
FINAL NOTICE

To: **Mr Shaun Lawrence trading as Shaun Lawrence**
Of: **110 Broad Lane, Brinsley, Nottingham, NG16 5GP**
FRN: **310086**
Dated: **19 December 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 decision to prohibit you, Shaun Lawrence, from performing any function in relation to any activity carried on by any authorised person, exempt person or exempt professional firm and to cancel the permission granted to you to carry on regulated activities:

1. ACTION

- 1.1. The FSA gave you, Mr Lawrence, a Decision Notice on 19 December 2008 which notified you that the FSA has decided:
- (1) to make an order, pursuant to section 56 of the Financial Services and Markets Act (“the Act”), prohibiting you from performing any function in relation to any regulated activity carried on by any authorised person, exempt person or exempt professional firm (the “Prohibition Order”); and
 - (2) to cancel, pursuant to section 45 of the Financial Services and Markets Act 2000 (“the Act”), the permission granted to you as a sole trader, trading as the Firm, pursuant to Part IV of the Act (your “Part IV permission”).
- 1.2. You confirmed on 2 December 2008 that you 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 you the facts and matters relied on, the FSA has today cancelled your Part IV permission. The

prohibition order also has effect from today and shall be without limit of time.

2. REASONS FOR THE ACTION

2.1. On the basis of the facts and matters and conclusions described in the Warning Notice and Decision Notice, the FSA has concluded that:

- (1) in your capacity as sole trader, trading as Shaun Lawrence (“the Firm”) and mortgage advisor, you failed to take reasonable care to organise and control the Firm’s affairs responsibly and effectively, with adequate risk management systems.
- (2) you provided information to lenders that may have been deliberately misleading in order to facilitate your customers obtaining mortgages;
- (3) you failed to ensure that the Firm dealt with the FSA in an open and cooperative way by failing to disclose that the business was at risk of being used for the purposes of financial crime;
- (4) you failed to explain to the FSA why some documents were missing from particular files between their review by the FSA at the Firm’s offices and you sending them on to the FSA for further investigation, and failed to provide those documents on request; and
- (5) you failed to take reasonable steps to ensure that the Firm complied with the relevant requirements and standards of the regulatory system regarding arranging and effecting regulated mortgage contracts. These include failings regarding the implementation of adequate systems and controls, the suitability of advice and appropriate compliance monitoring.

2.2. As a result of the nature and seriousness of these breaches, the FSA concluded that you failed to meet minimum regulatory standards in terms of competence and capability, honesty and integrity and are not fit and proper to perform any functions in relation to regulated activities carried on by authorised persons, exempt persons and exempt professional persons. The FSA has decided to make a Prohibition Order against you since you are the principal responsible for ensuring the Firm meets regulatory standards.

2.3. Further, the FSA concluded that the Firm fails to satisfy the threshold conditions set out in Part 1 of Schedule 6 to the Act (the “Threshold Conditions”). In the opinion of the FSA:

- (1) the Firm has inadequate resources in relation to the regulated activities that it has permission to carry on. Specifically, the Firm has inadequate human resources in that there is no suitable person currently within the Firm holding or capable of holding significant influence functions (Threshold Condition 4); and

(2) the Firm no longer satisfies the FSA that it is fit and proper to conduct regulated activities having regard to all the circumstances including its connection with you, the nature of the regulated activities that it seeks to carry on and the need to ensure that its affairs are conducted soundly and prudently (Threshold Condition 5). Specifically, the Firm does not have a competent and prudent management in place.

2.4. Therefore, the FSA has decided to cancel the Firm's Part IV permission.

3. RELEVANT STATUTORY PROVISIONS

3.1. The FSA's regulatory objectives, which are set out in section 2(2) of the Act, include the maintenance of market confidence, the protection of consumers and the reduction of financial crime.

Prohibition

3.2. The FSA has the power, by virtue of section 56 of the Act, to make an order prohibiting you from performing a specified function, any function falling within a specified description or any function, if it appears to the FSA that you are not a fit and proper person to perform functions in relation to a regulated activity. Such an order may relate to a specified regulated activity, any regulated activity falling within a specified description or all regulated activities.

