
FIRST SUPERVISORY NOTICE

To: **Binance Markets Limited**

Reference Number: **688849**

Address: **The Gridiron Building
1 Pancras Square
King's Cross
London
N1C 4AG**

Date: **25 June 2021**

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 FCA") has decided to impose the following requirements ("the Requirements") on Binance Markets Limited ("the Firm").

- 1) The Firm must not, without the prior written consent of the FCA, carry out any regulated activities for which it has Part 4A permission with immediate effect.
- 2) By close of business on 30 June 2021, the Firm must display, in a prominent place on the website www.binance.com and any other communication channels or social media, including but not limited to, the Binance mobile and desktop applications a notice stating:

"The Financial Conduct Authority in the United Kingdom has asked us to issue the following statement. In the interests of clarity we are happy to do so.

Binance.com is a platform providing various products and services to global customers. Some of these products and services are regulated outside the UK, while others are not. Binance Markets Limited is a UK based company which has not yet carried out any business.

BINANCE MARKETS LIMITED IS NOT PERMITTED TO UNDERTAKE ANY REGULATED ACTIVITY IN THE UK.

Due to the imposition of requirements by the FCA, Binance Markets Limited is not currently permitted to undertake any regulated activities without the

prior written consent of the FCA. (No other entity in the Binance Group holds any form of UK authorisation, registration or license to conduct regulated activity in the UK). Such authorisation, registration or license is not required for unregulated activities.

As a result, the imposition of the FCA's requirements does not change any arrangements with users that use the products or services provided through www.binance.com. Accordingly, as requested by the FCA, Binance Markets Limited will obtain the FCA's prior consent before launching business and carrying on any regulated activities".

- 3) The Firm will remove, or where this is not practicable, give instructions for the removal of any advertising and financial promotions it currently has live, in whatever form they take by close of business on 30 June 2021.
- 4) The Firm must provide written confirmation of the steps it has taken to meet the requirements set out at 1.1(2) and 1.1(3) to the FCA by close of business on 30 June 2021.
- 5) The Firm must secure and preserve all records and/or information (physical or electronic) relating to all UK consumers from its systems in their original form, or in a copy proved to be identical to the material source. These must be retained in a form and at a location within the United Kingdom, to be notified to the FCA in writing by 2 July 2021, such that they can be provided to the FCA, or to a person named by the FCA, promptly on its request.

1.2 These Requirements will remain in force unless and until varied or cancelled by the FCA (either on the application of the Firm or of the FCA's own volition).

2 REASONS FOR ACTION

Summary

2.1 The FCA 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:

- i. it has failed, during a period of at least 12 months, to carry on a regulated activity to which the Part 4A permission relates;
- ii. it is failing, or is likely to fail, to satisfy the Effective Supervision Threshold Condition; and
- iii. it is desirable in order to advance the FCA's operational objective of securing an appropriate degree of protection for consumers.

2.2 The Firm, which was previously known as EddieUK, is an authorised investment firm, authorised since 13 April 2018. The Firm has been part of the Binance Group

("the Group") since its acquisition by Binance Capital Management Ltd in May 2020. The Firm submitted its Change in Control notification to the FCA on 27 April 2020; the FCA approved the Change in Control on 29 May 2020. The permissions held by EddieUK were retained by the Firm following the Change in Control.

- 2.3 The Group is the world's largest global crypto exchange: 24 hour spot trading volumes for binance.com are estimated to be between \$11 billion and \$38 billion during June 2021, with 316 cryptoassets supported across 1138 trading pairs. For the same period (under the Binance Futures brand) 24 hour derivatives volumes are estimated as being between \$43 billion and \$129 billion, with open interest between \$5.3 billion and \$6.7 billion.
- 2.4 In May 2021, the Firm confirmed to the FCA that it had not engaged in any regulated activities since the Change in Control application was approved (i.e since 29 May 2020). It further stated that it intended to offer regulated activities to its customers once it had decided upon its business plan and strategy. As at 23 June 2021, the Authority has not received from the Firm – or been notified by the Firm of – a final (or final draft) business plan and strategy. It therefore appears to the FCA that the Firm is not currently carrying out regulated activities, and that it has not done so for over 12 months.
- 2.5 During 2021, Supervision has issued two formal information requirements, one under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the "MLRs") and one under the Act. The FCA considers that Firm's responses have been incomplete and have included direct refusals to provide information. These include failures to:
 - i. provide details about how the business and Group are organised;
 - ii. explain what routes UK consumers could use to purchase products; and
 - iii. identify the legal entity behind the website www.binance.com.
- 2.6 Based upon the Firm's engagement to date, the FCA considers that the Firm is not capable of being effectively supervised. This is of particular concern in the context of the Firm's membership of a global Group which offers complex and high-risk financial products, which pose a significant risk to consumers.
- 2.7 The Authority considers that the Requirements should take immediate effect.

