
FIRST SUPERVISORY NOTICE

To: **London Court Limited**

Reference Number: **146522**

Address: **Vicarage House, 58 – 60 Kensington Church Street,
London W8 4DB**

Date: **22 August 2023**

1. ACTION

- 1.1. For the reasons given in this First Supervisory Notice, and pursuant to section 55L(3)(a) of the Financial Services and Markets Act 2000 (“the Act”), the Financial Conduct Authority (“the Authority”) has decided to impose the following requirements (“the Requirements”) on London Court Limited (“the Firm”) with immediate effect.

Regulated activities

- (1) The Firm must not, save as expressly permitted in paragraph 3 below, without the prior written consent of the Authority, undertake any regulated activity or any other activity ancillary to that regulated activity.
- (2) For the avoidance of doubt, paragraph 1 includes:
 - (a) offering any new investments on its “My Investment Hub” platform (the “Platform”) or any other investment platform operated by the Firm;
 - (b) undertaking bond administration or ISA Manager responsibilities in respect of any new investments; and
 - (c) facilitating any new funds being invested into existing investments listed on the Platform whether those funds originate from new or existing investors.

- (3) The Firm may continue to provide ongoing bond administration or ISA Manager activities solely in relation to investments that had been made prior to the Requirements taking effect.

Securing of records

- (4) The Firm must secure all books and records, preserve information and systems, which may be relevant to demonstrating compliance with the Requirements, and must retain these in such a form that they can be provided to the FCA, or to a person named by the FCA, promptly on its request.

Notification Requirements

- (5) Within 5 working days of the Requirements taking effect, the Firm must publish in a prominent place on its website a notice, the placement and wording of which will need to be agreed in advance with the Authority, setting out the terms and effect of the Requirements in paragraphs 1-3.

2. REASONS FOR ACTION

- 2.1. The Authority has concluded, on the basis of the facts and matters described below that, in respect of the Firm, it is necessary to exercise its power under section 55L(3)(a) of the Act to impose the Requirements on the Firm because it is failing, or is likely to fail, to satisfy the Adequate Resources Threshold Condition pursuant to section 2D of Schedule 6 of the Act and it is desirable in order to advance one or more of the Authority's operational objectives, in particular the Authority's consumer protection objective (as defined in Section 1C of the Act).
- 2.2. The Authority has serious concerns that the Firm does not have:
- (a) Appropriate systems and controls in place to determine the target market for investments offered on the Platform, to assess the compatibility of the investments offered with the needs of the clients to whom they are distributed or to ensure that it is in the best interests of the Firm's clients to distribute investments to them.
 - (b) Adequate resources.

3. DEFINITIONS

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

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

"Adequate Resources Threshold Condition" means the condition set out in Paragraph 2D of Schedule 6 of the Act and COND 2.5;

"the Authority" means the Financial Conduct Authority;

"the Firm" means London Court Limited;

"FSN" means a First Supervisory Notice;

“Handbook” means the Authority’s online handbook of rules and guidance (as in force from time to time);

“Part 4A permission” means permission to conduct regulated activities, granted by the Authority under Part 4A of the Act;

“Requirements” means the terms imposed on the Firm by this First Supervisory Notice as outline in section 1 above; and

“Tribunal” means the Upper Tribunal (Tax and Chancery Chamber).

4. FACTS AND MATTERS

Background

- 4.1. The Firm was incorporated on 10 January 1989 and has been authorised since 1 December 2001. Person A is the sole director and significant controller of the Firm.
- 4.2. The Firm provides bond administration and ISA management services for several investments via its Platform.
- 4.3. The Firm holds permissions for advising on investments (except pension transfers and pension opt-outs) and P2P agreements, arranging (bringing about) deals in investments, and making arrangements with a view to transactions in investments.
- 4.4. On 12 December 2019, requirements were imposed on the Firm’s Part 4A permission which remain in place. Principally, these require it not to communicate or approve financial promotions for the purposes of section 21 of the Act, and to withdraw its approval of any existing or current financial promotions.