FSA's policy for exercising its power to make a prohibition order

3.3. The FSA's approach to exercising its powers to make prohibition orders is set out at Chapter 9 of the Enforcement Guide ("EG"). Although the references in this notice are to EG, the FSA has also had regard to the appropriate provisions of the FSA's Enforcement Manual ("ENF") which applied during the majority of the relevant period during which your misconduct occurred.

3.4. The relevant sections of EG are set out in Annex A.

Fit and Proper Test for Approved Persons

3.5. The part of the FSA Handbook entitled "FIT" sets out the Fit and Proper test for assessing the continuing fitness and propriety of approved persons and for assessing candidates for becoming approved persons. FIT also applies to firms and applicants for Part IV permissions and therefore is relevant in assessing your fitness and propriety given that you are responsible for ensuring the Firm meets its regulatory requirements as an authorised firm. In accordance with EG 9.17 and EG 9.9 FIT is a relevant consideration for the FSA in deciding whether to make a prohibition order against an unapproved person.

3.6. The relevant sections of FIT are set out in Annex A.

Cancellation

- 3.7. Section 41 and Schedule 6 of the Act set out the Threshold Conditions which are conditions that the FSA must ensure a firm will satisfy, and continue to satisfy, in relation to regulated activities for which it has permission.
- 3.8. The FSA is permitted by section 45(2) of the Act to cancel a Part IV permission where it appears that there is, or is likely to be, a failure to satisfy the Threshold Conditions.
- 3.9. Paragraph 4 of Schedule 6 to the Act sets out Threshold Condition 4 which provides that the resources of the person concerned must, in the opinion of the FSA, be adequate in relation to the regulated activities that he seeks to carry on or carries on.
- 3.10. Paragraph 5 of Schedule 6 to the Act sets out Threshold Condition 5 which provides that the person concerned must satisfy the FSA that he is a fit and proper person having regard to all the circumstances including: (a) his connection with any person; (b) the nature of any regulated activity that he carries on or seeks to carry on; and (c) the need to ensure that his affairs are conducted soundly and prudently.

Other relevant regulatory provisions

- 3.11. In exercising its power to cancel a Part IV permission, the FSA must also have regard to relevant regulatory provisions and guidance, particularly in EG. The relevant extract of EG is included in Annex A.

4. FACTS AND MATTERS RELIED ON

Background

- 4.1. The Firm is a sole trader mortgage broker. You are responsible for mortgages in the Firm and advise on regulated mortgage contracts. You are not an approved person but as a sole trader, trading as the Firm, you are responsible for its activities. The Firm became authorised by the FSA under Part IV of the Act on 31 October 2004 and has permission to carry on the following regulated activities:
 - (1) advising (ex Pension Transfer/Opt Outs);
 - (2) advising on regulated mortgage contracts;
 - (3) agreeing to carry on a regulated activity;
 - (4) arranging deals in investments;
 - (5) arranging (bringing about) regulated mortgage contracts;
 - (6) assisting in administration of insurance;
 - (7) dealing in investments as agent; and
 - (8) making arrangements with a view to regulated mortgage contracts.

- 4.2. You are the sole principal responsible for mortgage advice and are currently the advisor who advises on regulated mortgage contracts.
- 4.3. The FSA obtained information that the Firm was conducting its business with inadequate systems and controls and that fraudulent business had been submitted through the Firm in relation to mortgages. Consequently, the FSA arranged a visit to the Firm's offices in July 2008.
- 4.4. During the visit, you could not provide the FSA with a complete list of files as you stated that many of the files had been removed by an introducer to the Firm and by an advisor. The FSA did review some customer files during their visit and asked you to send the files to the FSA for further investigation. However, on arrival of the files at the FSA's offices, the FSA found that a number of documents were missing and asked you to forward these on to the FSA. You have so far not complied with this request, or provided an explanation in respect of the missing documents.
- 4.5. Unless otherwise stated the facts and matters set out in paragraphs 4.6 to 4.32 below, relate to the period from 31 October 2004 to 4 August 2008.

