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Private & confidential
Anna Colban
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10 July 2012

Dear Ms Colban

FRC Consultation Paper, *Sanctions Guidance to Tribunals*

KPMG welcomes the opportunity to comment on the FRC Consultation Paper. We have summarised our comments in this covering letter and have set out in Appendix 1 our more detailed responses to the specific questions asked in the Consultation Paper.

Firstly we note that we are very supportive of the objectives of the AADB's accountancy scheme and understand the important role that appropriate sanctions play in ensuring its success. We also agree that it would be helpful for Tribunals to have guidance on imposing sanctions in order to enhance consistency, although it is not apparent to us that previous Tribunals for the AADB or its predecessor body, the Joint Disciplinary Scheme ("the JDS") have failed to exercise their judgement appropriately in prior cases including that of the most recent case of JP Morgan.

We are concerned however that the focus of the Consultation Paper seems to only be on the deterrent value of sanctions and moreover almost exclusively on monetary sanctions. Indeed the range of sanctions other than fines currently available to the AADB seems to be significantly less comprehensive than similar schemes for example in Australia, the US or Canada. We are therefore disappointed that neither this consultation nor the further consultation on the Scheme rules, which was launched recently, considers whether the AADB should have other sanctioning powers that may better achieve its overall objectives.

The cases which have reached AADB or JDS Tribunals have largely involved alleged failings in the course of statutory audits or other assurance engagements. The complaint has been generally that there has been some negligent but unintentional error. It is difficult to see how the risk of such errors could be wholly eliminated from any process which relies so heavily on individual professional judgement. It is though striking how few audits each year are shown to be defective, which suggests to us that the profession is trying very hard and generally succeeding to minimise error and to promote best practice.

Further as the Consultation Paper notes the accountancy scheme specifically provides that Member Firms are held to account for anything done or omitted to be done by any partner, director or employee. This is in stark contrast with ISQC1 (UK and Ireland) which uses the concept of "reasonable assurance" in the requirements it places on a firm to establish a system of internal quality control. Whilst we appreciate the public policy objective behind the scheme's rules in this regard it would be perverse to levy a deterrent financial sanction on to a Member Firm which has met all its obligations and there is in fact no behaviour that could reasonably be changed. For level 1 to 3 breaches in particular it would seem to be totally inequitable for fines to be levied that have a material impact on the remuneration of partners who have no involvement in the matter.

Furthermore, we do not believe that level 1 and level 5 breaches can be viewed as being on the same continunum as regards monetary sanctions. They are quite simply different orders of magnitude and require a fundamentally different response. In that context we agree of course that the sanctions for behaviour by Member Firms involving recklessness, market abuse, deceit of investors or intentional systemic problems need to be significant, but there is no reason to suppose that the present system (which provides for unlimited fines and suspension) would not impose high penalties for misconduct of that type. The fact of the matter is that such cases have never come before the Tribunals.

We therefore disagree fundamentally with the proposal that the determination of <u>all</u> fines at any level should be based ab initio on the Member or Member Firm's financial resources rather than the seriousness of the misconduct. This appears to us to elevate the objective of deterrence above any of the other objectives of a regulatory sanctioning regime and lead to a penalty effect which is inappropriate and not necessarily proportionate to the breach that has occurred. We are not aware of any other professional services regulator (including the main accounting regulators) that has taken such an approach and we believe it will have a detrimental effect on the UK profession.

Finally in the context of failures in corporate reporting it seems simplistic to target the major audit firms for primary responsibility and accountability – as often appears to be the intention. It is important for the sanctions regime to have adequate regard the role of others, in particular companies and their directors, and the statutory response that public policy provides for any failings on their part.

Yours sincerely

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Appendix 1

Response to specific questions

1 Do you agree with the Board's objectives and approach to sanctions guidance?

We broadly agree with the objectives of sanctions as outlined in paragraphs 3.3 and 3.5 of the Consultation Paper.

We note that the approach borrows heavily from previous reports and research in this area, in particular the Hampton and Macrory reports mentioned in Section 3 of the Consultation Paper. We agree these give a solid theoretical foundation for regulatory principles and action. However, what is clear from these reports (which cover a very wide range of regulated activities) is that the matrix to be constructed around regulation and regulatory breaches (i.e. their purpose, nature, causes, motivating factors, impact etc) is highly complex. For example there is a considerable difference between those regulations (for example those of the Financial Services Authority) whose principal purpose is to protect the public against market abuse which is often deliberate and/or systemic and those regulations whose underlying purpose is to promote and maintain professional standards. The sanctions regime to be applied to regulatory breaches needs to reflect these differences. It is not clear to us that the suggestions in the draft Guidance adequately take this into account.

