FINAL NOTICE

To: **Read Independent Financial Advisers Limited**

Of: **Parsonage Farm,**
Langley Park Road,
Iver,
Bucks, SL0 0JW

Dated: 20 December 2004

TAKE NOTICE: The Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS ("the FSA") gives you final notice about a requirement to pay a financial penalty:

THE PENALTY

1. The FSA gave you a decision notice on 1 December 2004 which notified you that pursuant to section 206 of the Financial Services and Markets Act 2000 ("the Act"), the FSA had decided to impose a financial penalty of £150,000 on Read Independent Financial Advisers Limited ("Read") in respect of:

   - breaches of the Securities and Investments Board ("SIB") Principles 2, 4 and 5 and the connected Rules of the Personal Investment Authority ("PIA"), including Adopted FIMBRA Rules, listed in the Appendix to this Notice ("the Appendix"); and

   - breaches of the FSA's Principles for Businesses ("FSA Principles") 2, 7 and 9 and the connected Rules in the part of the FSA's Handbook titled Conduct of Business ("COB Rules") and Senior Management Arrangements, Systems and Controls ("SYSC Rules") also listed in the Appendix.

2. Read has confirmed that it will not be referring the matter to the Financial Services and Markets Tribunal.

3. Accordingly, for the reasons listed below and having agreed with Read the facts and matters relied upon, the FSA imposes a financial penalty of £150,000 on Read ("the Penalty")

THE SIB PRINCIPLES AND FSA PRINCIPLES, RELEVANT STATUTORY PROVISIONS AND OTHER REGULATORY RULES

4. The SIB Principles are universal statements of standards expected of firms. They were issued by SIB and applied to PIA members.

5. SIB Principle 2 provided that a firm should act with due skill, care and diligence.

6. SIB Principle 4 provided that a firm should seek all information about its customers' circumstances and investment objectives which might reasonably be relevant to the firm's responsibilities to that customer.

7. SIB Principle 5 provided that a firm should take reasonable steps to give a customer any information needed to enable him to make a balanced and informed decision and should be ready to account to its customer for fulfilling its responsibilities to him.

8. The FSA Principles are set out in the part of the FSA's Handbook titled Principles for Businesses. They are a general statement of the fundamental obligations of authorised persons under the regulatory system. They derive their authority from the FSA's Rule making powers as set out in the Act and reflect the FSA's regulatory objectives.

9. FSA Principle 2 provides that a firm must conduct its business with due skill, care and diligence.

10. FSA Principle 7 provides that a firm must pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading

11. FSA Principle 9 provides that a firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.

12. Section 206 of the Act provides:

> *"If the Authority considers that an authorised person has contravened a requirement imposed on him by or under this Act, it may impose on him a penalty, in respect of the contravention, of such amount as it considers appropriate*

13. The Financial Services and Markets Act 2000 (Transitional Provisions and Savings) (Civil Remedies, Discipline, Criminal Offences etc) (No.2) Order 2001) provides, at Article 8(2), that the power conferred by Section 206 of the Act can be exercised by the FSA in respect of failures to comply with any of the provisions specified in Rules 1.3.1(6) of the PIA Rules as if the firm had contravened a requirement imposed by the Act.

14. PIA Rule 1.3.1(2) provided that a PIA member must obey the PIA Rules, which included the Adopted FIMBRA Rules.

15. PIA Rule 1.3.1(6) provided that a PIA member which failed to comply with, inter alia, the PIA Rules or any of the SIB Principles was liable to disciplinary action.

REASONS FOR ACTION

Summary

16. The FSA has decided to impose a financial penalty on Read in respect of breaches of the SIB Principles and connected PIA Rules, including Adopted FIMBRA Rules, referred to in paragraph 1 and of the FSA's Principles and connected COB and SYSC Rules also referred to in paragraph 1. The breaches, which occurred between September 2000 and January 2003 ("the period in issue"), arose from failures on the part of Read in respect of its business based on the release of cash from preserved pension funds by transfer to individual pensions plans and then into annuities, referred to as "early vesting" or "pensions unlocking", as follows:

    16.1. failure to conduct its business with due skill, care and diligence;

    16.2. failure to pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading; and

    16.3. failure to take reasonable care to ensure the suitability of its advice for any customer who is entitled to rely upon its judgment.

