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## FIRST SUPERVISORY NOTICE

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**To:** Lilium Markets Ltd

**Reference Number:** 913607

**Address:** 6A Hertford Street  
London  
W1J 7RF

**Date:** 3 October 2022

### 1 ACTION

1.1 For the reasons given in this First Supervisory Notice, and pursuant to regulation 12(1) and 15 of the Payment Services Regulations 2017 ("the PSR"), the Financial Conduct Authority ("the Authority") has decided to vary the registration granted to Lilium Markets Ltd ("the Firm") pursuant to Part 2 of the PSR by:

- 1) removing the following payment service the Firm provides:
  - a) Money remittance; and
- 2) imposing the following requirements ("the Requirements") on the Firm with immediate effect:
  - a) By close of business **Monday, 10 October 2022** the Firm must remove, or where this is not practicable, use its best endeavours to secure the removal of, any advertising and financial promotions it currently has live, in whatever form they may take. This includes, but should not be limited to, videos on YouTube, online press articles (including but not limited to Manchester Express and Leicester Buzz) and posts across all social media platforms (including but not limited to Facebook, Twitter and Instagram).
  - b) The Firm must not issue or publish any advertising or financial promotions in relation to payment services, money service business, regulated activities or electronic money. This includes, but it not limited to advertising or publication on the Website, YouTube and social media channels.
  - c) The Firm must secure and preserve all records and/or information (physical or electronic) relating to all activities carried on by it, including but not limited to regulated activities. These must be retained in a form and at a location within the United Kingdom, to be notified to the Authority in writing by close of business **Monday, 10 October 2022**, such that they (or, so as not to hinder the Firm's performance of its business activities, true copies of them) can be provided to the Authority, or to a person named by the Authority, promptly on its request.

- d) By close of business **Friday, 7 October 2022**, the Firm must update its details displayed on the Authority's Register online using Connect. This must include but should not be limited to details of its directors, all addresses, telephone numbers, email addresses and complaint contact details.
  - e) The Firm must provide written confirmation to the Authority that it is in compliance with these Requirements by close of business **Monday, 10 October 2022**, together with a list of all advertising and financial promotions removed.
- 1.2 The effect of the removal of the payment service in accordance with paragraph 1.1(1) is that the Firm cannot provide any payment services.
- 1.3 The variation shall take immediate effect and remain in force unless and until varied or cancelled by the Authority (either on the application of the Firm or of the Authority's own volition).

## **2 REASONS FOR ACTION**

### **Summary**

- 2.1 The Authority has concluded, on the basis of the facts and matters described below, that it is necessary to vary the Firm's registration by removing the payment services it provides and imposing the Requirements because it appears the Firm no longer meets, or it is unlikely to meet, the conditions for registration under regulation 14(11) of the PSR and it is desirable in order to protect the interests of consumers pursuant to regulation 12(1)(d) of the PSR.
- 2.2 The Authority has identified serious concerns that:
- 1) A small payment institution ("SPI") is required, as a condition of registration under regulation 14(11) of the PSR, to be included in the HMRC Register. The Firm is in breach of this requirement: it is not included on the HMRC Register; it has never successfully obtained HMRC registration; and its two applications for HMRC registration were rejected on 21 April 2020 and 15 January 2021 respectively.
  - 2) The Firm is registered as a payment services firm to provide money remittance only; it is not authorised under the Act and does not hold any permissions to conduct regulated activities under the Act. The Authority considers that the contents of the Firm's Website (not currently live as at September 2022), various YouTube videos purporting to be from the Firm (which remain live), two online articles (which remain live) and the Firm's business plan, suggest the Firm may be offering, or intending to offer, contract for differences ("CFD") and other investment services while not having the relevant permissions to do so.
- 2.3 The Authority considers variation of the Firm's registration by removing its payment service and imposing the Requirements should take immediate effect because the matters set out in this FSN raise serious concerns about the Firm's suitability and demonstrate that the Firm is putting customers at risk of significant potential loss or adverse effects and otherwise.