3 DEFINITIONS

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

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

"the Authority" means the Financial Conduct Authority;

"the Firm" means Binance Markets Limited;

"the Group" means the Binance Group, of which Binance Markets Limited is part;

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

"KID" means Key Investor Document;

“MLRs” means the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017;

“Request 1” means the FCA’s request for information to the Firm under regulation 57(3) of the MLRs, made on 15 April 2021, to which the Firm responded on 6 May 2021;

“Request 2” means the FCA’s request for information to the Firm under s165 of the Act, made on 17 May 2021, to which the Firm responded on 25 May 2021;

“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 is an authorised investment firm. It has been authorised since 13 April 2018. It has permission to conduct the following activities:
 - i. Advising on investments (except on Pension Transfers and Pension Opt Outs);
 - ii. Arranging (bringing about) deals in investments;
 - iii. Arranging safeguarding and administration of investments;
 - iv. Dealing in investments as principal;
 - v. Making arrangements with a view to transactions in investments; and
 - vi. Agreeing to carry on a regulated activity.
- 4.2 The Firm has permission to hold client money but does not hold any client money.
- 4.3 The Firm legally changed its name to Binance Markets Limited on 10 June 2020, and registered a trading name of Binance.UK with Companies House and the FCA. The CEO and founder of Binance Holdings Ltd is Ultimate Beneficial Owner of all Binance entities, including the Firm. The Firm currently does not have any approved persons, although Authorisations has received applications to nominate individuals to the SMF3 (Executive Director), SMF16 (Compliance Oversight Function) and SMF17 (Money Laundering Reporting Officer) roles.
- 4.4 In June 2020 the Firm submitted an application under regulation 57 of the MLRs to be registered as a cryptoasset business. The firm intended to launch a UK based cryptoasset exchange with the trading name Binance.UK offering retail and business customers the ability to exchange fiat to cryptoassets, cryptoassets to fiat and cryptoassets for other cryptoassets.
- 4.5 Following discussions between the Authority and the Firm, the Firm signed an undertaking that it would not offer any cryptoasset activities unless and until either it was registered or the Authority informed the Firm that it could avail itself of the transitional provisions in the MLRs.
- 4.6 In addition, since 30 June 2020, the Firm has been subject to a voluntary application for the imposition of a requirement to the Authority. This includes that the Firm must cease marketing any reference to EddieUK / Binance / BinanceUK being an FCA regulated platform for buying and trading cryptocurrencies. This requirement was applied for and put in place following concerns identified by Supervision that the Firm may have been incorrectly advertising itself as being FCA authorised to

offer cryptoassets. The Firm subsequently rectified the relevant advertising.

- 4.7 In October 2020 the FCA banned the sale of crypto derivatives to UK retail customers. During the time that the FCA was considering the Firm's MLRs registration application, the FCA became aware that products that appear to be retail OTC derivatives, crypto derivatives, futures or perpetuals were being marketed or sold via the website binance.com. There appeared to be no barrier to a customer based in the UK purchasing these products via the binance.com website.

