



# **PRINCIPLES OF BUSINESS MODULE**

<b>MODULE:</b>	<b>PB (Principles of Business)</b>
<b>Table of Contents</b>	

		Current Issue Date
<b>PB-A</b>	<b>Introduction</b>	
	PB-A.1 Purpose	04/2005
	PB-A.2 Module History	04/2005
<b>PB-B</b>	<b>Scope of Application</b>	
	PB-B.1 Scope of Application	04/2005
	PB-B.2 Non-compliance	04/2005
<b>PB-1</b>	<b>The Principles</b>	
	PB-1.1 Principle 1 – Integrity	04/2005
	PB-1.2 Principle 2 – Conflicts of Interest	04/2005
	PB-1.3 Principle 3 – Due Skill, Care and Diligence	04/2005
	PB-1.4 Principle 4 – Confidentiality	04/2005
	PB-1.5 Principle 5 – Market Conduct	04/2005
	PB-1.6 Principle 6 – Customer Assets	04/2005
	PB-1.7 Principle 7 – Customer Interests	04/2005
	PB-1.8 Principle 8 – Relations with Regulators/Supervisors	04/2005
	PB-1.9 Principle 9 – Adequate Resources	04/2005
	PB-1.10 Principle 10 – Management, Systems & Controls	04/2005

<b>MODULE</b>	<b>PB: Principles of Business</b>
<b>CHAPTER</b>	<b>PB-A: Introduction</b>

## **PB-A.1 Purpose**

- PB-A.1.1 The Principles of Business are a general statement of the fundamental obligations of all BMA insurance licensees and approved persons. They serve as a basis for other material in Volume 3 (Insurance), and help address specific circumstances not covered elsewhere in the Rulebook.
- PB-A.1.2 The Principles of Business have the status of Rules and apply alongside other Rules contained in Volume 3 (Insurance). However, these other Rules do not exhaust the fundamental obligations contained in the Principles. Compliance with all other Rules, therefore, does not necessarily guarantee compliance with the Principles of Business.

<b>MODULE</b>	<b>PB: Principles of Business</b>
<b>CHAPTER</b>	<b>PB-A: Introduction</b>

## **PB-A.2 Module History**

PB-A.2.1 This Module was first issued in April 2005 together with the rest of Volume 3 (Insurance). It is numbered as version 01. All subsequent changes to this module are annotated with a sequential version number: Chapter UG-3 provides further details on Rulebook maintenance and version control.

PB-A.2.2 A list of recent changes made to this Module is detailed in the table below:

Module Ref.	Change Date	New Version no.	Description of Changes

PB-A.2.3 This Module does not replace any regulations or circulars in force prior to April 2005.

PB-A.2.4 Guidance on the implementation and transition to Volume 3 (Insurance) is given in Module ES (Executive Summary).

<b>MODULE</b>	<b>PB: Principles of Business</b>
<b>CHAPTER</b>	<b>PB-B: Scope of Application</b>

## **PB-B.1 Scope of Application**

**PB-B.1.1** The 10 Principles of Business apply to all BMA insurance licensees, in accordance with Paragraph PB-B.1.2. Principles 1-8 (Paragraphs PB-1.1 to PB-1.8 inclusive) also apply to all approved persons, in accordance with Paragraph PB-B.1.3.

**PB-B.1.2** Principles 1 to 10 apply to activities carried out by the licensee, including activities carried out through overseas branches (if any). Principles 9 and 10 also take into account any activities of other members of the group of which the licensee is a member.

**PB-B.1.3** Principles 1 to 8 apply to approved persons in respect of the controlled function for which they have been approved.

PB-B.1.4 Principles 1 to 8 do not apply to behaviour by an approved person with respect to any other functions or activities they may undertake. However, behaviour unconnected to their controlled function duties may nonetheless be relevant to an assessment of that person's fitness and propriety.

PB-B.1.5 The BMA's requirements regarding approved persons and controlled functions are located in Module AU (Authorisation).

