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## **FINAL NOTICE**

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To: **Paul Simon Briant**

Of: **Land of Leather Limited  
Units K1-K2 Lower Road  
Northfleet  
Kent DA11 9BL**

Date: **9 May 2008**

**TAKE NOTICE: The Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS (the FSA) gives you final notice about a requirement to pay a financial penalty:**

### **1. THE PENALTY**

- 1.1. The FSA gave Mr Paul Simon Briant, Chief Executive of Land of Leather Limited (Land of Leather or the firm), a Decision Notice on 8 May 2008 which notified him that pursuant to section 66 of the Financial Services and Markets Act 2000 (the Act) the FSA had decided to impose a financial penalty of £14,000 on Mr Briant. This penalty is in respect of breaches of Statement of Principle 7 of the FSA's Statements of Principle for Approved Persons issued under section 64 of the Act and set out in the part of the FSA Handbook entitled APER (the Statements of Principle). The penalty relates to failings by Mr Briant in overseeing the sale of payment protection insurance (PPI) by Land of Leather Limited between 5 May 2006 and 20 June 2007 (the Relevant Period).
- 1.2. Mr Briant agreed that he will not be referring the matter to the Financial Services and Markets Tribunal.

- 1.3. Accordingly, for the reasons set out below and having agreed with Mr Briant the facts and matters relied on, the FSA imposes a financial penalty on Mr Briant in the amount of £14,000.
- 1.4. Mr Briant agreed to settle at an early stage of the FSA's investigation. He therefore qualified for a 30% (stage 1) reduction in penalty, pursuant to the FSA's executive settlement procedures. Were it not for this discount, the FSA would have imposed a financial penalty of £20,000 on Mr Briant.

## **2. REASONS FOR THE ACTION**

- 2.1. Throughout the Relevant Period, Mr Briant was approved by the FSA to perform the controlled function of apportionment and oversight at Land of Leather in relation to the sale of PPI. In that role, Mr Briant had sole responsibility for:
  - (1) dealing with the clear and appropriate apportionment of responsibilities among the firm's senior management in such a way that it was clear who had which of those responsibilities and that the business and affairs of the firm could be adequately monitored and controlled by senior management; and
  - (2) overseeing the establishment and maintenance of systems and controls appropriate to the firm's business.
- 2.2. However, in performing the role Mr Briant failed to take reasonable steps to ensure that the business of the firm for which he was responsible in his controlled function complied with the relevant requirements and standards of the regulatory system (Statement of Principle 7).
- 2.3. Mr Briant breached Statement of Principle 7 by failing to take reasonable steps to implement adequate and appropriate systems of control for Land of Leather's PPI sales business. Despite his position as the only FSA approved person at Land of Leather, Mr Briant left it to others at Land of Leather to address PPI compliance issues without taking proper steps to ensure that appropriate systems and controls were in place. Mr Briant also failed to adequately inform himself, and to maintain an appropriate level of understanding, about the affairs of Land of Leather's FSA regulated PPI business. In particular, he failed to ensure that he had a sufficient understanding of the measures that Land of Leather's staff were implementing, and proposing to implement, to control the sale of PPI and he did not have a sufficient understanding of the regulatory requirements to which he and the firm were subject.
- 2.4. The need for Mr Briant to take reasonable steps to ensure Land of Leather complied with the relevant regulatory standards – and for him to exercise due skill, care and diligence in his oversight of Land of Leather's PPI sales business – was particularly significant because Land of Leather sold PPI from a large network of furniture retail stores comprising 90 branches (with approximately 340 sales staff), which required a significant degree of senior management oversight to ensure it was responsibly and effectively controlled.