Failings and risks identified

Failing to carry out any regulated activity for a period of at least 12 months

- 4.8 In January 2021, the FCA reminded firms of their obligation to review regulatory permissions regularly to ensure that they are up to date and to remove permissions when not required. This statement also reminded firms of the need to notify the FCA of material changes and to make necessary changes in a timely way. The FCA has said that incorrect or outdated permissions increase the risk of harm to consumers.
- 4.9 The Firm's Change in Control application was approved on 29 May 2020. The FCA has concluded, based on information provided by the Firm, that since this application, the Firm has failed to use any of its regulatory permissions:
- i. On 28 April 2021, the Firm was asked to *"provide an explanation of the regulated activities that have been conducted by the firm since the Change in Control application was approved"* (i.e. since 29 May 2020). The Firm responded to this question on 6 May 2021; in its reply it stated: *"The firm has not engaged in any regulated activities since the change in control application was approved (we understand the cryptoasset loan referred to above did also not involve a regulated activity). We have not provided any advice to any customers and are not selling any regulated securities to customers at the present time."*
 - ii. The Firm further stated that it intended to offer regulated activities to its customers *"[o]nce we have decided upon our overall business plan and strategy in this area"*.
 - iii. As at 23 June 2021, the FCA has not received from the Firm – or been notified by the Firm of – a final (or final draft) business plan and strategy.

Effective Supervision

- 4.10 The FCA considers that the Firm is failing to satisfy the effective supervision Threshold Condition. The FCA also considers that the Firm may have breached section 165(2) of the Act (which is an offence for the purpose of section 177 of the Act) and Principle 11 of the FCA's Principles for Businesses.
- 4.11 Specifically, during 2021 the FCA sent two information requirements to the Firm. The FCA considers that the Firm's responses to some questions amounted to a refusal to supply information, and that the Firm has failed to respond adequately to the FCA's information requirements. The Firm's responses included:

- i. Refusal to answer questions about wider global business model: Requests 1 and 2 both asked the Firm to provide trading names and functions for all Group entities globally. The Firm failed to provide these in response to either request.

In response to Request 1 the Firm stated: “[S]ome of the FCA’s questions relate to the overall Binance group arrangements and certain corporate information relating to the Binance group. We do not consider these questions to be appropriate, or in any way relevant, to BML’s application. Other than the Binance entities disclosed above, other entities in the Binance group have no involvement whatsoever with BML and the UK business.” In response to Request 2, the Firm failed to identify the legal entity behind the website www.binance.com;

- ii. Refusal and/or inability to provide information about wider products offered via Binance.com: in both requests the FCA asked the Firm to identify all the legal entities with which a UK customer enters a relationship when they use the Binance.com crypto exchange for specified activities, for both retail and business customers.

In response to Request 1, the Firm replied that the website is operated from outside the UK and does not fall within the territorial scope of the MLRs, and stated “*The legal entities in the Binance group that trade through Binance.com are not involved with any activities that take place by BML. We therefore do not consider this question to be appropriate, or in any way relevant, to BML’s application.*”

In response to Request 2, the Firm disclosed uncertainty about whether certain products were offered to retail and/or business customers via the binance.com website and about routes that customers within the UK could use to purchase specific products. The Firm failed to identify the legal entity (or entities) with which a UK customer would enter a relationship when using the binance.com website for certain transactions.

- iii. Failure to answer questions about Binance Stock Tokens: In response to Request 1, the Firm failed to provide clarification on the legal or regulatory status of this product, the Firm’s assessment of its standing as regards the UK regulatory perimeter the FCA’s request for the prospectus for the product. The Firm has provided the FCA with a copy of the KID for the product but this does not enable the FCA to answer its outstanding questions. The FCA does not consider it appropriate for an FCA-authorized Firm to respond to the Authority’s questions by referring the FCA to a third party. The same question was asked in Request 2, and the Firm responded with additional information on Binance Stock Tokens.

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 has concluded, in light of the matters set out above, that the Firm has failed to carry on a regulated activity for a period of over 12 months, and further that it is failing or likely to fail to satisfy the effective supervision Threshold Conditions. In particular, the FCA considers that, as a result of the Firm's inadequate responses to Requests 1 and 2, that it is not likely to receive adequate information from the Firm and those persons with whom the Firm has close links to enable the FCA to determine whether the Firm is complying with the FCA's regulatory requirements and to identify and assess the Firm's impact on the FCA's statutory objectives.
- 5.3 In reaching this view, the FCA has considered the Firm's apparent failure to comply with Principle 11 of the Principles for Businesses (COND 2.3.3G(1)) in respect of Request 2. The FCA has also had regard to the complex structure and extensive geographical spread of the Firm's group and – having regard to the nature of the Firm's replies to Requests 1 and 2 – that this appears to be hindering the provision of adequate and reliable information to the FCA (COND 2.3.3G(2)).
- 5.4 The FCA considers that it is necessary to exercise its own-initiative power under section 55L(3)(a) of the Act by imposing the Requirements to stop the Firm conducting regulated activities in order to protect the interests of consumers.
- 5.5 The Authority considers that the Requirements are a proportionate and appropriate means to address the current and immediate risks, and are desirable in order to advance the Authority's operational objective of consumer protection.