17. Read's failings are particularly serious as they potentially affected the pension assets of customers who were approaching retirement. Such customers are vulnerable because they do not have sufficient time to make up any shortfalls caused by opting out of or transferring pensions. Early vesting can have seriously detrimental effects for over 50's as their retirement income can be substantially reduced because underlying investment funds have less time to grow with the risk that resultant annuity rates may be materially lower than they could be at normal retirement.

18. Read's failings were made all the more serious by the following factors:

    18.1. Read treated pensions unlocking as being broadly suitable for all customers, and structured its sales process accordingly, when in fact these products were only suitable for a very small minority;

    18.2. the sales process adopted by Read was flawed in its failure to observe relevant regulatory Rules (and, in particular, its failure to ensure the suitability of transactions for customers by ensuring that sufficient information was obtained about customers' assets and objectives) that it put over 1,100 customers at risk of being sold unsuitable products;

    18.3. the majority of Read's customers were not people who could have been expected to have had extensive financial services experience, with occupations including labourers, engineers, caretakers, shop assistants, chefs and catering managers. The

small sizes of the pension funds involved meant that other methods of raising cash would have been more suitable in many cases;

18.4. despite the fact that the relevant regulatory requirements were quite clearly published in the PIA Rules, including Adopted FIMBRA Rules, and COB Rules, Read claimed to be unaware of many of them until it had been put on notice by correspondence and/or visits from PIA and FSA supervision that there were defects in its sales process, particularly in relation to issues of information gathering and suitability.

18.5. Read sought to ensure compliance by referring areas of concern to the PIA and FSA instead of taking appropriate responsibility for ensuring that it was adequately familiar with the regulatory rules and principles in force from time to time.

19. Read's failings therefore merit a significant penalty. In fixing the amount of the penalty, however, the FSA recognises the steps which Read has taken and continues to take to improve the operation of its sales process. The FSA notes that since April 2002 Read's management and compliance functions have been strengthened significantly. The FSA also notes that Read is undertaking a past business review which will identify and compensate all those customers who may have been adversely affected by its failings.

20. The FSA has had further regard to the limited resources it has been informed are available to Read. In this respect, the FSA is also mindful that its paramount consideration is to protect the interests of consumers and that the penalty should not therefore be such as might risk jeopardising Read's ability to complete effectively any remedial steps which may be required as a result of the past business review referred to at paragraph 19 and leaving outstanding liabilities to fall on the Financial Services Compensation Scheme.

21. In all the circumstances the FSA has concluded that a penalty of £150,000 is appropriate. Were in not for the matters referred to in paragraphs 19 and 20 above, the penalty imposed would have been substantially higher.

BACKGROUND

22. Read began trading as a general independent financial adviser in 1990. Read became regulated by FIMBRA in February 1993 and then by PIA in May 1997. Read remained authorised by PIA until 1 December 2001 when its authorisation was "grandfathered" into the FSA regime.

23. The proportion of the pensions-related business conducted by Read increased steadily during the 1990s and its business is now based entirely on early vesting and pensions unlocking.

CONTRAVENTION OF RELEVANT REGULATORY REQUIREMENTS

24. The penalty is to be imposed pursuant to Section 206 of the Act in respect of breaches by Read during the period in issue of SIB Principles and FSA Principles and the connected PIA Rules, including Adopted FIMBRA Rules, and COB and SYSC Rules, details of which are set out below.

Failure to conduct its business with due skill, care and diligence

25. During the period in issue Read was required by SIB Principle 2 and FSA Principle 2 to conduct its business with due skill, care and diligence, which included obeying the PIA Rules (including the Adopted FIMBRA Rules) and FSA Rules (including COB and SYSC Rules) and the SIB and FSA Principles.

26. In particular, until N2, Read was required by PIA Rule 7.1.2 to establish procedures with a view to ensuring that it complied at all times with the relevant regulatory Rules and Principles. Since N2, Read has been required by SYSC Rule 3.2.6 to take reasonable care to establish and maintain effective systems and controls for compliance with applicable requirements and standards.

27. As part of conducting its business with due skill, care and diligence, Read was required not to restrict its duties to customers under law or regulatory rules by Adopted FIMBRA rule F28.11 and by COB Rule 2.5.3.