Demonstrating suitability of advice

Gathering customer information

- 4.6. The Firm uses a fact find to gather KYC information. However, from the FSA's review of 25 of your customer files, there were eight cases in which fact finds were either incomplete or missing altogether. These eight cases demonstrated your failure to obtain sufficient information on the customers' income, credit history, lending into retirement and needs and preferences in order to give suitable advice.
- 4.7. Further, there were a number of cases where inconsistent KYC information had been gathered. Two examples demonstrate this, which completed in June and July 2007 respectively. In the first case, the fact find stated that the customer was unemployed but the mortgage application to the lender stated that she was self-employed with a profitable business since 2004. In the second case, the fact find stated that a customer worked for a particular firm since 1999 earning £15,000 per year but the mortgage application to the lender stated that the customer had been working for a different firm since 2001 earning £45,000 per year. These examples suggest information provided to lenders may have been deliberately misleading in order to facilitate your customers obtaining mortgages.
- 4.8. On a number of files reviewed, you did not verify a customer's identity where they were an existing customer of the Firm prior to 1 April 1994, the coming into force of the Money Laundering Regulations 1993. Instead, you issued a document for your customers to sign declaring that they were a customer prior to 1 April 1994. This meant that customer identities were not sufficiently documented or verified for money laundering or financial crime purposes.

Evidence of product research

- 4.9. During the FSA's visit, you indicated that you sourced products using a single electronic sourcing system and that a record of this would be kept on file with a note as to why the product was suitable. However, in many of the customer files reviewed, there was no record of this.
- 4.10. Three of the customer files reviewed showed that, where product research had been evidenced, the final product and lender recommended was either not listed top or not on the product list at all. No explanation was on file as to why a different product was deemed suitable to the leading products sourced.

Evidence of product suitability

- 4.11. The Firm often failed to send out or maintain copies of a Key Facts Illustration ("KFI"), or failed to update or keep a copy of a revised KFI if the product had changed or been updated.
- 4.12. From the files reviewed, it was often unclear why a number of customers were recommended for a self-certified mortgage when the customer was employed. Customers who are employed and can prove their income most commonly take out full status mortgages, which require income to be verified. A review of the files showed that in almost all cases, sufficient affordability checks had not been carried out and income had not been verified.
- 4.13. From the files reviewed, most customers proceeded with interest-only mortgages. However, given that affordability assessments were often insufficient, it was not clear why interest-only mortgages (often the cheaper option) were recommended or whether the risks of interest-only mortgages had been conveyed to customers.

Conclusion

- 4.14. The Firm failed to demonstrate that it:
 - (1) obtained adequate KYC information for the purposes of recommending a suitable mortgage and reducing the risk of financial crime;
 - (2) ensured KYC information was consistent and not deliberately misleading to lenders; and
 - (3) recorded how or why specific mortgages had been recommended as suitable for specific customers.
- 4.15. The Firm is therefore unable to demonstrate that the advice given to customers was suitable for their needs and preferences based on the customer information gathered. Customers were therefore exposed to the risk of unsuitable sales. Further, given that product research was not documented sufficiently, the Firm would be unable to monitor the adequacy of its sales processes and customer documentation.
- 4.16. The Firm is also unable to demonstrate that the information collected was sufficient to counter the risks of financial crime.

- 4.17. As a sole trader, trading as the Firm, you were responsible for ensuring the Firm had adequate procedures in place to ensure that it complied with relevant regulatory standards concerning the recording of recommendations given and reducing the risks of financial crime. You failed to take reasonable steps to do this.

Appropriate systems and controls to ensure suitability of advice

Training and monitoring of advisors

- 4.18. The running of your business and the implementation of systems and controls had been largely delegated to other members of staff at the Firm. This in part is due to you spending a considerable amount of time out of the country. As a consequence, you failed to monitor advisors and business activities in the Firm and ensure that you and the other advisors are competent and up-to-date with regulatory changes.
- 4.19. During the FSA's visit to the Firm, it became clear that you allowed introducers to gather KYC information without further checks for accuracy being done by you or an advisor before advice was given. Introducers also had access to the Firm's online submission lender systems without appropriate monitoring. This, in effect, means a non-authorized introducer was working in an authorized area of your business without the appropriate qualifications, which increased the risk that the Firm could be used for the purposes of financial crime.