<b>MODULE</b>	<b>PB: Principles of Business</b>
<b>CHAPTER</b>	<b>PB-B: Scope of Application</b>

## **PB-B.2 Non-compliance**

- PB-B.2.1 Breaching a Principle of Business makes the insurance licensee or approved person concerned liable to enforcement action. In the case of a licensee, this may call into question whether they continue to meet the licensing conditions (see Chapter AU-2). In the case of an approved person, this may call into question whether they continue to meet the “fit and proper” requirements for the function for which they have been approved (see Chapter AU-3).
- PB-B.2.2 Module EN (Enforcement) sets out the BMA’s policy and procedures on enforcement action.



MODULE	PB: Principles of Business
CHAPTER	PB-1: The Principles

## PB-1.1 Principle 1 – Integrity

**PB-1.1.1** Insurance licensees and approved persons must observe high standards of integrity and fair dealing. They must be honest and straightforward in their dealings with customers.



MODULE	PB: Principles of Business
CHAPTER	PB-1: The Principles

## PB-1.2 Principle 2 – Conflicts of Interest

### PB-1.2.1

Insurance licensees and approved persons must take all reasonable steps to identify, and prevent or manage, conflicts of interest that could harm the interests of a customer.

MODULE	PB: Principles of Business
CHAPTER	PB-1: The Principles

### PB-1.3 Principle 3 – Due Skill, Care and Diligence

PB-1.3.1	<u>Insurance licensees</u> and <u>approved persons</u> must act with due skill, care and diligence.
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MODULE	PB: Principles of Business
CHAPTER	PB-1: The Principles

## PB-1.4 Principle 4 - Confidentiality

### PB-1.4.1

Insurance licensees and approved persons must observe in full any obligations of confidentiality, including with respect to client information. This requirement does not over-ride lawful disclosures.

MODULE	PB: Principles of Business
CHAPTER	PB-1: The Principles

## PB-1.5 Principle 5 – Market Conduct

PB-1.5.1	<u>Insurance licensees</u> and <u>approved persons</u> must observe proper standards of market conduct, and avoid action that would generally be viewed as improper.
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MODULE	PB: Principles of Business
CHAPTER	PB 1: The Principles

## PB-1.6 Principle 6 – Customer Assets

### PB-1.6.1

Insurance licensees and approved persons must take reasonable care to safeguard the assets of customers for which they are responsible.



MODULE	PB: Principles of Business
CHAPTER	PB 1: The Principles

## PB-1.7 Principle 7 – Customer Interests

### PB-1.7.1

Insurance licensees and approved persons must pay due regard to the legitimate interests and information needs of their customers and communicate with them in a fair and transparent manner. Insurance licensees and approved persons, when dealing with customers who are entitled to rely on their advice or discretionary decisions, must take reasonable care to ensure the suitability of such advice or decisions.

MODULE	PB: Principles of Business
CHAPTER	PB-1: The Principles

## **PB-1.8 Principle 8 – Relations with Regulators/Supervisors**

### **PB-1.8.1**

Insurance licensees and approved persons must act in an open and co-operative manner with the BMA and other regulatory/supervisory bodies under whose authority they come under. They must take reasonable care to ensure that their activities comply with all applicable laws and regulations.



MODULE	PB: Principles of Business
CHAPTER	PB 1: The Principles

## PB-1.9 Principle 9 – Adequate Resources

### PB-1.9.1

Insurance licensees must maintain adequate human, financial and other resources sufficient to run their business in an orderly manner.



MODULE	PB: Principles of Business
CHAPTER	PB 1: The Principles

## **PB-1.10 Principle 10 – Management, Systems & Controls**

### **PB-1.10.1**

Insurance licensees must take reasonable care to ensure that their affairs are managed effectively and responsibly, with appropriate systems and controls in relation to the size and complexity of their operations. Insurance licensees' systems and controls, as far as is reasonably practical, must be sufficient to manage the level of risk inherent in their business and ensure compliance with the BMA Rulebook.