Facts and Matters Relied On

28. Read failed to conduct its business with due skill, care and diligence in that it did not obey all the rules of the regulatory regimes in place during the period in issue. All the breaches described in paragraphs 28 to 56 below illustrate a failure on Read's part to conduct its business to the requisite standard.

29. Read also failed to conduct its business with due skill, care and diligence in that despite clear guidelines being given in the published PIA and FSA Rules and regulatory updates, Read was in a number of instances not aware of requirements such as the need to include a risk warning in advertisements until the breach of these requirements was brought to its attention by the FSA.

30. After N2, Read failed to make an adequate re-assessment of how the changes in Rules and Principles affected its business and to implement the necessary changes in a timely fashion.

31. The FSA considers that it is the responsibility of a firm and its senior management to ensure that it and its employees have adequate and up-to-date knowledge of the relevant regulatory Rules and Principles in order to conduct its business in compliance with those standards. Whilst recognising that on issues of particular concern it may be appropriate to seek specific guidance from the regulator and that such contact may complement a firm's internal compliance systems, the FSA considers asking the regulator about issues does not replace the need for familiarity with regulatory requirements.

Lack of familiarity with relevant regulatory requirements – the Limited Advice procedure

32. Until January 2003 Read sought to limit the advice given to customers to advice on this type of transaction only, in spite of being required by the relevant Principles and Rules to provide adequate information to permit an informed decision by the customer, to provide advice on other options for raising cash and only to recommend transactions which were suitable for the customer in question.

33. This method of operating was introduced by Read in accordance with its understanding of discussions with the PIA in 1999. In a supervisory visit in May 2001, the FSA raised concerns about the practice of limiting advice to customers and that this might be in breach of the PIA Rules. In response to these concerns, Read revised its customer documentation and sent a copy of this to the FSA in June 2001.

34. In responding to Read on this point in August 2001, the FSA stated that:

> *"... [the documentation] would appear to be reasonably specific in confirming to clients that the advice is restricted, based on limited information and with the principal aim of securing tax free cash. The appropriateness of the documentation will clearly depend on the aims and disclosure requirements of individual clients so this should not be taken as a green light for systemic use".*

35. Read believed that this paragraph was an endorsement of its procedure of providing limited advice and accordingly continued to offer only advice limited to pensions unlocking to potential customers. The FSA considers that this paragraph did not expressly endorse the adoption of this procedure for all Read's customers. Instead it considers that the letter reinforced the requirement that Read must consider suitability on a case-by-case basis in the context of each individual client and not assume that an approach which limited the availability of advice to the customer would be suitable for everybody.

36. After N2, Read failed to re-evaluate its practice of offering limited advice to customers in light of the change in regulatory requirements. In breach of COB Rule 2.5.3, Read continued to restrict its duties to customers in this way. It did not change its procedures until told by the FSA that the practice was unacceptable in January 2003.

37. The FSA considers that Read's failure to re-evaluate its position and to implement any change to its limited advice procedure between December 2001 and February 2003, taken together with its failure to familiarise itself adequately with the relevant regulatory requirements evidences the fact that there were insufficient systems and controls in place to ensure compliance with these requirements.

38. Read further attempted to limit its responsibility for the service it offered by stating in its sales documentation that, if the tax free cash available was less than the amount required, then, should the pensions unlocking proceed, Read would assume the lower amount to be satisfactory.

39. Additional examples of Read's lack of familiarity with relevant regulatory requirements are described at paragraphs 43 to 48 and paragraphs 49 to 52 below.

Failure to pay due regard to the information needs of clients (including potential clients) and then to communicate information in a way which is clear, fair and not misleading.

40. Until N2, Read was required by PIA Rule 4.1 to ensure that all communications with investors or potential investors were clear, fair and not misleading. From N2, Read has been required by FSA Principle 7 and COB Rule 2.1.3 to pay due regard to the information needs of its clients and communicate information in a way that is clear, fair and not misleading.

41. In the specific context of financial promotions, Adopted FIMBRA Rule F18.7 required and COB Rule 3.8.4 requires advertisements to disclose fairly the risks involved in the proposed transaction.