Compliance function

- 4.20. The Firm does not have a formal, compliant process for either advised or non-advised sales of mortgages in place which is followed by you or other advisors. In one customer file, the KFI and initial disclosure document ("IDD") state that the mortgage is advised, yet the offer states that the mortgage was non-advised.
- 4.21. The Firm does not generate management information, only a basic business register which does not capture adequate amounts of information to monitor the activities of the business. As a result, you are unable to differentiate between business carried out through the Firm and business carried out by another firm you operate, Shaun Lawrence Limited (which is not directly authorised).
- 4.22. During the FSA's visit you could not supply the FSA with a complete list of customer files as you had allowed some of them to be removed by a previous advisor and a previous introducer. As a consequence, the Firm has no means to follow up customer queries or complaints should they arise. Further, the Firm exposed personal and confidential customer information to the risk that it could be used for financial crime purposes since you are unaware who has access to those files now.

Conclusion

- 4.23. The Firm failed to:
- (1) implement appropriate arrangements for the supervision and ongoing monitoring of its advisors and introducers who submitted business;
 - (2) implement a formal sales process for advised and non-advised sales;
 - (3) generate sufficient management information to monitor business activities within the Firm and differentiate them from the activities of Shaun Lawrence Limited; and
 - (4) maintain and protect personal and confidential customer information.
- 4.24. The Firm therefore failed to establish or maintain appropriate management and control arrangements to ensure the suitability of advice given to customers.
- 4.25. Further, the lack of monitoring of the Firm's advisors and introducers meant that customers were exposed to the unacceptable risk that they would receive advice from untrained or incompetent advisors. It also meant the Firm was susceptible to being used as a vehicle for financial crime.
- 4.26. As a sole trader, trading as the Firm, you were responsible for ensuring that the Firm had adequate procedures in place to ensure the suitability of advice given to customers and ensure the Firm had sufficient systems and controls in place to mitigate the risks of financial crime. You failed to take reasonable steps to do this.

Relations with regulators

- 4.27. The FSA carried out a visit to the Firm's offices following information received from outside the Firm that the Firm had inadequate systems and controls with regard to mitigating fraud. You were aware of these concerns and therefore, by failing to notify the FSA of these concerns yourself, you failed to deal with the FSA in an open and co-operative manner.
- 4.28. The FSA reviewed a sample of customer files at your office and asked you to forward them on to the FSA. However, once the documents arrived at the FSA, the FSA noted that a fact find and an enquiry form for two particular customers had been removed. Both the fact find and the enquiry form were one of two KYC documents used for these particular customers which contained inconsistent customer information on employment and income. This suggests either that information provided to lenders was deliberately misleading in order to process a mortgage application or that the Firm lacked the necessary systems and controls needed to monitor inconsistencies in customer information.
- 4.29. You have failed to provide these missing documents, or to provide an explanation as to why they are missing, despite a request by the FSA to do so.

Conclusion

- 4.30. The Firm failed to:
- (1) disclose to the FSA that a third party had identified poor systems and controls at the Firm, matters that related to its business of which the FSA would reasonably expect notice; and
 - (2) provide missing documents to the FSA that had been removed from customer files, following a request to do so.
- 4.31. Therefore the Firm failed to deal with the FSA in an open and cooperative way.
- 4.32. As a sole trader, trading as the Firm, you were responsible for ensuring that the Firm had adequate procedures in place to ensure that it complied with the relevant regulatory standards concerning co-operation with the FSA. You failed to take reasonable steps to do this.

Conclusion

- 4.33. As a result of the breaches and failings identified above in paragraphs 4.6 to 4.32, it is clear that you failed to understand, and comply with, your regulatory responsibilities. The conduct described above leads the FSA to conclude that you lack not only the competence and capability to comply with your regulatory responsibilities, but also demonstrated a failure to act with the requisite honesty and integrity with regards to submitting misleading information to lenders and to the FSA.

