under the SUP part of the FSA's Handbook to the FSA containing all the information required.

14. SUP 16.12.3R(1)(a)(i), read with the table in SUP 16.12.4R and SUP 16.12.5R, required a firm to report its large exposures via the form FSA008.