Specifically we do not agree with moving from the six principles specified by Macrory to concentrate on deterrence as the Consultation Paper does in paragraph 3.7 et seq. Deterrence is really only of value if Members or Member Firms do not wish to comply; there is no evidence from past matters considered by either JDS or AADB tribunals that this is the case. Regulatory breaches by the major accounting firms are usually – although we accept this may not always be the case - accidental and isolated and are rarely motivated by the desire to obtain financial benefit or commercial advantage. The AADB is in our view therefore more likely to achieve its objectives if it concentrates on measures to help more broadly in preventing the risk of reoccurrence. In this context we note that the range of sanctions in addition to fines currently available to the AADB is considerably more limited than that available to equivalent regulators in other major jurisdictions[1]. We are therefore disappointed that neither the Consultation Paper nor the recent consultation on the accountancy scheme more generally has addressed this issue.

In this context, we also note that the Consultation Paper in paragraph 3.6 refers to the Supreme Court ruling as to the purposes of sanctions in the area of professional discipline and regulation, and states that: "the primary purpose of sanctions in a disciplinary context is not to punish but to

[1] The Canadian Public Accountability Board (CPAB), the Australian Securities and Investments Commission (ASIC), the Australian Companies Auditors and Liquidators Disciplinary Board (CALDB) and the US Public Company Accounting Oversight Board (PCAOB) all have available a wide range of administrative sanctions such as educational, monitoring and targeted supervisory requirements. The PCAOB sanction list is attached by way of illustration in Appendix 2.

protect the public interest". An important part of aiming to prevent similar breaches recurring is to determine:

- what went wrong in the particular case;
- how any harm caused by the breach can be remedied; and
- what needs to be done to minimise the chances of it happening again and to encourage others to take the necessary steps to enhance the rigour and robustness of their processes and procedures.

2 Do you agree that Tribunals need a clear framework for sanctions which reflects the nature of its cases and the wider context in which the accountancy profession operates today?

We believe that it would be helpful for Tribunals to have guidance on imposing sanctions in order to promote consistency and transparency of the disciplinary process.

However it is not clear to us that the nature of cases brought before Tribunals today is significantly different from what it was, say, twenty years ago. Specifically the major role played by the profession remains the preparation and audit of corporate financial reports. Even comparatively new responsibilities such as reporting on client money/client assets and skilled person's reviews for the financial regulator have been in existence since the late 1980's.

The "wider context" seemingly refers therefore only to the factors articulated in paragraph 4.10 of the Consultation Paper, namely "the increase in the revenue generated by the Member Firms, the fees received by the large firms for audits and non-audit work, and the size and global nature of the businesses on which they report".

Against this background we observe that the only significant change in sanctions introduced in the draft Guidelines (compared with the status quo) is in the mechanisms introduced to increase significantly the level of financial penalties imposed on Member Firms. While we accept that financial sanctions have a role to play, as noted above we do not consider that they are necessarily the best way to or can by themselves achieve the objectives of a sanctions policy.

In addition we are concerned that market concentration is somehow perceived as a problem as implied in paragraph 4.9. We acknowledge that systematic or deliberate breaches in one of the largest firms would be very damaging to the profession as a whole. However, the fact is that the very size of those firms and the tone from the top (including the involvement of independent non-executives) the checks and balances and processes they can deploy significantly reduce the risk of such breaches occurring.

3 Do you agree that the sanctions imposed by Tribunals should act as a credible deterrent and be proportionate to the seriousness of the misconduct and to all the circumstances of the case, including the financial resources of Members and the size and financial resources of Member Firms?

We certainly agree that sanctions should be proportionate to the seriousness of the misconduct; indeed this must be the first and most important consideration. In this connection we note that the vast majority of cases heard by the AADB or the JDS have involved isolated instances of misjudgement or error and hence in our view would meet the criteria for levels 1 to 3 in paragraph 4.17 of the Consultation Paper. In addition as far as statutory audit work is concerned we would question whether the AADB is likely generally to impose fines against Members (as opposed to Member Firms) which involve levels 4 and 5 given the criminal offence under section 507 of the Companies Act 2006.