### **3 DEFINITIONS**

3.1 The definitions below are used in this First Supervisory Notice:

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

"Authority" means the Financial Conduct Authority;

"CFD" means contract for differences;

"EMR" means the Electronic Money Regulations 2011

"the Firm" means Liliium Markets Ltd;

"the First Application" means the Firm's first application to HMRC for registration on the HMRC Register submitted 26 September 2019;

"Financial Services Register" means the public record maintained by the Authority as required by, *inter alia*, regulation 4 of the PSR;

"FOS" means the Financial Ombudsman Service;

"FSCS" means the Financial Services Compensation Scheme;

"FSN" means First Supervisory Notice;

"HMRC" means HM Revenue and Customs;

"The HMRC Register" means the Supervised Business Register maintained by HMRC under the MLR;

"MLR" means the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017;

"money service business" means an undertaking which by way of business operates a currency exchange office, transmits money (or any representation of monetary value) by any means or cashes cheques which are made payable to customers;

"PSR" means the Payment Services Regulations 2017;

"Requirements" means the terms imposed on the Firm by this First Supervisory Notice as outlined in section 1 above;

"the Second Application" means the Firm's second application to HMRC for registration on the HMRC Register submitted 14 September 2020;

"SPI" means a small payment institution registered pursuant to regulation 14 of the PSR and included by the Authority in the Financial Services Register pursuant to regulation 4(1)(b) of the PSR;

"Tribunal" means the Upper Tribunal (Tax and Chancery Chamber);

"the Website" means the Firm's former website at <https://liliium-markets.com/>.

## 4 FACTS AND MATTERS

### Background

- 4.1 The Firm was incorporated on 28 June 2019 with the name Sama Exchange and Travel Limited. It was renamed to Safa Exchange and Travel Limited on 2 July 2019. It was renamed a third time to Liliium Markets Ltd on 27 November 2021.
- 4.2 The Firm is an SPI. It was registered by the Authority on 30 March 2020 under the PSR to provide payment services. The sole payment service it is registered to provide is money remittance. The Firm is not an authorised firm.
- 4.3 As part of the Firm's application for registration, the Firm told the Authority that "[t]he company's operations will be only based on money transmission to different countries [...] There are no other business activities undertaken by the firm." A firm that transmits money (or any representation of monetary value), such as the Firm, carries on a money service business for the purposes of regulation 3(1) of the MLR.
- 4.4 The Firm has had three different Directors since it was registered with the Authority. The Firm's current Director was appointed on 21 March 2022 and remains in role.

### Failure to be included on HMRC's Register

- 4.5 The conditions of registration in the PSR require the Firm to be included in the HMRC Register (regulation 14(11)). HMRC is a supervisory body under the MLR for certain firms, including a money service business such as the Firm.
- 4.6 The Firm is not on the HMRC Register, and HMRC has confirmed to the Authority that it has no evidence that the Firm has ever been on the HMRC Register. The Firm has applied twice for HMRC registration but been refused both times:
  - 1) The Firm applied for registration on the HMRC Register on 26 September 2019 ("the First Application"). During the period that during the period HMRC was considering this application, the Firm was treated as though it were on the HMRC Register, and therefore permitted to act as a money service business. This application was refused on 21 April 2020. Within the refusal letter, HMRC informed the Firm that the refusal meant that the Firm could not carry out any "relevant activity" including acting as a money service business and may be subject to penalties and/or prosecution if it did so;
  - 2) On 14 September 2020, the Firm submitted its second registration application to HMRC ("the Second Application"). This was refused by HMRC on 15 January 2021. In the refusal letter, HMRC reiterated that the Firm may be subject to penalties and/or prosecution if it trades as a money service business;
  - 3) From 21 April 2020, when the First Application was refused by HMRC, the Firm has not been permitted by HMRC to carry out any relevant activity, including acting as a money service business. HMRC has confirmed that the Firm's Second Application did not confer any temporary registration effect on the Firm while HMRC was considering it.
- 4.7 The Firm was registered as an SPI with the Authority on 30 March 2020. Within its

application, the Firm provided confirmation that it had submitted the First Application. An SPI's registration on the HMRC Register is relevant to the fulfilment of the conditions for registration under regulation 14(11) of the PSR. An SPI is required by regulation 37(1)(b) PSR to provide details of a significant change in circumstances which is relevant to fulfilment of the conditions for registration. The Authority can find no evidence that the Firm informed it that either the First or the Second Applications had been refused by HMRC.