5. ANALYSIS OF BREACHES AND SANCTIONS

- 5.1. The FSA has considered whether you are a fit and proper person to continue to perform some or any functions in relation to regulated activities. In doing so, the FSA has considered its findings in Section 4 above with regard to the statutory and regulatory requirements referred to in Section 3 and Annex A. The FSA has found that you:
- (1) failed to act with competence and capability, by failing to have adequate systems and controls in place that are required for an authorised firm;
 - (2) failed to act with honesty and integrity, by misleading lenders and the FSA; and
 - (3) demonstrated a serious lack of compliance with regulatory standards in the way you managed the Firm for which you are responsible, in particular through your poor oversight of the Firm's advisors and introducers.
- 5.2. As a result, the FSA considers that you lack both competence and capability and honesty and integrity and that therefore you are not fit and proper to carry on functions in relation to any regulated activity carried on by any authorised person, exempt person or exempt professional person.

- 5.3. The FSA has concluded that the nature of these matters, the period of time during which they occurred and the gravity of them directly impugn your competence and capability and honesty and integrity. The FSA considers that you pose a serious risk to lenders and consumers and to the FSA's regulatory statutory objectives of maintaining confidence in the financial system, protecting consumers and the reduction of financial crime.
- 5.4. The FSA has therefore decided to exercise its powers to make a prohibition order in the terms proposed.
- 5.5. Further, the FSA has concluded that the Firm is failing, and is unable, to satisfy Threshold Condition 4 (Adequate resources) and Threshold Condition 5 (Suitability) as a result of the findings above. Therefore the FSA has decided to cancel your Part IV permission.

6. DECISION MAKERS

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

7. IMPORTANT

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

Publicity

- 7.2. 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 you or prejudicial to the interests of consumers.
- 7.3. The FSA intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

FSA contacts

- 7.4. For more information concerning this matter generally, you should contact Catherine Harris of the FSA (direct line: 020 7066 4872/fax: 020 7066 4873).

Signed:

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Jonathan Phelan

FSA Enforcement Division

1. ANNEX A

EG

- 1.1. EG 9.1 states that the FSA's power to make prohibition orders under section 56 of the Act helps it work towards achieving its regulatory objectives. The FSA may exercise this power where it considers that, to achieve any of those objectives, it is appropriate either to prevent an individual from performing any functions in relation to regulated activities or to restrict the functions which he/she may perform.
- 1.2. EG 9.4 sets out the general scope of the FSA's powers in this respect. The FSA has the power to make a range of prohibition orders depending on the circumstances of each case and the range of regulated activities to which the individual's lack of fitness and propriety is relevant. EG 9.5 provides that the scope of a prohibition order will vary according to the range of activities that the individual performs in relation to regulated activities, the reasons why he is not fit and proper and the severity of the risk posed by him to the consumers or the market generally.
- 1.3. EG 9.17 to 9.18 provide guidance on the FSA's exercise of its power to make a prohibition order against an individual who is not an approved person. The FSA will consider the severity of the risk posed by the individual and may prohibit the individual where it considers this is appropriate to achieve one or more of its regulatory objectives. When considering whether to exercise its power to make a prohibition order against such an individual, the FSA will consider all the relevant circumstances of the case, which may include but are not limited to the factors set out in EG 9.9.
- 1.4. EG 9.9 provides that when deciding whether to make a prohibition order the FSA will consider all the relevant circumstances of the case, which may include (but are not limited to):
 - (1) the matters set out in section 61(2) of the Act;
 - (2) whether the individual is fit and proper to perform functions in relation to regulated activities. The criteria for assessing fitness and propriety are set out in FIT 2.1 (Honesty, integrity and reputation), FIT 2.2 (Competence and capability) and FIT 2.3 (Financial soundness);
 - (3) whether, and to what extent, the approved person has:
 - (i) failed to comply with the Statements of Principle issued by the FSA with respect to the conduct of approved persons; or
 - (ii) been knowingly concerned in a contravention by the relevant firm of a requirement imposed on the firm by or under the Act (including the Principles and other rules).
 - (4) the relevance and materiality of any matters indicating unfitness;
 - (5) the length of time since the occurrence of any matters indicating unfitness;