42. In relation to charges made to clients, these are required to be set out clearly in writing by COB Rule 5.7.3.

Facts and Matters Relied On

Financial Promotions

43. During the period in issue, Read issued a number of advertisements in a variety of media which failed to comply with the requirements of PIA and the FSA in that individual advertisements:

    43.1. failed to include adequate warnings about the key risks of pensions unlocking until June 2002; and/or

    43.2. included inappropriate statements about the benefits of pension unlocking between May and October 2002.

44. Read advertised its pensions unlocking business in national newspapers, on Teletext, on Sky Television and on other television channels. During 2002, 64 advertisements appeared in 12 national newspapers.

45. The main risk to consumers of raising cash by pension unlocking is that retirement income could be significantly lower than if the pension was maintained. Read was therefore required to disclose this risk fairly in its advertisements. Newspapers and Teletext advertisements used by Read between October 1998 and 26 June 2002 contained no warning about such risks.

46. An advertisement that appeared on 1 May 2002 and on at least 18 other occasions between June and October 2002 contained the following statement about the possible uses of tax free cash raised from pensions:

    "So you can pay off debts, pay for home improvements, holidays or a new car – all without the costs of borrowing someone else's money."

47. This statement did not mention the main risk inherent in such transactions, namely that clients' pension income might be lower than if they waited until their nominated retirement age as a result of the fees and commissions involved.

48. Given the likelihood of reduced income in retirement, and the loss of existing pension entitlements, the FSA considers it was not appropriate to suggest that pension unlocking is a suitable means of paying for home improvements (other than in exceptional circumstances, which might include modifying a house because of a disability) , holidays or a new car without also reflecting the real cost of pensions unlocking.

Terms of Business

49. The terms of business leaflet used by Read from 2002 onward included the following statement:

> *"…We will disclose the commission payable to us in respect of any transaction. Alternatively, or additionally, a fee may be charged, which will be agreed with you in writing before any services are provided. …No fee is payable to us unless you receive a lump sum. THERE ARE NO 'UP FRONT' FEES PAYABLE AT ANY TIME. If we receive any additional remuneration, we will inform you in writing. Where we have notified you of your options and you choose to access an option, either directly with the provider or through another adviser, we reserve the right to charge for any abortive work at an hourly rate of £150 per hour."*

50. A sample of 60 customer files reviewed by the FSA contained evidence that Read's advisers discussed the payment of a £450 fee if a suitability report was issued to the client but the client were to decide at that stage not to proceed with the transaction. Read confirmed in correspondence during the investigation that:

"*…We also discussed that all the service and analysis to date have been free of charge and that there is a £450 fee post report if they subsequently decide not to proceed."*

51. There was no evidence on the files reviewed that such customers were given written confirmation that such a fee would be incurred. The terms of business leaflet only states that a charge of £150 per hour would be levied if the client decided to pursue another option or to use the services of another adviser.

52. During the period in issue, Read's terms of business did not therefore set out clearly the basis on which charges would be payable by the customer. No reference was made in writing, in advance, to the fact that a charge of £450 might be payable if the customer received a suitability report but did not then proceed with the business.

Failure to take reasonable care to ensure the suitability of its advice for any customer who is entitled to rely upon its judgment.

53. Read is required by FSA Principle 9 to take reasonable care to ensure the suitability of its advice for any customer who is entitled to rely upon its judgment. The process of ensuring suitability encompasses the requirements both to seek adequate information from customers to enable suitable recommendations to be made and to give customers sufficient information to enable them to make balanced and informed decisions, requirements which until N2 were contained in SIB Principles 4 and 5 respectively.

54. During the period in issue Read was also required to obtain suitable information prior to transactions taking place by Adopted FIMBRA Rule F29.4.1 and COB Rule 5.2.5 and to ensure transactions recommended were suitable by Adopted FIMBRA Rule 29.5.1 and COB Rule 5.3.5.

Facts and Matters Relied On

Failure to obtain sufficient information about clients

55. Read used a fact find questionnaire to obtain information about its customers. A number of versions of this document were used during the period in issue. The version which was in use at the beginning of the period in issue was defective in that it did not obtain information about the following:

55.1. available assets that might have been used to raise cash as an alternative to accessing cash from a pension fund;

55.2. customers' access to disposable income;

55.3. (until 2003) the customer's income requirements in retirement, to facilitate comparison with present pension provision and assessment of the suitability of pensions unlocking.

56. All of these areas are matters about which Read should have made enquiries in order to obtain sufficient information about its customers' needs and their financial position and Read accepts that it did not do so consistently throughout the period in issue.