4.8 On 9 May 2022 the Authority wrote to the Firm stating that it did not appear that the Firm was on the HMRC Register and requesting that it sign a voluntary undertaking. On 10 May 2022, the Firm signed the voluntary undertaking to:

- 1) Return all "relevant funds" as defined in regulation 23 of the PSR;
- 2) Provide the Authority with a statement to evidence the return of "relevant funds";
- 3) Refrain from providing payment services as defined in Schedule 1 to the PSR except where such services are necessary for the purposes of complying with (1) above; and
- 4) Refrain from on-boarding or registering any new payment service users from the date of the undertaking.

4.9 On 10 May 2022, in response to a question from the Authority about the current status of the Firm's registration with HMRC, the Firm's current Director stated that he was unsure of the Firm's HMRC status. The Authority has received no further updates from the Firm about its HMRC status

#### The Firm's activities

4.10 The Firm is registered with the Authority to provide money remittance only. The Firm is not authorised and holds no Part 4A permissions. The Authority has not received any application from the Firm for authorisation. The Firm does not hold authorisation or registration under the Electronic Money Regulations 2011 ("EMR").

4.11 The Firm's business plan provided to the Authority in April 2022, its Website, its YouTube videos, and online UK press articles all indicate that the Firm purports to provide, or is intending to provide in the future, products or services for which it does not hold the appropriate Part 4A permissions. These include investment management, CFD products and copy trading, for which the Firm would require permissions to manage, arrange, deal with or advise on investments.

#### *Business plan*

4.12 The Firm submitted a business plan to the Authority on 15 April 2022, as part of a change in control application by the Firm. The business plan stated that the Firm is an "investment management" firm offering "wealth cum investment management services" at "local, state, national, and international levels" and "based in the United Kingdom, targeting several other markets in neighboring [sic] European countries, Asia and United States". The business plan lists various investment products that it purportedly offers. It also lists the services it provides including asset management and "related investment consulting and advisory services".

4.13 This description of the Firm's business does not resemble the description given by the Firm as part of its registration application to the Authority, namely that it would only provide money transactions services and would not conduct any other business activities.

#### *The Website*

4.14 The Website is no longer live; the Authority last observed the Website as live on 23 June 2022. It is not known when the Website was taken down, nor is it known whether the Firm will make the Website available again in the future.

4.15 The Website contained the following:

- 1) A statement that "*The company is authorized [sic] and supervised by the Financial Conduct Authority (FCA) with a licence number of 913607, and provides various basic products with contracts for difference (CFD)*";
- 2) A statement that "*You Are In A Fully Regulated Forex: [...] LILIUM's company reference number is 913607 and we have passed the strict regulations imposed by the British Financial Market Conduct Authority (FCA) and obtained FCA qualifications in 2020.*";
- 3) A copy of the Authority's logo; and
- 4) A statement that "*Reliable and Fast Execution: Easy implementation of "copy trading", enjoy professional trading services easily*".

4.16 The Website's domain name, lilium-markets.com, was created on 27 November 2021 (after HMRC's refusal of both the First and the Second applications) and is not due to expire until 27 November 2022.

#### *YouTube videos*

4.17 The Authority has identified a YouTube account named "LILIUM MARKETS", to which 12 YouTube videos were uploaded between 14 December 2021 and 19 February 2022, all after HMRC's refusal of the Second Application. As at September 2022, each of the YouTube videos remained publicly available.

4.18 The Authority has conducted a review of six of the 12 videos as a representative sample. These videos, which are in English, all promote the Firm and the services that it purports to offer. Three of the videos include the following claims by the Firm:

- 1) It is a CFD broker and is authorised by the FCA to conduct this activity; and
- 2) It offers copy trading to consumers, offering 15% to 30% profit each month.