As noted above however we believe that the focus just on the deterrent value of sanctions and even more the focus on financial sanctions is misplaced. We also disagree strongly that sanctions imposed by Tribunals should be determined in the first instance by the financial resources of Members or Member Firms as is proposed. Since as noted above most misconduct cases meet the criteria for levels 1 to 3 then whatever the discount applied for mitigating factors the immediate consequence of this approach will be that monetary sanctions will become, more often than not, disproportionate to the underlying breach. In contrast we note the report of the AADB Tribunal in the recent PwC LLP case endorsed the principle set out in *R v Howe (Engineers) Limited* that "*It is not possible to assert that a fine should stand in any specific relationship with a turnover or net profit of the defendant. Each case must be dealt with according to its own circumstances.*" We agree with the Tribunal. Moreover we would imagine that this is the reason that other major accounting regulators (even in tough regulatory regimes such as the US) have not followed this path[2].

We also believe that the position of Member Firms needs more careful consideration. As the Consultation Paper notes the accountancy scheme specifically provides in effect that Member Firms are held to account for anything done or omitted to be done by any partner, director or employee. This is in stark contrast with ISQC1 (UK and Ireland) which recognises the sheer complexity and judgemental nature of the audit process and therefore notes that:

The objective of the firm is to establish and maintain a system of quality control to provide it with <u>*reasonable assurance*</u> (emphasis added) *that:*

> *(a) The firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and*

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[2] The maximum fines that the PCAOB can levy are $100,000 for the equivalent of a Member or $2,000,000 for the equivalent of a Member Firm unless the breach is intentional, knowing, or reckless or there are repeated instances of negligent breaches in which case the amounts are raised to $750,000 and $13,000,000 respectively. The CPAB as another example is considering specifying fines according to the seriousness of the "violation event". Neither uses the financial resources as a starting point for levying fines.

(b) Reports issued by the firm or engagement partners are appropriate in the circumstances.

We appreciate the public policy objective underlying this linkage of individual behaviour to a Member Firm and do not wish to exempt firms from the disciplinary process in the same way that for example Sarbanes-Oxley[3] does in the US. Equally however we do not think it should lead to a "deterrent" fine when for example the Member Firm has met its obligations under ISQC1 as it is difficult to see what more the firm might be expected to do and hence what behaviour any fine is intended to deter or correct. High levels of fines in such circumstances would seem to be more in the nature of a penalty and therefore conflict with the Supreme Court guidance noted in paragraph 3.6 of the Consultation Paper.

We are also disturbed that the AADB seems to believe that only a monetary fine can act as a deterrent. We think this severely underestimates the impact that Reprimands and Severe Reprimands have on the reputation of the larger firms and the effort therefore that they take to try to ensure that they do not leave themselves open to such sanctions.

Clearly if a Member Firm colluded in dishonest behaviour or promoted a culture which allowed for reckless or dishonest behaviour a significant deterrent monetary sanction against the firm would be appropriate. Based however on the reported results of the annual regulatory inspections to which all major firms are subjected, no such behaviour appears to exist.

Even in such cases we question whether it is necessarily appropriate to have regard to the Member Firm's <u>total</u> resources. For example we note that, in cases of market abuse where there is a deterrent element, the FSA's regulations aim to levy financial penalties based on a percentage of a firm's revenue or income from the <u>relevant</u> products or business areas not the group or even the entity as a whole. This would for example imply considering audit revenues for penalties in respect of audit failures.

In summary, it is our strongly held view that the suggestion that sanctions should always be proportionate to the financial resources of Members and the size and financial resources of Member Firms is fundamentally misconceived. Such an approach will have the inevitable consequence of imposing financial sanctions on the larger accounting firms that are disproportionate to the actual misconduct or breach. It would be even more inappropriate to seek to bring in the resources or revenues of other group firms, particularly those in other countries, even where there are some management links between them, unless the other firms are also implicated in the misconduct and their actions fall within the scope of the AADB. At a time when the EU is actively seeking to make it easier for the major firms to consolidate across borders this would introduce a severe disincentive which would in our view be a retrograde step.

[3] Section 105(c) (6) Sarbanes-Oxley Act only permits imposition of sanctions on a firm or the supervisory personnel of a firm if the PCAOB finds that "the firm has failed reasonably to supervise an associated person…"

4 Have we included the sorts of factors in the sanctions guidance that you would expect to see taken into account by Tribunals?