57. Following the change in regulatory requirements at N2, Read failed to re-evaluate its questionnaire to ensure ongoing compliance with the relevant Rules and Principles until told it must do so in January 2003.

58. The FSA considers that the versions of the questionnaire which failed to ask the questions set out in paragraph 50 above meant that without them insufficient information was gathered to enable an informed assessment to be made of whether pensions unlocking was suitable. A number of files examined by the FSA evidenced levels of disposable income which would have made alternative methods of raising cash more suitable than pensions unlocking or assets which could have been used instead.

59. The fact find questionnaire used by Read, in all the versions used during the period in issue, was sent out to customers with a preliminary report which detailed the options available for raising a lump sum. The fact that these options were being detailed before any information was collected about the customer indicates that insufficient consideration of individual customers' circumstances was being given by Read before any recommendation was made as to the likely suitability of pensions unlocking.

Failure to explore options other than pensions unlocking

60. Read's advisers did not carry out a comparison of the wider, non-pension options available to customers. At the latest, from N2 onwards, Read should have considered the various alternative methods of raising cash and compared them with pensions unlocking. Although Read's advisers did enquire whether customers wished to explore alternative non-pension alternatives to releasing pension benefits, the burden was placed on the customer to determine whether that course of action was appropriate, regardless of the customer's financial sophistication and experience.

61. The FSA considers that Read retained the responsibility to give suitable advice despite placing the burden on the customer to decide what level of advice they need. For example, when it knew that a loan would be more suitable for the customer, Read should not have proceeded with a pensions unlocking transaction other than on an insistent client basis, but there is evidence from the cases reviewed by the FSA that it did so.

RELEVANT GUIDANCE ON SANCTIONS

62. The FSA's policy on the imposition of financial penalties is set out in Chapter 13 in the part of the FSA's Handbook titled Enforcement Manual ("ENF"). The principal purpose of a financial penalty is to promote high standards of regulatory conduct by deterring firms who have breached regulatory requirements from committing further contraventions, helping to deter other firms from committing contraventions and demonstrating generally to firms the benefits of compliant behaviour.

63. In determining whether a financial penalty is appropriate, and, if so, its level, the FSA is required to consider all the relevant circumstances of the case. ENF 13.3.3. sets out the factors that may be of particular relevance in determining the level of a financial penalty. They are not exhaustive (ENF13.3.4).

64. Article 8(4) of the Pre-N2 Misconduct Order provides that, where the FSA is considering the imposition of a financial penalty, it must have regard to:

"...any statement made by the relevant recognised self-regulating organisation…which was in force when the conduct in question took place with respect to its policy on the taking of disciplinary action and the imposition of, and amount of, penalties (whether issued as guidance, contained as rules of that organisation or otherwise)."

65. Relevant PIA guidance was contained in Annex D of "PIA's Approach to Discipline – Statement of Policy" (issued December 1995). In all material respects this guidance required consideration of the same factors as those identified in ENF 13. Further, this guidance made it clear that the criteria for determining the level of sanction were not to be applied rigidly. The FSA has taken this guidance into account in considering the appropriate sanction in this case.

66. The FSA considers that the following factors (which are expressed in terms of both the FSA and the equivalent PIA guidance) to be particularly relevant in this case:

ENF 13.3.3(1): The seriousness of the misconduct or contravention

PIA Guidance : The seriousness of the breaches

67. The level of the financial penalty should be proportionate to the nature and seriousness of the contraventions. The seriousness of these breaches is further summarised in paragraphs 17 and 18 above.

ENF 13.3.3(2): The extent to which the contravention was deliberate or reckless

PIA Guidance: Whether the member deliberately or recklessly failed to meet PIA's requirements

68. There is no evidence that Read's breaches were deliberate. However, the FSA is concerned that Read claimed to have been unaware of relevant regulatory requirements until being put on notice in the manner described in paragraph 18 and then failed to take sufficient action to tighten its sales procedures in a timely manner.