2.5. The FSA views Mr Briant's conduct as serious, meriting the imposition of a substantial penalty because:

- (1) During the Relevant Period, Land of Leather failed to take reasonable care to organise and control its affairs responsibly and effectively, which resulted in an unacceptable risk of unsuitable sales of PPI and so a failure by Land of Leather to maintain controls that would ensure that it would treat its customers fairly (the failings of the firm are the subject of a separate Final Notice issued by the FSA to Land of Leather). The function of overseeing the establishment and maintenance of systems and controls appropriate to Land of Leather's PPI business was allocated to Mr Briant, as was the function of dealing with the clear and appropriate apportionment of responsibilities among Land of Leather's senior management. Land of Leather's failings could have been avoided had Mr Briant properly performed his functions as an approved person.
- (2) Land of Leather exposed 57,950 customers to an unacceptable risk of buying unsuitable PPI, which had an average single premium price of approximately £380 (interest of £339 would be added to the PPI premium if the policy ran for its full term of three years). However, around 14.25% of such customers (around 8,260) will in practice pay for it because most customers settle their borrowing in full during an initial 12 month payment-free period and avoid any charge for PPI. The total amount of premium paid by Land of Leather's customers, therefore, is projected to be approximately £3.1 million (with additional interest of £2.8 million if all the PPI policies ran for their full term of three years).
- (3) Mr Briant's failings arose against a background of high profile communications by the FSA highlighting the need for firms to ensure their PPI sales processes were meeting FSA requirements and for senior management to take the lead in ensuring the fair treatment of customers.

2.6. In deciding upon the level of disciplinary sanction, the FSA recognised the following factors which mitigate the seriousness of Mr Briant's failings:

- (1) Mr Briant was aware throughout the Relevant Period that others at Land of Leather, including officers at senior management level and dedicated compliance staff with extensive experience, were addressing PPI compliance issues. Whilst the FSA has found that ultimately the action they took was insufficient, Land of Leather took a number of positive steps to improve its systems and controls for PPI during the Relevant Period, which resulted in take-up rates (i.e. penetration rates) dropping significantly – on average the stores' take-up rates dropped by 28%, from 95% to 67%.
- (2) Once the FSA identified concerns with Land of Leather's systems and controls, the firm took significant remedial steps. These included seeking and implementing further advice from external accountants and conducting a consumer contact exercise involving all customers who bought PPI on or after 1 November 2006 (comprising over 30% of the total number of PPI customers). Following consultation with the FSA, Land of Leather has agreed

to conduct a similar consumer contact exercise as soon as possible for customers who purchased PPI between 5 May 2006 and 31 October 2006 from stores which had not yet received re-training.

- (3) Mr Briant co-operated fully with the investigation. He is no longer an FSA approved person as this role is now being undertaken by another senior manager of the firm.

### **3. RELEVANT STATUTORY PROVISIONS**

#### **3.1. Section 66 of the Act provides the following:**

- (1) The FSA may take action against a person if it appears to the FSA that he is guilty of misconduct and the FSA is satisfied that it is appropriate in the circumstances to take action against him.
- (2) A person is guilty of misconduct if, while an approved person, he has failed to comply with a Statement of Principle issued under section 64 of the Act.
- (3) If the FSA is entitled to take action under this section against a person, it may impose a penalty on him of such amount as it considers appropriate.

#### **3.2. Pursuant to section 64 of the Act, the FSA has issued the Statements of Principle and Code of Practice for Approved Persons (contained in the part of the FSA Handbook entitled APER). The Statement of Principle relevant to this matter is Statement of Principle 7, which provides that:**

*"An approved person performing a significant influence function must take reasonable steps to ensure that the business of the firm for which he is responsible in his controlled function complies with the relevant requirements and standards of the regulatory system."*

#### **3.3. The Code of Practice for Approved Persons (the Code of Practice) sets out descriptions of conduct which, in the opinion of the FSA, do not comply with a Statement of Principle. In determining whether Mr Briant's conduct amounts to a breach of Statement of Principle 7, the FSA has had regard to the descriptions of conduct in APER 4.7. The relevant provisions are set out in full in the Appendix to this Final Notice.**

