



# **PRINCIPLES OF BUSINESS MODULE**

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<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 investment firm licensees and approved persons. They serve as a basis for other material in Volume 4 (Investment Business), 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 4 (Investment Business). 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**

### *Evolution of Module*

PB-A.2.1 This Module was first issued in April 2006, as part of the first phase of Volume 4 (Investment Business) to be released. It is dated April 2006. All subsequent changes to this Module are annotated with the end-calendar quarter date in which the change was made: 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 provided below:

Module Ref.	Change Date	Description of Changes

### *Superseded Requirements*

PB-A.2.3 This Module does not replace any regulations or circulars in force prior to April 2006.

PB-A.2.4 Guidance on the implementation and transition to Volume 4 (Investment Business) is given in Module ES (Executive Summary).



MODULE	PB: Principles of Business
CHAPTER	PB-B: Scope of Application

## PB-B.1 Scope of Application

### PB-B.1.1

The 10 Principles of Business apply to all BMA investment firm 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).



MODULE	PB: Principles of Business
CHAPTER	PB-B: Scope of Application

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

- PB-B.2.1 Breaching a Principle of Business makes the investment firm 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

<b>PB-1.1.1</b>	<p><u>Investment firm licensees</u> and <u>approved persons</u> must observe high standards of integrity and fair dealing. They must be honest and straightforward in their dealings with <u>customers</u>.</p>
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MODULE	PB: Principles of Business
CHAPTER	PB-1: The Principles

## PB-1.2 Principle 2 – Conflicts of Interest

**PB-1.2.1** Investment firm 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

<b>PB-1.3.1</b>	<u>Investment firm 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

<b>PB-1.4.1</b>	<u>Investment firm licensees</u> and <u>approved persons</u> must observe in full any obligations of confidentiality, including with respect to client information. This requirement does not over-ride lawful disclosures.
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MODULE	PB: Principles of Business
CHAPTER	PB-1: The Principles

## **PB-1.5 Principle 5 – Market Conduct**

<b>PB-1.5.1</b>	<u>Investment firm 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	<u>Investment firm licensees</u> and <u>approved persons</u> must take reasonable care to safeguard the assets of customers for which they are responsible.
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MODULE	PB: Principles of Business
CHAPTER	PB 1: The Principles

## PB-1.7 Principle 7 – Customer Interests

### PB-1.7.1

Investment firm 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. Investment firm 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.

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<b>CHAPTER</b>	<b>PB-1: The Principles</b>

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

<b>PB-1.8.1</b>	<p><u>Investment firm licensees</u> and <u>approved persons</u> 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.</p>
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MODULE	PB: Principles of Business
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## PB-1.9 Principle 9 – Adequate Resources

<b>PB-1.9.1</b>	<u>Investment firm licensees</u> must maintain adequate human, financial and other resources sufficient to run their business in an orderly manner.
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MODULE	PB: Principles of Business
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## **PB-1.10 Principle 10 – Management, Systems & Controls**

<b>PB-1.10.1</b>	<p><u>Investment firm licensees</u> 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. <u>Investment firm licensees'</u> 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.</p>
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