ENF 13.3.3(3): The size, financial resources and other circumstances of the firm

PIA guidance: The extent to which the member's governing body or senior management was culpable. The member's ability to pay

69. .The FSA has had regard to the limited resources it has been informed are available to Read to meet a financial penalty imposed upon it. In this respect, the FSA is also mindful that its paramount consideration is to protect the interests of consumers and that the penalty should not therefore be such as might risk jeopardising Read's ability to complete any remedial activities to which it is committed and leave outstanding liabilities to fall on the Financial Services Compensation Scheme. Were it not for the information provided as to Read's financial resources, the penalty imposed would have been substantially higher.

ENF 13.3.3(4): The amount of profit accrued or loss avoided

PIA guidance: The extent to which, as a result of the breaches, the member gained benefit or avoided loss

70. Read's financial statements indicate that it had an aggregate turnover of some £3 million in the two years ended 31 December 2002, which generated an aggregate net profit of some £665,000. All of that profit related to the business which gave rise to the breaches identified.

ENF 13.3.3(5): Conduct following the contravention

PIA guidance: The firm's response once the breaches were identified

71. Read has endeavoured to make adequate improvements to its sales process once particular failings have been identified by PIA or the FSA although in several instances it has taken some time to do so.

ENF 13.3.3(6): Disciplinary record and compliance history

PIA guidance: The firm's regulatory history

72. Read has not been disciplined previously by either PIA or the FSA.

ENF 13.3.3(7) Previous action taken by the FSA in relation to similar behaviour by other firms

PIA guidance: The way in which PIA has dealt with similar cases in the past

73. Both PIA and the FSA have previously taken action against firms for suitability and financial promotion issues and these cases have been taken into consideration to the extent that they contain relevant similarities.

ENF 13.3.3(8): Action taken by other regulatory authorities

74. There has been no action taken by other regulatory bodies.

.

IMPORTANT NOTICES

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

Manner of payment

The Penalty must be paid to the FSA in full.

Time for payment

The Penalty must be paid to the FSA no later than 3 January 2005, being not less than 14 days beginning with the date on which the Notice is given to Read.

If the Penalty is not paid

If all or any of the Penalty is outstanding on 3 January 2005, the FSA may recover the outstanding amount as a debt owed by Read and due to the FSA.

Publicity

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 these 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 a 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 Read or prejudicial to the interests of consumers.

The FSA intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

FSA contacts

For more information concerning this matter generally, you should contact Graham Turner (direct line: 020 7066 1432 / fax: 020 7066 1433).

Julia MR Dunn

Head of Retail Selling

FSA Enforcement Division

APPENDIX

RELEVANT STATUTORY PROVISIONS AND REGULATORY RULES

1. PIA Rule 4.1 provided that all communications with investors or potential investors must be clear, fair and not misleading.

2. PIA Rule 7.1.2 provides that a firm must establish procedures to ensure that it complies at all times with the applicable Rules and Principles.

3. Adopted FIMBRA Rule F18.7 provided that a firm must ensure that advertisements disclosed fairly the risks involved.

4. Adopted FIMBRA Rule F28.11 provided that a firm must not make any written statement which excludes or restricts its duties to its customers in the context of the regulatory system or at law.

5. Adopted FIMBRA Rule F29.4.1 provided that before performing any service for a client the firm must obtain and record the personal and financial information necessary to make appropriate recommendations.

6. Adopted FIMBRA Rule F29.5.1 provided that a firm may recommend a specific investment to a client only if it has good grounds for believing that it is suitable for him in light of information obtained and of which the firm is or ought to be aware.

7. COB Rule 2.1.3 provides that communication with customers must be clear, fair and not misleading.

8. COB Rule 2.5.3 provides that a firm must not, in communication with its customers, seek to exclude or restrict its duties and liabilities to customers under the regulatory system.

9. COB Rule 3.8.4 provides that a firm must show it has taken reasonable steps to ensure non-real time financial promotions are clear, fair and not misleading and goes on to prescribe what such promotions should contain.

10. COB Rule 5.2.5 provides that a firm must take reasonable steps to ensure it has sufficient personal and financial information about the customer relevant to services to be provided before giving a personal recommendation to a private customer.

11. COB Rule 5.3.5 provides that a firm must only make suitable recommendations to private customers.

12. COB Rule 5.4.3 provides that a firm must make sure that private customers understand the nature of the risks involved in transactions being recommended.

13. SYSC Rule 3.2.6 provides that a firm must take reasonable care to establish and maintain effective systems and controls for compliance with applicable requirements and standards under the regulatory system.