#### **3.4. In addition, the Code of Practice also sets out factors which, in the opinion of the FSA, are to be taken into account in determining whether or not the conduct of an approved person performing a significant influence function (such as the apportionment and oversight function performed by Mr Briant) complies with a Statement of Principle. These factors, which have been taken into account in determining whether Mr Briant breached Statement of Principle 7, are the following:**

- (1) whether he exercised reasonable care when considering the information available to him;
- (2) whether he reached a reasonable conclusion which he acted on;

- (3) the nature, scale and complexity of the firm's business;
- (4) his role and responsibility as an approved person performing a significant influence function; and
- (5) the knowledge he had, or should have had, of regulatory concerns, if any arising in the business under his control.

#### **4. FACTS AND MATTERS RELIED ON**

##### **Background**

##### *Land of Leather and Mr Briant*

- 4.1. Mr Briant jointly founded Land of Leather in 1997 and was Managing Director of the firm until June 2004 when he became Chief Executive. Land of Leather's main business is as a furniture retailer. It has 90 branches (with approximately 340 sales staff).
- 4.2. Land of Leather has a secondary business selling third party consumer finance and PPI to customers in connection with their retail purchases. The FSA regulates Land of Leather's sales of PPI.
- 4.3. Land of Leather became directly authorised by the FSA on 5 May 2006 and had previously sold PPI under an appointed representative arrangement.
- 4.4. The controlled function in respect of which Mr Briant was an approved person was Controlled Function 8 (Apportionment and Oversight). The apportionment and oversight function is the function of acting in the capacity of the director or senior manager responsible for either or both of:
  - (1) dealing with the clear and appropriate apportionment of responsibilities among the firm's senior management so that it is clear who has which of those responsibilities and the business and affairs of the firm can be adequately monitored and controlled by senior management; and
  - (2) overseeing the establishment and maintenance of systems and controls appropriate to the firm's business.

During the Relevant Period, Mr Briant was the sole approved person at Land of Leather and as such was allocated both these tasks. This is a 'significant influence' function to which Statement of Principle 7 (among others) applies. Mr Briant only took on this function because he and Land of Leather understood that this function necessarily had to be performed by the firm's Chief Executive Officer. The firm did not therefore consider allocating this role to other directors, some of whom were more familiar with the firm's business of selling PPI. The FSA considers that it is irrelevant why Mr Briant became an approved person when assessing the seriousness of his misconduct – once he took on the apportionment and oversight role it was imperative that he made himself aware of the relevant regulatory obligations and performed them diligently.

#### *The PPI products sold*

- 4.5. Land of Leather sold PPI on a non-advised basis, so it did not make personal recommendations to customers as to whether they should purchase PPI.
- 4.6. Land of Leather sold PPI with 77% of the consumer finance agreements it sold, amounting to some 57,950 PPI policies during the Relevant Period. However, based on past trends, it is estimated that approximately 85.75% of customers will repay their loans during an initial 12 month payment-free period (or have already done so), and will avoid any charge for PPI. The number of customers who purchased PPI and will actually pay for it is projected to be approximately 8,260 customers, and the average single premium cost of PPI is approximately £380 (interest of £339 would be added to the PPI premium if the policy ran for its full term of three years). The total amount of premium paid by Land of Leather's customers, therefore, is projected to be approximately £3.1 million (with additional interest of £2.8 million if all the PPI policies ran for their full term of three years).

#### *Failings in Land of Leather's systems and controls*

- 4.7. In addition to this Final Notice to Mr Briant, the FSA has also issued a Final Notice to Land of Leather. The FSA has identified that, during the Relevant Period, Land of Leather failed to take reasonable care to organise and control its affairs responsibly and effectively. Land of Leather's failings resulted in an unacceptable risk of unsuitable sales and a failure to maintain controls that would ensure that it would treat its customers fairly.