#### *Online articles*

4.19 The Authority has identified two online articles in the public domain at the following website addresses: <https://manchesterepress.uk> and <https://leicesterbuzz.uk>. The two articles are identical. Both articles remain live and publicly accessible as at September 2022. The articles refer to the Firm being "...the market's top broker for

*Contract for Differences (CFDs)...” and having “...obtained FCA qualifications in 2020 to legally handle e-money transactions”.*

### **Failings and risks identified**

- 4.20 The conditions of registration in the PSR (regulation 14(11)) require the Firm to be included in the HMRC Register. HMRC is a supervisory body under the MLR for certain firms, including a money service business such as the Firm.

Firm appears not to be meeting conditions for registration: Regulation 14(11) of the PSR

- 4.21 The Authority considers that the Firm does not appear to be meeting the conditions for registration as an SPI under regulation 14(11) of the PSR because the Firm is not, and has never been, included on the HMRC’s Register.
- 4.22 The Authority can find no record that the Firm informed it that HMRC had refused to register it on the HMRC Register. The Authority considers that the refusal of registration by HMRC is a significant change in circumstances in respect of its conditions for registration under regulations 14(11) and 37(1)(b) of the PSR for the Firm, and that the Firm should have informed the Authority of this.
- 4.23 On the basis of the facts and matters set out, it appears to Authority that it is desirable to exercise the power under regulation 12(1)(a) of the PSR.

### Consumer protection

- 4.24 The Authority has serious concerns that the Firm may expose consumers to the risk of significant harm.
- 4.25 The Firm is registered as a payment services firm to provide money remittance only; it is not authorised under the Act and does not hold any permissions to conduct regulated activities under the Act. Managing investments, arranging deals in investments, dealing in investments as principal or agent, and advising on investments are all regulated activities for which a firm must be authorised to carry on in the UK.
- 4.26 The content of the Website (not currently live as at September 2022 but may be reinstated), the YouTube videos purporting to be from the Firm (which remain live), two online articles (which remain live) and the Firm’s business plan suggest that the Firm may have been, or may currently be, offering investment products and services, or may intend to do so in the future, while not being authorised and not having the relevant Part 4A permissions to do so. The Authority therefore has serious concerns that the Firm is using its registration as a “halo effect” to advertise these products and services. The Website and YouTube videos falsely state or otherwise indicate that the Firm is authorised by the Authority and has the relevant permissions. In addition, the online articles refer to electronic money activities for which it is not authorised or registered under the EMR, and falsely states that the Firm is so authorised or registered.
- 4.27 Where consumers invest through an authorised firm with the appropriate permissions, consumers should receive a degree of consumer protection. A consumer dealing with an authorised firm can make a complaint through the

Financial Ombudsman Service ("FOS") and, if the firm fails, the consumer can make a claim for compensation from the Financial Services Compensation Scheme ("FSCS"). However, since the Firm is not an authorised firm, and does not have the appropriate permissions for the services that it appears to be offering, consumers would not have these protections. The Firm's claims on its Website and its YouTube videos that it is authorised (or has "FCA qualifications") put consumers at risk since they may be misled into believing that any investments made through the Firm would enjoy protection from FSCS or allow any complaints to be made via FOS, when these protections will not typically apply.

4.28 The Authority has not been able to identify any UK customers of the Firm. However, while it has no direct evidence that these services are being promoted to UK consumers, it considers that an inference may be drawn that they are, or may be in the future:

- 1) The Website was in English, and the YouTube videos are in English;
- 2) The Website included the FCA logo and on 23 June 2022 stated (incorrectly) that *"the company is authorized and supervised by the Financial Conduct Authority (FCA)";* and
- 3) The two online articles identified were purportedly published in the UK online publications, so would appear to be targeted at UK consumers; and
- 4) The Firm's business plan states that it is *"based in the United Kingdom"* and provides services at the *"local, state, national, and international levels"*.

4.29 The Authority considers that, based on the above, there is a risk of serious future harm to UK consumers. On the basis of the facts and matters set out, it appears to the Authority that it is desirable to exercise the power under regulation 12(1)(d) of the PSR.