Timing and duration of the Requirements

- 5.6 It is necessary to impose the Requirements on an urgent basis given the seriousness of the risks and the need to protect consumers.
- 5.7 The Authority considers that it is necessary for these Requirements to remain in force unless and until varied or cancelled by the FCA (either on the application of the Firm or of the FCA'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.
- 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 and oral representations to the Authority (whether or not it refers this matter to the Tribunal). The deadline notifying the Authority that the Firm wishes to make oral representations and for providing written representations is 13 July 2021 or such later date as may be permitted by the Authority. The address for doing so is:

Regulatory Transactions Committees Secretariat
Corporate Governance Division
The Financial Conduct Authority
12 Endeavour Square
London
E20 1JN
Email: RTCSecretariatMailbox@fca.org.uk

- 6.5 The Authority must be informed in writing of any intention to make oral representations by 20 July 2021. If the Authority is not notified by this date, the Firm will not, other than in exceptional circumstances, be able to make oral representations.

The Tribunal

- 6.6 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.
- 6.7 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).
- 6.8 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>
- 6.9 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 Financial Conduct Authority, 12 Endeavour Square, London, E20 1JN.

Confidentiality and publicity

- 6.10 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).
- 6.11 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

- 6.12 Any questions regarding the procedures of the Regulatory Transactions Committee should be directed to the Regulatory Transactions Committees Secretariat by email: RTCSecretariat@fca.org.uk.

Annex

RELEVANT STATUTORY PROVISIONS

1. The Authority's operational objectives established in section 1B of the Act include securing an appropriate degree of protection for consumers, and protecting and enhancing the integrity of the UK financial system.
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 if it appears to the Authority that the authorised person has failed, during a period of 12 months, to carry on a regulated activity to which its Part 4A permission relates (section 55L(2)(b)), 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 165 of the Act provides that:
 - (1)The FCA may, by notice in writing given to an authorised person, require him—
 - (a)to provide specified information or information of a specified description; or
 - (b)to produce specified documents or documents of a specified description.
 - (2)The information or documents must be provided or produced—
 - (a)before the end of such reasonable period as may be specified; and
 - (b)at such place as may be specified.
 - [...]
 - (4)This section applies only to
 - (a) information and documents reasonably required in connection with the exercise by the FCA of functions conferred on it by or under this Act [...]
 - (5) The FCA may require any information provided under this section to be provided in such form as it may reasonably require.
 - [...]
 - (8)"Authorised person" includes a person who was at any time an authorised person but who has ceased to be an authorised person.

6. Section 177 of the Act provides that:

(1) If a person other than the investigator (“the defaulter”) fails to comply with a requirement imposed on him under this Part the person imposing the requirement may certify that fact in writing to the court.

(2) If the court is satisfied that the defaulter failed without reasonable excuse to comply with the requirement, it may deal with the defaulter (and in the case of a body corporate, any director or other officer) as if he were in contempt [...].

(4) A person who, in purported compliance with a requirement imposed on him under this Part—

(a) provides information which he knows to be false or misleading in a material particular, or

(b) recklessly provides information which is false or misleading in a material particular,

is guilty of an offence.

(5) A person guilty of an offence under subsection (3) or (4) is liable—

(a) on summary conviction, to imprisonment for a term not exceeding six months or a fine not exceeding the statutory maximum, or both;

(b) on conviction on indictment, to imprisonment for a term not exceeding two years or a fine, or both.

[...]

(7) In this section—

“court” means—

(a) the High Court;

[...]