#### *FSA work before and during the Relevant Period*

- 4.8. Before and during the Relevant Period, the FSA highlighted the importance of senior management taking responsibility for the actions of their firms. In particular:
  - (1) In July 2005, the FSA published a paper entitled 'Treating Customers Fairly – Building on Progress'. This stated that the FSA expected senior management to take the lead in making changes to the way their firms do business in order to implement strategies for treating customers fairly.
  - (2) In July 2006, the FSA published a further report on the Treating Customers Fairly initiative, 'Treating Customers Fairly – towards fairer outcomes for consumers'. This highlighted that senior management needed to go further in ensuring that treating customers fairly was embedded throughout their business.
- 4.9. Communications from the FSA have also stressed the importance of having in place robust systems and controls and treating customers fairly when selling PPI, and have highlighted various areas where firms are not complying with the FSA's requirements. In particular:
  - (1) In November 2005, the FSA published the results of the first phase of its thematic work on PPI highlighting a number of key areas where firms were not treating their customers fairly. These areas included training and competence of sales staff and compliance monitoring, which are aspects of Land of

Leather's systems and controls which the FSA found to be lacking during the Relevant Period.

- (2) A second phase of PPI thematic work was reported on in October 2006. The FSA noted that for smaller firms whose main business was not financial services, there was a risk of customer detriment, owing to poorly trained sales staff and lack of supervision of their activities.

- 4.10. Whilst the FSA recognises that Land of Leather was not authorised by the FSA, and Mr Briant was not an approved person, when some of these communications were published, the FSA expects firms who become authorised, and their approved persons, to familiarise themselves with publications directly relevant to their regulated activities.

### **Breach of Statement of Principle 7**

- 4.11. By reason of the facts and matters detailed in paragraphs 4.12 to 4.18 below, the FSA considers that Mr Briant has breached Statement of Principle 7. In determining whether Mr Briant's conduct amounts to a breach of Statement of Principle 7, the FSA has had regard to the descriptions of conduct in APER 4.7, in particular APER 4.7.3 E, 4.7.4 E, 4.7.7 E and 4.7.8 E which are set out in full in the Appendix to this Final Notice.
- 4.12. Mr Briant had no active or ongoing involvement in the firm's PPI business, except that issues could be raised with him on an ad hoc basis from time to time, for example at Board or other committee meetings. This arose in part because Mr Briant spends a large proportion of his time overseas on business, as the director with responsibility for buying Land of Leather's furniture products. Furthermore, the decision for Land of Leather to become directly authorised to sell PPI had been driven by other directors, who had also handled the application process and taken related actions (such as commissioning a gap analysis from external accountants).
- 4.13. Mr Briant was aware throughout the Relevant Period that others at Land of Leather, including officers at senior management level and dedicated compliance staff with extensive experience (who regularly reported to senior management), were addressing PPI compliance issues. The FSA recognises that Land of Leather took a number of positive steps to improve its systems and controls for PPI during the Relevant Period. For example, Land of Leather enhanced the level of resource that was devoted to compliance activities. Once stores received re-training the firm's take-up rates dropped significantly – on average the stores' take-up rates dropped by 28%, from 95% to 65% during the Relevant Period. Although Mr Briant had no direct role in these initiatives, he supported them whenever issues were raised with him.
- 4.14. However, in his role as approved person, Mr Briant did not ensure that anyone at senior management level properly and proactively considered information about the firm's PPI business and assessed its implications on whether Land of Leather was complying with its regulatory responsibilities. The effect of this was serious because material failings in Land of Leather's systems and controls could, and should, have been identified by a proper consideration of information provided to senior management.