5 Are there any factors you believe Tribunals should take into account when deciding sanction that we have overlooked?

As noted above we are disappointed that the AADB has not given thought to a wider range of sanctions that might better meet its overall objectives. In particular the ability to revoke the licence of a Member Firm would seem very much to be the "nuclear option" as it is unlikely that most firms could keep going so as to be able to restart after such a sanction had been imposed. More graduated responses therefore seem to us to be desirable. If such responses were adopted then clearly the factors to be taken into account when determining the appropriate sanctions would need to be extended.

As we have noted earlier, the most important overall factor that should be taken into account in the first instance is the seriousness of the misconduct. In determining that, we are broadly satisfied with the factors listed in the draft Guidance, although we have the following observations:

- The last factor cited as tending to show intent is that the Member's actions were repeated. We believe this is only indicative if it is coupled with one of the other factors which may be what the "and" in the penultimate factor is intended to provide for, but this is not clear.

- In many of the cases brought before a Tribunal the question of misconduct will not be a simple question of fact, but a subjective view of whether sufficient work had been done and appropriate judgements drawn. As such the Member or Member Firm may have an honestly held view that no misconduct has occurred and only when the matter has been heard by a Tribunal will it be determined. In such circumstances we do not believe it is appropriate to characterise the Member or Member Firm failing "to bring quickly, effectively and completely the misconduct to the attention of the FRC" as an aggravating factor.

- Whilst generally we agree that if the misconduct was repeated this would be an aggravating factor, care should also be taken in determining whether for example the same failure in more than one year's audit would be more appropriately characterised as one event of misconduct. This might be the case for example if the judgement was finely balanced and honestly held but ultimately determined to be wrong and/or the Member or Member Firm was deliberately misled each year.

- We agree that if the Member or Member Firm has a poor disciplinary record it will generally be an aggravating factor. However in relation to Member Firms and given the scale of activity of the larger firms we believe some regard must be had to both the nature and time between events of misconduct. Thus for example two isolated and different cases of misconduct over 15 years apart (during which time nearly all the senior people at the Member Firm will have changed) certainly do not seem to us to be indicative of a poor disciplinary record. Simple arithmetic would also imply that the larger the firm the more frequent accidents are likely to occur.

- We are not clear what is meant by a "good compliance record", but we certainly believe that it would be appropriate to take into account whether the Member or Member Firm has a good or poor record of AIU inspections more generally as well as in areas in which the misconduct occurred. This would demonstrate the advantages of a more joined up FRC in a very tangible way.

As regards factors which are not explicitly covered we note that most of the cases which are brought before AADB Tribunals are concerned with failures of either audits or other assurance engagements – whether that be characterised by poor judgement, failure to follow prescribed process, failure to uncover fraud or concealment, human error etc. It is rarely the case that the practising Member or Member Firm is the only party at fault in the situation which has given rise to the regulatory breach; often the practising Member or Member Firm is in fact a victim of wrongful activity by another person (even if that falls short of deliberately misleading the practising Member or Member Firm). It is important therefore that the Guidance when finalised should assist the Tribunal to assess how to factor considerations of this nature into the determination of sanctions. For example, where maintaining and promoting the quality of financial reporting is concerned (paragraph 3.5 of the Consultation Paper), primary responsibility for corporate reporting rests with the corporate bodies (and their officers).

The other key factor that we do not think has been included is that noted in our response to question 3, ie whether it is appropriate to issue a deterrent sanction to a Member Firm who has met their obligations under ISQC1 (UK and Ireland).

6 Do you agree that there needs to be an adjustment in the level of fines imposed in AADB cases?

7 If so, what adjustment do you consider to be appropriate?

We note that the Consultation Paper says that "This shift [in the size and income of the larger accountancy firms] suggests that fines at historic levels would not be proportionate to the current environment in which Member Firms operate, would not be adequate to incentivise the right kind of behaviour and would therefore fail to fulfil the need for a credible deterrent to future misconduct". We do not believe that the most recent Tribunals have failed to address this issue in the way that is implied. On the contrary the very eminent members of the Tribunal in the JP Morgan case clearly considered the appropriateness (or otherwise) of the historical level of fines very carefully, as articulated in paragraphs 35 and 36 of their judgement. As a result they set the starting point for their determination at £2 million – which is indeed higher than the current equivalent maximum in the US noted earlier.

We therefore agree with the conclusions of this Tribunal and we do not agree further adjustment is required at this stage.