- (6) the particular controlled function the approved person is (or was) performing, the nature and activities of the firm concerned and the markets in which it operates; and
 - (7) the severity of the risk which the individual poses to consumers and to confidence in the financial system.
- 1.5. EG 9.10 provides that the FSA may have regard to the cumulative effect of a number of factors.
- 1.6. EG 9.12 provides a number of examples of types of behaviour which have previously resulted in the FSA deciding to issue a prohibition order or withdraw the approval of an approved person. The examples include:
 - (1) providing false or misleading information to the FSA, including information relating to identity, ability to work in the United Kingdom, and business arrangements;
 - (2) severe acts of dishonesty, for example those which may have resulted in financial crime;
 - (3) serious lack of competence; and
 - (4) serious breaches of the Statements of Principle and Code of Practice for Approved Persons, such as providing misleading information to clients, consumers or third parties.
- 1.7. EG 8.13(1) provides that the FSA will consider cancelling a firm's Part IV permission using its own-initiative powers contained in section 45 of the Act where the FSA has very serious concerns about a firm, or the way its business is or has been conducted.
- 1.8. EG 8.14 provides that the grounds on which the FSA may exercise its power to cancel an authorised person's permission under section 45 of the Act are set out in section 45(1). These include where it appears to the FSA that the firm is failing, or is likely to fail, to satisfy the Threshold Conditions.

FIT

- 1.9. FIT 1.3 provides that the FSA will have regard to a number of factors when assessing a person's fitness and propriety. Among the most important considerations will be the person's honesty, integrity and reputation and their competence and capability.
- 1.10. In determining a person's honesty, integrity and reputation, FIT 2.1 states that the FSA will have regard to matters including, but not limited to, those set out in FIT 2.1.3G. This guidance includes:
 - (1) whether the person has contravened any of the requirements and standards of the regulatory system (FIT 2.1.3G(5));

- (2) whether, in the past, the person has been candid and truthful in all his dealings with any regulatory body and whether the person demonstrates a readiness and willingness to comply with the requirements and standards of the regulatory system and with other legal, regulatory and professional requirements and standards (FIT 2.1.3G(13)).
- 1.11. In determining a person's competence and capability FIT 2.2 states that the FSA will have regard to matters including, but not limited to, those set out in FIT 2.2.1 G. This guidance includes:
 - (1) whether the person satisfies the relevant FSA training and competence requirements in relation to the controlled function the person performs or is intended to perform (FIT 2.2.1G(1));
 - (2) whether the person has demonstrated by experience and training that the person is able, or will be able if approved, to perform the controlled function (FIT 2.2.1G(2)).

HANDBOOK

- 1.12. In exercising its power to cancel a Part IV permission, the FSA must have regard to relevant provisions in the FSA Handbook.
- 1.13. Threshold Condition 4: Adequate resources (Paragraph 4, Schedule 6 to the Act) – COND 2.4
- 1.14. COND 2.4.1D(1) states that the resources of the person concerned must, in the opinion of the FSA, be adequate in relation to the regulated activities that he seeks to carry on, or carries on.
- 1.15. COND 2.4.2G(1) provides that Threshold Condition 4 requires the FSA to ensure that a firm has adequate resources in relation to the specific regulated activity or regulated activities which it seeks to carry on, or carries on.
- 1.16. COND 2.4.2G(2) provides that the FSA will interpret the term “adequate” as meaning sufficient in terms of quantity, quality and availability, and “resources” as including all financial resources, non-financial resources and means of managing its resources such as, for example, human resources.
- 1.17. COND 2.4.3G(1) provides that when assessing this Threshold Condition, the FSA may have regard to any person appearing to it to be, or likely to be, in a relevant relationship with the firm, in accordance with section 49 of the Act (Persons connected with an applicant); for example, a firm's controllers, its directors or partners, other persons with close links to the firm, and other persons that exert influence over the firm which might pose a risk to the firm's satisfaction of the Threshold Conditions and would, therefore, be in a relevant relationship with the firm.