- 4.15. Land of Leather's senior management took a reactive, rather than proactive, approach to the oversight of compliance issues. Whilst they responded appropriately when specific issues were escalated to them, there was no active consideration of whether the steps being taken to improve Land of Leather's processes and procedures were adequate and were being introduced quickly enough. This was despite senior management being on notice of high and medium priority issues in relation to training, testing and monitoring identified by external accountants prior to the firm becoming FSA authorised.
- 4.16. Further, Mr Briant failed to maintain an appropriate level of understanding of Land of Leather's PPI business. An approved person performing the apportionment and oversight controlled function must take reasonable steps to adequately inform himself, and maintain an appropriate level of understanding, about the affairs of the business for which he is responsible. Whilst the FSA recognises that an approved person may delegate *authority* for dealing with a part of the business, he cannot delegate *responsibility*. Given that Mr Briant had chosen not to actively involve himself in PPI issues on a regular ongoing basis, he nonetheless needed to maintain an adequate understanding of the firm's PPI business to effectively oversee the firm's systems and controls.
- 4.17. Mr Briant failed to maintain an appropriate level of understanding of Land of Leather's PPI business in the following ways:
- (1) Mr Briant was unaware, even in general terms, of what the consequences of the firm becoming FSA authorised were. He also had no knowledge of what the consequences of him being an approved person were. Mr Briant explained in interview with the FSA that the firm's public flotation at around the same time may have been a factor as to why his mind was on other things.
  - (2) Mr Briant was aware that Land of Leather had instructed external accountants in order to identify areas requiring attention and development in preparation for full FSA authorisation. Despite this, Mr Briant did not take any steps to identify the outcome of the review and so he was unaware of the external accountants' findings identifying high and medium priority needs for training, testing and monitoring (which were not addressed by Land of Leather in a timely manner).
  - (3) Mr Briant failed to have an appropriate level of understanding of the PPI systems and controls Land of Leather had in place (or was proposing to put in place) during the Relevant Period. He did not have any detailed knowledge of any of the relevant systems and controls and there were some controls he was not aware of at all. For example, a key control introduced by Land of Leather during the Relevant Period was a formal programme of observations of live sales introduced in February 2007 to be carried out by Land of Leather's store managers – this was the first time Land of Leather monitored that sales staff were selling PPI fairly and compliantly. Mr Briant was unaware of this control when asked about it in interview. He was also unaware, for example, of the introduction for the first time of sales aids for use by sales staff on the shop floor.



- (4) Mr Briant failed properly to review and consider regular compliance reports provided to him by others at Land of Leather, who relied on him to read these reports as the principal method by which they kept him informed of developments in the firm's systems and controls. He did not review these reports in detail, nor take action in response. One such compliance report advised prior to an FSA visit to the firm that Mr Briant, as the approved person, should catch up and familiarise himself with recent changes to Land of Leather's PPI systems and controls. In interview, Mr Briant could not recall reading this compliance report, nor of being made aware of the importance of maintaining an appropriate level of understanding of the firm's PPI business.
  - (5) Mr Briant failed to require other officers at senior management level to report back to him to explain what steps they had taken to ensure that Land of Leather was complying with its regulatory responsibilities.
- 4.18. The FSA recognises that in many cases it will be appropriate for a chief executive performing the apportionment and oversight function to delegate authority to others within the firm. However, by failing to either actively involve himself in ensuring that Land of Leather's PPI business complied with the relevant requirements and standards of the regulatory system or to make sure that others at senior management level did so in his place, Mr Briant breached Statement of Principle 7. In addition, by failing to take reasonable steps to adequately inform himself about the affairs of Land of Leather's PPI business, Mr Briant was unable to prevent, or even discover, material deficiencies in the firm's systems and controls for PPI.

## **5. RELEVANT GUIDANCE ON PENALTY**

### **Determining the level of the financial penalty**

- 5.1. The FSA's policy in relation to the imposition of financial penalties is set out in Chapter 6 of the Decision Procedure and Penalties Manual which forms part of the FSA Handbook. It was previously set out in Chapter 13 of the Enforcement Manual. These Manuals set out the factors that may be of particular relevance in determining the appropriate level of financial penalty for a firm or an approved person. The criteria are not exhaustive and all relevant circumstances of the case will be taken into consideration.