Failings and risks identified

- 4.5. On 24 February 2021 a conference call took place between the Authority and the Firm. On this call, Person A explained to the Authority that the only regulated activities that the Firm was carrying out were corporate finance activities. Person A explained that in terms of unregulated business the Firm also offered bond administration and ISA management services.
- 4.6. On 19 August 2021, the Authority requested further information about the Firm’s bond administration and ISA management services. In its response of 6 September 2021, the Firm indicated that in providing the ISA management and bond administration services it was not undertaking regulated activities.
- 4.7. On 24 March 2022, the Authority requested further information from the Firm about the scope of the regulated activities it was performing, its clients and the customer journey for the Platform. In its response the Firm indicated, amongst other things, that it was in discussion with two new potential clients (“Client A” and “Client B”) to provide bond administration services.
- 4.8. In relation to Client A the Firm stated, amongst other things:
 - (1) Client A is a leading figure within the investment world, providing unique and trustworthy eco investment opportunities for all.

- (2) Client A prides itself on delivering upon promises, providing an array of options to clients, and bringing comfort through returns on investments. It sees itself as a positive wealth creator, capable of changing lives and having a positive impact on society.
- 4.9. In relation to Client B the Firm stated, amongst other things:
 - (1) Client B was incorporated with the specific intention of delivering whisky investment opportunities to investors and thereby allows investors to benefit from the strong growth in demand and prices of whisky.
 - (2) Client B is managed by well-known personalities within the industry that are seeking to open a new asset class to retail investors by offering private investors the opportunity to purchase premium branded whisky at the highest quality at wholesale rates.
- 4.10. On 11 October 2022, the Authority requested further information about the Firm's clients and its activities. In response the Firm indicated that since April 2022 it had engaged with eight new investors on behalf of Client A and 72 new investors on behalf of Client B. The Firm also confirmed that it acted as ISA Manager for Client A. The Firm also provided a copy of the due diligence it had carried out before offering investments on behalf of Client A.
- 4.11. On 21 December 2022, the Authority contacted the Firm by email to set out various concerns about the investment offered in Client A on the Firm's Platform. The Authority invited the Firm to cease facilitating investments in Client A until these concerns were addressed. In summary, the Authority's concerns were that the investor information provided to investors in connection with investments offered by Client A were insufficient for an investor to make an informed decision whether to purchase the investment, were inaccurate and/or were potentially misleading.
- 4.12. At the same time the Authority requested further information about the ISA management activities the Firm was carrying out, its role as distributor on behalf of Client A and Client B and the due diligence it had carried out before offering investments on behalf of both clients on its website.
- 4.13. The Firm responded by email on 21 December 2022, to confirm that it would withdraw offering investments provided by Client A with immediate effect and would respond to the information requests by the specified deadline.
- 4.14. On 9 January 2023, the Authority received a letter from a law firm ("Law Firm A") confirming that it was retained to act on behalf of the Firm in connection with the Authority's requests for information. There was various correspondence between the Authority and Law Firm A, acting on the Firm's behalf, resulting in a response to the Authority's information requests on 21 February 2023.
- 4.15. In its letter of 21 February 2023, the Firm stated that it was:

"not, in fact, engaged in any form of investment or financial advice or services or financial promotions within the meaning of s.21 FSMA" and that "[the Firm] is not a "distributor" nor provides any form of investment or financial advice / services or financial promotions or any other form or FSMA regulated activities".
- 4.16. In this same correspondence, the Firm asserted that:

"the role of [the Firm] as ISA Manager is limited to ensuring that investments are compliant with ISA tax rules".

4.17. The Firm also confirmed that it had not conducted a target market assessment or set a distribution strategy in respect of investments offered by Client A.