## **5 CONCLUSION**

5.1 The regulatory provisions relevant to this First Supervisory Notice are set out in the Annex.

### **Analysis of failings and risks**

5.2 The Authority has concluded, in light of the matters set out above, that it is necessary to exercise its own-initiative power to vary the Firm's registration because the Firm is not meeting the conditions for registration and a variation is desirable in order to protect the interests of consumers. The Authority has concluded that it is necessary to vary the firm's registration by:

- a) removing its money remittance payment service; and
- b) by imposing the Requirements.

5.3 The Authority considers that variation of the Firm's registration by removing its payment service and imposing the Requirements are a proportionate and appropriate means to address the current and immediate risks, and are desirable to protect the interests of consumers in accordance with the Authority's duties under regulation 12(1)(d) of the PSR.

### **Timing and duration of the variation**



- 5.4 It is necessary to vary the Firm's registration by removing its payment service and imposing the Requirements immediately given the seriousness of the risks and the need to protect consumers.
- 5.5 The Authority considers that it is necessary for the variation to remain in place indefinitely.

## **6 PROCEDURAL MATTERS**

### **Decision maker**

- 6.1 The decision which gave rise to the obligation to give this First Supervisory Notice was made by an Authority staff member under executive procedures according to DEPP 2.3.7G and DEPP 4.1.7G.
- 6.2 This First Supervisory Notice is given to the Firm under regulation 12(6) of the PSR and in accordance with regulation 12(7) of the PSR.
- 6.3 The following statutory rights are important.

### **Representations**

- 6.4 The Firm has the right to make written representations to the Authority (whether or not it refers this matter to the Tribunal). The Firm may also request to make oral representations but the Authority will only consider this in exceptional circumstances according to DEPP 2.3.1AG. The deadline for providing written representations and notifying the Authority that the Firm wishes to make oral representations is **Wednesday, 19 October 2022** or such later date as may be permitted by the Authority. Any notification or representations should be sent to the SPC Decision Making Secretariat ([SPCDecisionMakingSecretariat@fca.org.uk](mailto:SPCDecisionMakingSecretariat@fca.org.uk)).

### **The Tribunal**

- 6.5 The Firm has the right to refer the matter to which this First Supervisory Notice relates to the Tribunal. The Tax and Chancery Chamber is the part of the Tribunal which, amongst other things, hears references arising from decisions of the Authority. Under paragraph 2(2) of Schedule 3 of the *Tribunal Procedure (Upper Tribunal) Rules 2008*, the Firm has 28 days from the date on which this First Supervisory Notice is given to it to refer the matter to the Tribunal.
- 6.6 A reference to the Tribunal can be made by way of a reference notice (Form FTC3) signed by or on behalf of the Firm and filed with a copy of this First Supervisory Notice. The Tribunal's contact details are: Upper Tribunal (Tax and Chancery Chamber), 5<sup>th</sup> Floor, Rolls Building, Fetter Lane, London EC4A 1NL (telephone: 020 7612 9700; email: [financeandtaxappeals@hmcts.gsi.gov.uk](mailto:financeandtaxappeals@hmcts.gsi.gov.uk)).
- 6.7 Further information on the Tribunal, including guidance and the relevant forms to complete, can be found on the HM Courts and Tribunal Service website: <http://www.justice.gov.uk/froms/hmcts/tax-and-chancery-upper-tribunal>
- 6.8 The Firm should note that a copy of the reference notice (Form FTC3) must also be sent to the Authority at the same time as a reference is filed with the Tribunal. A copy of the reference notice should be sent to the SPC Decision Making Secretariat ([SPCDecisionMakingSecretariat@fca.org.uk](mailto:SPCDecisionMakingSecretariat@fca.org.uk)).

### **Confidentiality and publicity**

- 6.9 The Firm should note that this First Supervisory Notice may contain confidential information and should not be disclosed to a third party (except for the purpose of obtaining legal advice on its contents).
- 6.10 The Firm should note that section 391(5) of the Act, as applied by paragraph 10 of Schedule 6 of the PSR, requires the Authority, when this First Supervisory Notice takes effect (and this First Supervisory Notice takes immediate effect), to publish such information about the matter to which the notice relates as it considers appropriate.

### **Authority contacts**

- 6.11 Any questions regarding the executive procedures decision-making process should be directed to the SPC Decision Making Secretariat ([SPCDecisionMakingSecretariat@fca.org.uk](mailto:SPCDecisionMakingSecretariat@fca.org.uk)).