### **Deterrence**

- 5.2. A financial penalty is required to strengthen the message to the market that it is imperative that chief executives and other senior managers who perform significant influence controlled functions exercise due care and diligence in performing their roles and take reasonable steps to ensure that the business for which they are responsible complies with the relevant requirements and standards of the regulatory system.

### **The seriousness of the breaches**

- 5.3. The FSA has had regard to the seriousness of the breaches, including the nature of the requirements breached, the number and duration of the breaches, the number of

customers who were exposed to risk of loss and the number of customers likely actually to suffer financial detriment.

- 5.4. The FSA has taken into account that failings in Land of Leather's systems and controls, which put customers at an unacceptable increased risk of buying unsuitable PPI, could have been avoided had Mr Briant properly performed his functions as an approved person. The FSA has also considered that Land of Leather sold some 57,950 PPI policies during the Relevant Period, and that it is projected that approximately 8,260 customers will end up incurring a charge for PPI of, on average, £380 (interest of £339 would be added to the PPI premium if the policy ran for its full term of three years). The total amount of premium paid by Land of Leather's customers, therefore, is projected to be approximately £3.1 million (with additional interest of £2.8 million if all the PPI policies ran for their full term of three years).
- 5.5. The FSA has also taken into account that, despite Mr Briant's personal lack of involvement, he was aware throughout the Relevant Period that others at Land of Leather, including officers at senior management level and staff with extensive compliance experience, were addressing PPI compliance issues.

#### **The extent to which the breach was deliberate or reckless**

- 5.6. The FSA does not consider that Mr Briant's misconduct was deliberate or reckless. The FSA considers that Mr Briant's failings resulted from a mistaken belief that others at Land of Leather would address PPI compliance issues adequately without requiring his involvement, rather than from a complete disregard for the interests of consumers.

#### **The financial resources and other circumstances of Mr Briant**

- 5.7. There is no evidence to suggest that Mr Briant is unable to pay the penalty.

#### **The amount of profits accrued**

- 5.8. There is no evidence that Mr Briant stood to make significant financial gains from sales of PPI during the Relevant Period. Whilst Land of Leather has a prominent position in the furniture retail market with a significant degree of public recognition, the sale of PPI is a tertiary activity of the firm (behind furniture sales and arranging credit) and, in terms of total profits made, it is a very small part of Land of Leather's business (PPI sales accounted for just 0.3% of revenue).

#### **Conduct following the breach**

- 5.9. Mr Briant ceased to be the approved person at Land of Leather from 25 December 2007. He has co-operated fully with the Enforcement action.
- 5.10. Once the FSA identified concerns, Land of Leather agreed to suspend its PPI sales until it received appropriate advice from external accountants and had implemented their recommendations. Further, Land of Leather conducted a consumer contact exercise involving all customers who bought PPI on or after 1 November 2006 (comprising over 30% of the total number of PPI customers). This gave customers the opportunity to reconsider whether PPI was suitable for them. No widespread mis-selling was identified and, in a small number of cases (under 0.2%), customers

cancelled their PPI policies and avoided any charge for PPI. Following consultation with the FSA, Land of Leather has agreed to conduct a similar consumer contact exercise as soon as possible for customers who purchased PPI between 5 May 2006 and 31 October 2006 from stores which had not yet received re-training.

- 5.11. Without this level of co-operation in relation to the suspension of sales and the customer contact exercise the financial penalty would have been higher.

#### **Previous action taken in relation to similar failings**

- 5.12. In determining the level of financial penalty, the FSA has taken into account penalties imposed by the FSA on other approved persons for similar behaviour. This was considered alongside the principal purpose for which the FSA imposes sanctions, namely to promote high standards of regulatory conduct by deterring persons who have committed breaches from committing further breaches and helping to deter other persons from committing similar breaches, as well as demonstrating generally the benefits of compliant business.