4.18. In response to questions relating to the due diligence the Firm had carried out on its clients and the investments the Firm was agreeing to offer on its Platform, the Firm confirmed that:

"[The Firm] does not undertake to consumers or to any party to verify or conduct any due diligence in respect of "investments" or their viability..."

4.19. On 3 March 2023, having reviewed the information provided by the Firm about Client B, the Authority emailed the Firm to set out several concerns regarding the due diligence that the Firm had carried out on Client B and asking the Firm not to offer further investments on behalf of Client B until such time as it could demonstrate that it had undertaken appropriate due diligence. In summary, the Authority's concerns were that the investor information provided to investors in connection with investments offered by Client B were insufficient for an investor to make an informed decision whether to purchase the investment, were inaccurate and/or were potentially misleading.

4.20. In response to the Authority's email, the Firm raised various questions about why the Authority considered that the Firm was carrying out regulated activities when offering investments on behalf of Client A and Client B. The Authority responded to the Firm to confirm that it would address the Firm's position regarding whether or not it was carrying on regulated activities in due course, but that the Firm should not offer investments on behalf of Client B until it could demonstrate that it had addressed the Authority's concerns.

4.21. On 13 March 2023, the Firm responded to the Authority's email of 3 March 2023 and stated:

"[The Firm] did not engage in the kind of process undertaken by you or that you say should have been undertaken in relation to [Client B]".

4.22. The Firm also confirmed that it would suspend its dealings with Client B pending the Authority's response to the Firm's letter of 21 February 2023.

4.23. On 21 March 2023, the Firm wrote to the Authority and stated that:

"[The Firm] has obtained and you will find attached herewith further information from [Client B] regarding the subject investment. The Company considers the issues you raised are properly explained in the attached materials. [The Firm] did not undertake any verification or due diligence of the matters set out on behalf of [Client B]. Again, such a process is not within the [Firm's] function. In view of the above, the [Firm] no longer considers that it is necessary or appropriate to suspend its facility in respect of [Client B]. Subject to any further issues you may raise, the [Firm] proposes to restore the facility at 10am on Monday, 27 March 2023."

4.24. The Authority's review of the additional information supplied indicated that it did not fully address the concerns raised by the Authority on 3 March 2023 and did not provide evidence that the Firm had properly assessed the risk to consumers before deciding to resume offering investments on behalf of Client B.

- 4.25. On 22 March 2023, the Authority responded to the Firm noting that based on an initial review of the information provided, it appeared unlikely that the Firm had fully addressed the concerns raised on 3 March 2023 and asking it not to restart offering the investment until it had done so.
- 4.26. On 31 March 2023, the Firm responded to the Authority stating that it "was unable to accept the FCA's contention that it has obligation itself to "assess investments"", and that it had made the decision to restore access to Client B's investments pending the Authority's substantive response.
- 4.27. On 27 April 2023, the Authority sent the Firm a detailed feedback letter by email. The feedback letter set out:
- (1) The Authority's view that the Firm's ISA management services involved regulated activities under article 25 and article 28 of the RAO;
 - (2) A summary of the Authority's expectations in respect of those activities under COND 2.4.1, PRIN 2.1 (Principles 3, 6 and 7, and from 31 July the new Consumer Duty), COBS 2.1.1R and PROD 3.3.1R;
 - (3) A brief summary of the Authority's concerns regarding the investments offered on behalf of Client A and Client B;
 - (4) A brief summary of the Authority's concerns regarding the Firm's systems and controls for managing the risks associated with those investments (and other investments offered on the Platform), including that the Firm was not carrying out due diligence and was therefore presenting promotional material to consumers which may have been inaccurate, misleading or insufficient to allow them to make a properly informed decision; and
 - (5) The Authority's concern that the Firm's non-financial resources were inadequate to satisfy the Authority's threshold conditions.
- 4.28. In that same letter the Authority invited the Firm to consider voluntarily applying for the Authority to impose requirements to cease accepting new investments and carrying out any regulated activities in respect of new investments (albeit that could continue acting as ISA Manager or bond administrator in respect of existing investments) (the "VREQ"). The Authority requested a response by no later than 11 May 2023.
- 4.29. An extension to the deadline was agreed between the Authority and the Firm, which then responded in writing to the Authority on 2 June 2023.
- 4.30. In its response of 2 June 2023, the Firm:
- (1) Stated as follows:

"It appears now common ground that [the Firm] operates as an ISA Manager pursuant to Reg 14(2)(b) of the 1998 Regulations. Further, it is common ground that [The Firm] relies upon Reg 8A(2)(ca) of the 1998 Regulations dealing with "qualifying investments for an innovative finance component". The innovative finance components relevant are "debentures" within the meaning of Reg 8A(2)(ca)...[The Firm's] involvement in the present chain of events may be considered "important enough" that without it there would be no transaction. Accordingly Article 25 is engaged in relation to [The Firm's] activities."

- (2) Accepted that Principles 3, 6 and 7 and COBS 2.1.1R were engaged in relation to the Article 25, RAO activity.
 - (3) Stated that "*[the Firm] is acting as distributor per PROD 3.3.1 in the context albeit subject to the caveat [sic] that [the Firm] is not engaged in investment advice*".
 - (4) Indicated that the Firm intended to review and update its procedures to effect regulatory compliance and would "*endeavour to complete the same and implement all necessary changes within the next 4 weeks*", and that the Firm would suspend its services pending completion of those steps.
 - (5) Did not specifically address whether the Firm would apply for the VREQ while it undertook this work.
- 4.31. On 22 June 2023 the Authority requested by email that the Firm specifically confirm by 28 June 2023 whether it was willing to apply for the VREQ.
- 4.32. On 27 June 2023, the Firm indicated that it felt unable to apply for the VREQ as it could not accept publication of the Requirements on the FS Register. The Firm also indicated that it was prepared to undertake not to resume service without the Authority's consent and that due to this it did not accept that there was any risk to consumers.

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 FCA's Threshold Conditions represent the minimum conditions which a firm is required to satisfy, and continue to satisfy, to be given and to retain permission to carry on regulated activities. The 'Adequate Resources' Threshold Condition requires the Firm to have appropriate resources in relation to the regulated activities that the Firm carries out. This includes financial and non-financial resources.
- 5.3. The Principles set out the fundamental obligations of firms under the regulatory system:
- (1) Principle 3 requires the Firm to take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
 - (2) Principle 6 requires the Firm to pay due regard to the interests of its customers and treat them fairly. From 31 July 2023, Principle 12 applies instead, which requires the Firm to act to deliver good outcomes for retail customers.
 - (3) Principle 7 requires the Firm to pay due regard to the information needs of its clients and communicate with them in a way which is clear fair and not misleading.
- 5.4. Rule 2.1.1 of COBS requires the Firm to act honestly, fairly and professionally in accordance with the best interests of its client.