### **Decision made under Executive Procedures Director Retail Banking**

## Annex

### RELEVANT STATUTORY PROVISIONS

1. Regulation 7(1) of the PSR provides that the Authority may include in the authorisation of an authorised payment institution such requirements as it considers appropriate. Regulation 7(2) of the PSR provides that a requirement may, in particular, be imposed so as to require the person concerned to: 1) take a specified action, or 2) to refrain from taking a specified action.
2. Regulation 8 of the PSR provides that the Authority may, on the application of an authorised payment institution, vary that person's authorisation. Regulation 8(b) permits the Authority to remove a payment service from those for which it has granted authorisation. Regulation 8(c) permits the Authority to impose a requirement such as may, under regulation 7 of the PSR, be included in an authorisation provided that the Authority is satisfied that the conditions set out in regulations 6(4) to (9) and regulation 22(1) are being or likely to be met.
3. Regulation 12(1) of the PSR provides that the Authority may vary the authorisation of an authorised payment institution in any of the ways mentioned in regulation 8 if it appears to the Authority that:

"[...]"

*(a) the person no longer meets, or is unlikely to continue to meet, any of the conditions set out in regulation 6(4) to (9) of the requirement in regulation 22(1) to maintain own funds;*

*[...]*

*(d) the variation is desirable in order to protect the interests of consumers; [...]*

4. Regulation 12(2) of the PSR provides that a variation takes effect immediately if the notice given under paragraph (6) states that this is the case, or on such date as may be specified. Regulation 12(3) of the PSR provides that a variation may be expressed to take effect immediately or on a specified date only if the Authority, having regard to the ground on which it is exercising the power under paragraph (1), reasonably considers that it is necessary for the variation to take effect immediately or, as the case may be, on that date.
5. Regulation 12(6) of the PSR provides that, where the Authority proposes to vary a person's authorisation, it must give the person notice.
6. Regulation 14 of the PSR provides the conditions for registration as a small payment institution, including the condition under regulation 14(11) that the applicant must comply with a requirement of the MLR to be included in a register maintained under those Regulations where such a requirement applies to the applicant.
7. Regulation 15 of the PSR provides that regulations 7 to 12 apply to registration of a small payment institution as they apply to authorisation as a payment institution as if:  
  
" [...]"  
*(a) references to authorisation were references to registration;*  
*(c) in regulation 8 [...]*—  
*(i) for "an authorised payment institution" there were substituted "small payment institution"; and*  
*(ii) for "provided that" to the end there were substituted—*

- "provided that the FCA is satisfied that the conditions set out in regulation 14(4) to (11) are being or are likely to be met and that the monthly average over any period of 12 months of the total amount of payment transactions executed by the institution, including any of its agents in the United Kingdom, continues not to exceed 3 million euros ("the financial limit").";*
- (e) *in regulation 12 [...] for sub-paragraph (a) there were substituted—*  
*"(a) the person does not meet, or is unlikely to meet, any of the conditions set out in regulation 14(4) to (11) or the financial limit referred to in regulation 8."*

6.12 Regulation 15 of the PSR provides that regulations 7 to 12 apply to registration of a small payment institution as they apply to authorisation as a payment institution as if:

*"[...]"*

- (a) *references to authorisation were references to registration;*
- (c) *in regulation 8 [...]—*  
 (i) *for "an authorised payment institution" there were substituted "small payment institution"; and*  
 (ii) *for "provided that" to the end there were substituted—*  
*"provided that the FCA is satisfied that the conditions set out in regulation 14(4) to (11) are being or are likely to be met and that the monthly average over any period of 12 months of the total amount of payment transactions executed by the institution, including any of its agents in the United Kingdom, continues not to exceed 3 million euros ("the financial limit").";*
- (e) *in regulation 12 [...] for sub-paragraph (a) there were substituted—*  
*"(a) the person does not meet, or is unlikely to meet, any of the conditions set out in regulation 14(4) to (11) or the financial limit referred to in regulation 8."*