“investigator appointed by the FCA” means an investigator appointed by the FCA under section 167, 168 or 169;

“officer of the FCA” means an officer authorised by the FCA for the purposes of section 165(3).

7. 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 Principles

8. Principle 11: A firm must deal with its regulators in an open and cooperative way, and must disclose to the FCA appropriately anything relating to the firm of which that regulator would reasonably expect notice.

Threshold Conditions: Effective Supervision

9. COND 2.3.1 Effective Supervision:

(1) A must be capable of being effectively supervised by the FCA having regard to all the circumstances including-

(a) the nature (including the complexity) of the regulated activities that A carries on or seeks to carry on;

(b) the complexity of any products that A provides or will provide in carrying on those activities;

(c) the way in which A's business is organised;

(d) if A is a member of a group, whether membership of the group is likely to prevent the FCA's effective supervision of A;

(e) whether A is subject to consolidated supervision required under any of the relevant directives;

(f) if A has close links with another person ("CL")-

(i) the nature of the relationship between A and CL;

(ii) whether those links are or that relationship is likely to prevent the FCA's effective supervision of A; and

(iii) if CL is subject to the laws, regulations or administrative provisions of a territory which is not the UK ("the foreign provisions"), whether those foreign provisions, or any deficiency in their enforcement, would prevent the FCA's effective supervision of A.

(2) A has close links with CL if-

(a) CL is a parent undertaking of A;

(b) CL is a subsidiary undertaking of A;

(c) CL is a parent undertaking of a subsidiary undertaking of A;

(d) CL is a subsidiary undertaking of a parent undertaking of A;

(e) CL owns or controls 20% or more of the voting rights or capital of A; or

(f) A owns or controls 20% or more of the voting rights or capital of CL.

The Enforcement Guide

10. 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.
11. 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)).
12. 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)).
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 55L of the Act to impose a requirement 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 (EG 8.2.3(1)), or is concerned that the consequences of a firm not taking the desired steps may be serious (EG 8.2.3(2)).
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 one or more of four listed characteristics, these include: 1) information indicating significant loss, risk of loss or other adverse effects for consumers, where action is necessary to protect their interests; 2) information indicating that a firm's conduct has put it at risk of being used for the purposes of financial crime, or of being otherwise involved in crime; 3) 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; 4) circumstances suggesting a serious problem within a firm or with a firm's controllers that calls into question the firm's ability to continue to meet the threshold conditions.

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:
- (3) The nature and extent of any false or inaccurate information provided by the firm. Whether false or inaccurate information warrants the FCA's urgent exercise of its own-initiative powers will depend on matters such as:
 - (a) the impact of the information on the FCA's view of the firm's compliance with the regulatory requirements to which it is subject, the firm's suitability to conduct regulated activities, or the likelihood that the firm's business may be being used in connection with financial crime;
 - (b) whether the information appears to have been provided in an attempt knowingly to mislead the FCA, rather than through inadvertence;
 - (c) whether the matters to which false or inaccurate information relates indicate there is a risk to customer assets or to the other interests of the firm's actual or potential customers.
 - (4) 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.
 - (6) The risk that the firm's business may be used or has been used to facilitate financial crime, including money laundering. The information available to the FCA, including information supplied by other law enforcement agencies, may suggest the firm is being used for, or is itself involved in, financial crime. Where this appears to be the case, and the firm appears to be failing to meet the threshold conditions or has put its customers' interests at risk, the FCA's urgent use of its own-initiative powers may well be appropriate.
 - (7) The risk that the firm's conduct or business presents to the financial system and to confidence in the financial system.
 - (8) The firm's conduct. The FCA will take into account:
 - (a) whether the firm identified the issue (and if so whether this was by chance or as a result of the firm's normal controls and monitoring);
 - (b) whether the firm brought the issue promptly to the FCA's attention;
 - (c) the firm's past history, management ethos and compliance culture;
 - (d) steps that the firm has taken or is taking to address the issue.
 - (9) The impact that use of the FCA's own-initiative powers will have on the firm's business and on its customers. The FCA will take into account the (sometimes significant) impact that a variation of permission may have on a firm's business and on its customers' interests, including the effect of variation on the firm's reputation and on market confidence. The FCA 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.
18. 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.