- 5.5. Rule 3.3.1 of PROD requires a distributor to:
- (1) understand the financial instruments it distributes to clients;
 - (2) assess the compatibility of the financial instruments with the needs of the clients to whom it distributes investment services, taking into account the manufacturer's identified target market of end clients; and
 - (3) ensure that financial instruments are distributed only when this is in the best interests of the client.
- 5.6. The Firm has not undertaken any due diligence in connection with investments it offered on the Platform – the Firm confirmed this in a letter dated 21 March 2023. In Authority's view, for the Firm to comply with its obligations under the Principles and Rules set out above it should carry out due diligence on investments it offers on the Platform to ensure it understands the investments that it is distributing, is able to assess the compatibility of the investments with the needs of its clients and only distribute investments where this is in the best interests of the client.
- 5.7. The Firm has presented materials to investors about investment opportunities where there is a significant risk that those materials were insufficient for an investor to make an informed decision whether to purchase the investment, were inaccurate and/or were potentially misleading.
- 5.8. In its letter dated 13 March 2023, the Firm stated that *'[t]he [Firm] presently makes no charge at all to consumers and does not have the kind of resources that may be necessary in order to engage in the type of "investment evaluations" suggested by [our] communications'*. Accounts filed by the Firm on Companies House note that in the three financial years up to March 2022, the Firm had no more than one employee. In the Authority's view the Firm does not have appropriate resources. In particular, the Authority is concerned that the Firm's non-financial resources may not be sufficient to enable the Firm to understand or comply with its obligations under the regulatory system.
- 5.9. The Authority has serious concerns about the risk to investors of the Firm offering investments on its Platform until the matters set out above are addressed and until the Firm is able to satisfy us that it is ready, willing and organised to comply with its obligations under the regulatory system. These issues are similar to concerns raised with the Firm regarding its approach to communicating and approving financial promotions, which form the basis of the requirements that have been in force on the Firm's Part 4A permissions since December 2019. The Firm does not appear to have reflected the feedback from the Authority's engagement with the Firm in 2019 in its current operations.
- 5.10. The Authority has concluded, in light of the matters set out above, that it is necessary to exercise its own-initiative power under section 55L(3)(a) of the Act by imposing the Requirements. The Authority considers that the Requirements are a proportionate and appropriate means to address the current risks.

Timing and duration of the Requirements

- 5.11. It is necessary to impose the Requirements to take immediate effect given the seriousness of the risks to consumers if the Firm re-opened the Platform to new investors and given the Authority's view of the scale of remedial work required to bring the Firm's operations in relation to the Platform into compliance with the requirements of the regulatory regime.

- 5.12. The Authority considers that it is necessary for the Requirements to remain in place until varied or cancelled by the Authority (either on the application of the Firm or of the Authority's own volition).

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 under section 55Y(4) and in accordance with section 55Y(5) of the Act.
- 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 5 September 2023 or such later date as may be permitted by the Authority. Any notification or representations should be sent to Rachael Agnew (rachael.agnew@fca.org.uk) and the SPC Decision Making Secretariat (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 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: The Upper Tribunal, Tax and Chancery Chamber, 5th Floor, Rolls Building, Fetter Lane, London EC4A 1NL (telephone: 020 7612 9730; email: uttc@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/forms/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 Rachael Agnew (rachael.agnew@fca.org.uk) and the SPC Decision Making Secretariat (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 requires the Authority, when the First Supervisory Notice takes effect, to publish such information about the matter to which the notice relates as it considers appropriate.

Authority contacts

- 6.11. For more information concerning this matter generally, contact Rachael Agnew (rachael.agnew@fca.org.uk).
- 6.12. Any questions regarding this matter generally or the executive procedures decision-making process should be directed to the SPC Decision Making Secretariat (SPCDecisionMakingSecretariat@fca.org.uk).

Head of Department, Supervision

ANNEX

RELEVANT STATUTORY PROVISIONS

1. The Authority's operational objectives established in section 1C of the Act include securing an appropriate degree of protection for consumers.
2. Section 55L of the Act allows the Authority to impose a new requirement on an authorised person if it appears to the Authority that the authorised person is failing, or likely to fail to satisfy the Threshold Conditions (section 55L(2)(a)), or it is desirable to exercise the power in order to advance one or more of the Authority's operational objectives (section 55L(2)(c)).
3. Section 55N of the Act allows a requirement to be imposed under section 55L of the Act so as to require the person concerned to take specified action (section 55N(1)(a)), or to refrain from taking specified action (section 55N(1)(b)).
4. Section 55Y(3) of the Act allows a requirement to take effect immediately (or on a specified date) if the Authority, having regard to the ground on which it is exercising its own-initiative power, reasonably considers that it is necessary for the requirement to take effect immediately (or on that date).
5. Section 391 of the Act 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) But the Authority may not publish information under this section if in its opinion, publication of the information would, be unfair to the person with respect to whom the action was taken or proposed to be taken [or] prejudicial to the interests of consumers or 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