8. Section 391 of the Act, as applied in modified form by paragraph 10 of Schedule 6 to the PSR, provides that:

*"[...]"*

- (5) *When a supervisory notice takes effect, the Authority must publish such information about the matter to which the notice relates as it considers appropriate.*
- (6) *The Authority may not publish information under this section if, in its opinion, publication of the information would be: a) unfair to the person with respect to whom the action was taken (or was proposed to be taken), b) prejudicial to the interests of consumers, or c) detrimental to the stability of the UK financial system*
- (7) *Information is to be published under this section in such manner as the Authority considers appropriate."*

## **RELEVANT REGULATORY PROVISIONS**

9. The Authority's approach in relation to its own-initiative powers is set out in the Enforcement Guide ("EG"), certain provisions of which are summarised below.

10. EG 19.20 outlines the Authority's policy in respect of the use of its powers under the PSR. EG 19.20.5 provides that the PSR, for the most part, mirror the Authority's

investigative, sanctioning and regulatory powers under the Act and that the Authority has decided to adopt procedures and policies in relation to the use of those powers akin to those it has under the Act.

11. The Authority considers that the powers under regulation 12(1) of the PSR are similar to those under sections 55J and 55L of the Act and that the provisions of EG 8 "Variation and cancellation of permission and imposition of requirements on the Authority's own-initiative and intervention against incoming firms" are applicable.
12. EG 8.2.1 states that the Authority will have regard to its statutory objectives and the range of regulatory tools that are available to it when it considers how it should deal with a concern about a firm. It will also have regard to: 1) the responsibilities of a firm's management to deal with concerns about the firm or about the way its business is being or has been run; and 2) the principle that a restriction imposed on a firm should be proportionate to the objectives the Authority is seeking to achieve.
13. EG 8.2.3 states that in the course of its supervision and monitoring of a firm or as part of an enforcement action, the Authority may make it clear that it expects the firm to take certain steps to meet regulatory requirements. In the vast majority of cases the Authority will seek to agree with a firm those steps the firm must take to address the Authority's concerns. However, where the Authority considers it appropriate to do so, it will exercise its formal powers under section 55J or 55L of the Act where the Authority considers it appropriate to ensure such requirements are met. This may include where, amongst other factors, the Authority has serious concerns about a firm, or about the way its business is being or has been conducted or is concerned that the consequences of a firm not taking the desired steps may be serious.
14. EG 8.3.1 states that the Authority may impose a requirement so that it takes effect immediately or on a specified date if it reasonably considers it necessary for the requirement to take effect immediately (or on the date specified), having regard to the ground on which it is exercising its own-initiative powers.
15. EG 8.3.2 states that the Authority will consider exercising its own-initiative power as a matter of urgency where: 1) the information available to it indicates serious concerns about the firm or its business that need to be addressed immediately; and 2) circumstances indicate that it is appropriate to use statutory powers immediately to require and/or prohibit certain actions by the firm in order to ensure the firm addresses these concerns.
16. EG 8.3.3 states that it is not possible to provide an exhaustive list of the situations that will give rise to such serious concerns, but they are likely to include some of the following characteristics: 1) information indicating significant loss, risk of loss or other adverse effects for consumers, where action is necessary to protect their interests; and 2) evidence that the firm has submitted to the Authority inaccurate or misleading information so that the Authority becomes seriously concerned about the firm's ability to meet its regulatory obligations.
17. EG 8.3.4 states that the Authority will consider the full circumstances of each case when it decides whether an imposition of a requirement is appropriate and sets out a non-exhaustive list of factors the Authority may consider, these include: 1) the extent of any consumer loss or risk of consumer loss or other adverse effect on consumers; 2) the extent to which customer assets appear to be at risk; 3) the financial resources of the firm; 4) the nature of the false or inaccurate information; and 5) the impact that use of the Authority's own-initiative powers will have on the firm's business and on its customers [*or state any other relevant factors that apply*].

18. EG 8.4.4 states that examples of requirements that the Authority may consider imposing when exercising its own-initiative power are: 1) a requirement not to take on new business; 2) a requirement not to hold or control client money; and 3) a requirement that prohibits the disposal of, or other dealing with, any of the firm's assets or restrict those disposals or dealings.