#### **FSA guidance and other published materials**

- 5.13. In determining the appropriate level of financial penalty, the FSA has had regard to the fact that the FSA has published materials (in particular, as described at paragraphs 4.8 to 4.10 above) which had raised relevant concerns and set out examples of compliant behaviour. This increases the seriousness with which the FSA has viewed the breaches.

#### **Conclusion**

- 5.14. Having regard to the seriousness of the breaches and the risk they posed to the FSA's statutory objectives of maintaining confidence in the financial system and securing the appropriate degree of protection for consumers, the FSA has imposed a financial penalty of £14,000 on Mr Briant.

### **6. DECISION MAKERS**

- 6.1. The decision which gave rise to the obligation to give this Final Notice was made by the Settlement Decision Makers on behalf of the FSA

### **7. IMPORTANT**

- 7.1. This Final Notice is given to Mr Briant in accordance with section 390 of the Act.

#### **Manner of and time of Payment**

- 7.2. The financial penalty must be paid in full by Mr Briant to the FSA by no later than 23 May 2008, 14 days from the date of this Final Notice.

### **If the financial penalty is not paid**

- 7.3. If all or any of the financial penalty is outstanding on 24 May 2008, the FSA may recover the outstanding amount as a debt owed by Mr Briant and due to the FSA.

### **Publicity**

- 7.4. Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this notice relates. Under those provisions, the FSA must publish such information about the matter to which this notice relates as the FSA considers appropriate. The information may be published in such manner as the FSA considers appropriate. However, the FSA may not publish information if such publication would, in the opinion of the FSA, be unfair to Mr Briant or prejudicial to the interests of consumers.
- 7.5. The FSA intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

### **FSA contacts**

- 7.6. For more information concerning this matter generally, Mr Briant should contact Mark Lewis (direct line: 020 7066 4244 /fax: 020 7066 4245) of the Enforcement Division of the FSA.

**William Amos**  
**Head of Retail 1**  
**FSA Enforcement Division**

## **APPENDIX**

### **EXTRACTS FROM THE PART OF THE FSA HANDBOOK ENTITLED 'APER'**

#### **DESCRIPTIONS OF CONDUCT WHICH, IN THE OPINION OF THE FSA, DO NOT COMPLY WITH A STATEMENT OF PRINCIPLE**

##### APER 4.7: STATEMENT OF PRINCIPLE 7

###### *4.7.2 E*

In the opinion of the FSA, conduct of the type described in APER 4.7.3 E, APER 4.7.4 E, APER 4.7.5 E, APER 4.7.7 E, APER 4.7.9 E or APER 4.7.10 E does not comply with Statement of Principle 7 (APER 2.1.2 P).

###### *4.7.3 E*

Failing to take reasonable steps to implement (either personally or through a compliance department or other departments) adequate and appropriate systems of control to comply with the relevant requirements and standards of the regulatory system in respect of its regulated activities falls within APER 4.7.2 E. In the case of an approved person who is responsible, under SYSC 2.1.3 R (2), with overseeing the firm's obligation under SYSC 3.1.1 R, failing to take reasonable care to oversee the establishment and maintenance of appropriate systems and controls falls within APER 4.7.2 E.

###### *4.7.4 E*

Failing to take reasonable steps to monitor (either personally or through a compliance department or other departments) compliance with the relevant requirements and standards of the regulatory system in respect of its regulated activities falls within APER 4.7.2 E (see APER 4.7.12 G).

###### *4.7.7 E*

Failing to take reasonable steps to ensure that procedures and systems of control are reviewed and, if appropriate, improved, following the identification of significant breaches (whether suspected or actual) of the relevant requirements and standards of the regulatory system relating to its regulated activities, falls within APER 4.7.2 E (see APER 4.7.13 G).

###### *4.7.8 E*

Behaviour of the type referred to in APER 4.7.7 E includes, but is not limited to:

- (1) unreasonably failing to implement recommendations for improvements in systems and procedures;
- (2) unreasonably failing to implement recommendations for improvements to systems and procedures in a timely manner.