



## Fundamental Rules and Principles for Businesses

### Introduction

In addition to their respective Threshold Conditions, the Prudential Regulation Authority (PRA) has eight Fundamental Rules and the Financial Conduct Authority (FCA) has eleven Principles for Businesses.

### The PRA's Fundamental Rules

In addition to its Threshold Conditions, the PRA also has eight Fundamental Rules which apply to all PRA-authorized firms. These are high-level rules which collectively act as an expression of the PRA's general objective of promoting the safety and soundness of regulated firms.

The [PRA's Fundamental Rules](#) are:

- **Fundamental Rule 1** – A firm must conduct its business with integrity.
- **Fundamental Rule 2** – A firm must conduct its business with due skill, care and diligence.
- **Fundamental Rule 3** – A firm must act in a prudent manner.
- **Fundamental Rule 4** – A firm must at all times maintain adequate financial resources.
- **Fundamental Rule 5** – A firm must have effective risk strategies and risk management systems.
- **Fundamental Rule 6** – A firm must organise and control its affairs responsibly and effectively.
- **Fundamental Rule 7** – A firm must deal with its regulators in an open and co-operative way, and must disclose to the PRA appropriately anything relating to the firm of which the PRA would reasonably expect notice.
- **Fundamental Rule 8** – A firm must prepare for resolution so, if the need arises, it can be resolved in an orderly manner with a minimum disruption of critical services.

As with the Threshold Conditions, it is vital that boards and senior management understand the Fundamental Rules, the more detailed rules in the PRA Rulebook and the directly applicable EU regulations, and establish within their firms a culture that supports adherence to the spirit and the letter of the requirements.

For further details see [The Prudential Regulation Authority's approach to banking supervision](#).

### The FCA's Principles for Businesses

In addition to its Threshold Conditions, the FCA also has eleven Principles for Businesses which are a general statement of a firm's fundamental obligations under the regulatory system.

The [FCA's Principles for Businesses](#) are:

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 upon its judgment.
10. **Clients' assets** – A firm must arrange adequate protection for clients' assets when it is responsible for them.
11. **Relations with regulators** – A firm must deal with its regulators in an open and cooperative way, and must disclose to the appropriate regulator appropriately anything relating to the firm of which that regulator would reasonably expect notice.

As with the PRA's Fundamental Rules, it is vital that boards and senior management understand the Principles for Businesses and establish within their firms a culture that supports adherence to the spirit and the letter of these principles.

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