The Threshold Conditions

6. The section of the Handbook entitled "Threshold Conditions" (COND) gives guidance on the Threshold Conditions. COND 1.2.3G provides that the Authority may exercise its own-initiative powers under section 55L of the Act if, among other things, a firm is failing to satisfy any of the Threshold Conditions or is likely to do so.
7. COND 2.4.1A UK reflects the provisions of the Act (paragraph 2D of Schedule 6) to the effect that the resources of a firm must be appropriate in relation to the regulated activities that the firm carries on or seeks to carry on. The matters which are relevant in determining whether a firm has appropriate non-financial resources include the skills and experience of those who manage the firm's affairs and whether the firm's non-financial resources are sufficient to enable the firm to comply with the requirements imposed or likely to be imposed on the firm by the Authority in the course of exercise of its functions.

The Enforcement Guide

8. The Authority's approach in relation to its own-initiative powers is set out in Chapter 8 of the Enforcement Guide (EG), certain provisions of which are summarised below.
9. EG 8.1.1 reflects the provisions of section 55L of the Act by stating that the Authority may use its own-initiative power to impose requirements on an authorised person where, amongst other factors, the person is failing or is likely to fail to satisfy the threshold conditions for which the Authority is responsible (EG 8.1.1(1)), or it is desirable to exercise the power in order to advance one or more of its operational objectives (EG 8.1.1(3)).
10. EG 8.2.1 states that when the Authority considers how it should deal with a concern about a firm, it will have regard to its statutory objectives and the range of regulatory tools that are available to it. It will also have regard to the principle that a restriction imposed on a firm should be proportionate to the objectives the Authority is seeking to achieve (EG 8.2.1(2)).
11. EG 8.2.3 states that 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 55L of the Act to ensure a firm meets its regulatory requirements. 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.
12. 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.
13. EG 8.3.2 states that the Authority will consider exercising its own-initiative power 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.
14. 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 one or more of four listed characteristics, these include: 1) the seriousness of any suspected breach of the requirements of the legislation or the rules and the steps that need to be taken to correct that breach; 2) the firm's conduct including the firm's past history, management ethos and compliance culture.
15. 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.
16. EG 8.3.4(9) includes the impact that use of the Authority's own-initiative powers will have on the firm's business and on its customers. The Authority will need to be satisfied that the impact of any use of the own-initiative power is likely to be proportionate to the concerns being addressed, in the context of the overall aim of achieving its statutory objectives.

Decision Procedure and Penalties Manual ("DEPP")

17. DEPP 2.5.7G provides that an Authority staff under executive procedures will take the decision to give a supervisory notice exercising the Authority's own-initiative powers (by removing a regulated activity, by imposing a limitation or requirement or by specifying a narrower description of regulated activity), including where the action involves a fundamental variation or requirement.

Principles for Businesses ("PRIN")

18. PRIN sets out the fundamental obligations of firms under the regulatory system:
- Principle 3 requires the Firm to take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
 - Principle 6 requires the Firm to pay due regard to the interests of its customers and treat them fairly.
 - Principle 7 requires the Firm to pay due regard to the information needs of its clients and communicate with them in a way which is clear fair and not misleading.
 - Principle 12 requires the Firm to act to deliver good outcomes for retail consumers.

Conduct of Business Sourcebook ("COBS")

19. Rule 2.1.1 of COBS requires a firm to act honestly, fairly and professionally in accordance with the best interests of its client.

Product Intervention and Product Governance Sourcebook ("PROD")

20. Rule 3.3.1 of PROD requires a distributor to:
- understand the financial instruments it distributes to clients;
 - assess the compatibility of the financial instruments with the needs of the clients to whom it distributes investment services, taking into account the manufacturer's identified target market of end clients; and
 - ensure that financial instruments are distributed only when this is in the best interests of the client.