Threshold Condition 5: Suitability (Paragraph 5, Schedule 6 to the Act) – COND 2.5

- 1.18. COND 2.5.1D states that the person concerned must satisfy the FSA that he is a fit and proper person having regard to all the circumstances, including: (a) his connection with any person; (b) the nature of any regulated activity that he carries on or seeks to carry on; and (c) the need to ensure that his affairs are conducted soundly and prudently.
- 1.19. COND 2.5.2G(1) provides that Threshold Condition 5 requires the firm to satisfy the FSA that it is “fit and proper” to have Part IV permission having regard to all the circumstances, including its connection with other persons, the range and nature of its regulated activities and the overall need to be satisfied that its affairs are and will be conducted soundly and prudently.
- 1.20. COND 2.5.3G(1) provides that the emphasis of this Threshold Condition is on the suitability of the firm itself. The suitability of each person who performs a controlled function will be assessed by the FSA under the approved persons' regime. In certain circumstances, however, the FSA may consider that the firm is not suitable because of doubts over the individual or collective suitability of persons connected with the firm.
- 1.21. COND 2.5.3G(2) permits the FSA, when assessing this Threshold Condition in relation to a firm, to have regard to any person appearing to it to be, or likely to be, in a relevant relationship with the firm, as permitted by section 49 of the Act (Persons connected with the applicant). The guidance in COND 2.5.3G(2) also refers to COND 2.4.3G, which sets out examples of persons in a relevant relationship with the firm.
- 1.22. COND 2.5.4G(2) provides that when determining whether the firm will satisfy and continue to satisfy Threshold Condition 5, the FSA will have regard to all relevant matters including whether a firm: (a) conducts, or will conduct, its business with integrity and in compliance with proper standards; or (b) has or will have a competent and prudent management and (c) can demonstrate that it conducts, or will conduct, its affairs with the exercise of due skill, care and diligence.
- 1.23. COND 2.5.6G(1) provides that in determining whether a firm will satisfy, and continue to satisfy, Threshold Condition 5 in respect of conducting its business with integrity and in compliance with proper standards, relevant matters may include whether the firm has been open and co-operative in all its dealings with the FSA and any other regulatory body and is ready, willing and organised to comply with the requirements and standards under the regulatory system and other legal, regulatory and professional obligations.
- 1.24. COND 2.5.6G(4) provides that in determining whether a firm will satisfy, and continue to satisfy, Threshold Condition 5 in respect of conducting its business with integrity and in compliance with proper standards, relevant matters may include whether the firm is connected with a person who has contravened any provisions of the Act or the regulatory system.
- 1.25. COND 2.5.6G(6) provides that in determining whether a firm will satisfy, and continue to satisfy, Threshold Condition 5 in respect of conducting its business with integrity and in compliance with proper standards, relevant matters may include whether the firm has taken reasonable care to establish and maintain effective systems

and controls for compliance with applicable requirements and standards under the regulatory system that apply to the firm and the regulated activities for which it has, or will have, permission.

- 1.26. COND 2.5.6G(7) provides that in determining whether a firm will satisfy, and continue to satisfy, Threshold Condition 5 in respect of conducting its business with integrity and in compliance with proper standards, relevant matters may include whether the firm has put in place procedures which are reasonably designed to ensure that it has made its employees aware of, and compliant with, those requirements and standards under the regulatory system that apply to the firm and the regulated activities for which it has, or will have permission.
- 1.27. COND 2.5.7G(1) provides that in determining whether a firm will satisfy, and continue to satisfy, Threshold Condition 5 in respect of having competent and prudent management, relevant matters may include whether the governing body of the firm is made up of individuals with an appropriate range of skills and experience to understand, operate and manage the firm's regulated activities.
- 1.28. COND 2.5.7G(5) provides that in determining whether a firm will satisfy, and continue to satisfy, Threshold Condition 5 in respect of having competent and prudent management, relevant matters may include whether the firm has made arrangements to put in place an adequate system of internal control to comply with the requirements and standards under the regulatory system.