8 What is your view of the alternative mechanisms proposed for calculating fines?

9 What level of turnover / income do you consider would be appropriate in respect of each mechanism?

As noted earlier we fundamentally disagree with the proposal to link the amount of all monetary penalties to the financial resources of Members or the size and financial resources of Member Firms. As such we do not regard any of the mechanisms as appropriate.

The implication is also that a monetary fine will be appropriate in all circumstances. This contrasts with Macrory who indicated that the most minor breaches should be dealt with by "Statutory Notice" requiring future compliance. Even the next level up where he suggests a fine is appropriate should in his view be dealt with by fixed monetary penalties. Although we don't necessarily agree that fixed penalties would properly take into account the complexities of the professional standards involved in the deliberations of AADB Tribunals, such penalties are far removed from being determined by reference to the resources of the guilty party.

In contrast the AADB is proposing that financial sanctions for even Level 1 breaches start by considering the resources of the Member or Member Firm. This seems to be against the fundamental principle of proportionality.

The first mechanism proposed has the added disadvantage of specifying a "starting point" without any regard whatsoever of the seriousness of the misconduct and only subsequently seeking to adjust it for seriousness. It is totally unclear at what point in the level of breaches this "starting point" would be pitched, but in our view runs the risk of establishing a "norm" which may bear no relationship whatsoever with the actual misconduct and any scaling factor would be spurious. This seems somewhat akin to determining that the punishment for grievous bodily harm is 20 years, but if you are only guilty of an isolated instance of shoplifting you need to determine a scaling factor so as to end up with a probationary sentence!

In summary we believe that no account should be taken of the Member or Member Firm's resources at the lower levels, certainly levels 1 and level 2 and also arguably level 3. No percentage is therefore relevant. For the higher levels of offence due account should be taken of such resources, but we are reluctant to identify a specific percentage as so much will depend on the underlying facts and circumstances. We would however note that there is a significant gearing effect on individual remuneration (as all profits are in effect partner remuneration rather than corporate profits) so a fine of 2% of turnover would give about a 20% reduction in take home pay after tax.

10 Do you agree that Tribunals should not take account of the costs that it is considering awarding against a Member or Member Firm when determining the appropriate level for a Fine?

We agree that in the first instance Tribunals should not take account of costs in determining the appropriate level for a Fine. However from the standpoint of the Member or Member Firm, the impact of any financial sanction is the total amount of the cheque which is written to the regulator and the distinction between the amount of the fine and the costs award is of little consequence. Accordingly we believe that Tribunals should take full account of costs to be awarded as well as the Fine when considering the impact on the Member or Member Firm and the ability to pay.

11 Do you have any other comments about the proposed structure or content of the sanctions guidance?

As indicated in our response above to questions 4 and 5, in cases involving accounting firms the difficult part that normally needs extensive debate is the interpretation of the facts rather than the facts themselves – ie if the auditors did or did not do something, determining the effect of that commission or omission and whether it was reasonable in the circumstances. Any discount process should therefore recognise this complexity and subjectivity as well as the overall purpose of any sanctions regime. We believe it would be inappropriate and counter-productive to adopt the rigid approach – of only allowing a discount for admission of the facts - as set out in the proposed Guidance

We also agree with the desirability of reaching settlements without necessarily referring the matter to a Tribunal where that is both possible and acceptable having regard to the public interest. It is unclear however from paragraphs 50 and 51 of the proposed Guidance exactly how any settlement procedure may in fact work. In particular it might appear that the Member or Member Firm must first admit to the "facts" (which in themselves are likely to be very subjective as noted above) and only then seek to reach agreement on the sanctions. This would be in contrast to other regulatory regimes such as the FSA's where the settlement agreement is all encompassing and deals both with the nature of the misconduct and the proposed sanctions. All such discussions are also without prejudice and may not be referred to in any subsequent hearing in the event that agreement cannot be reached. We believe this approach has much to commend it and we believe that the AADB should adopt it accordingly.

Finally we believe that the Preliminary Impact Assessment severely underestimates the effect that a significant increase in fines would have. Whilst not, in itself, decisive we believe it will be yet one further factor in reducing the attractiveness of the profession to the most capable individuals – particularly when they feel they can be directly penalised not just for their own mistakes, but for those of any of their colleagues. It will similarly reduce the attractiveness of the multi-disciplinary model of working and encourage firms to divide their structures. Both of these will potentially impact quality and potentially reinforce a vicious downward spiral in quality. In addition whilst Members in practice will clearly need to maintain their membership of the professional bodies, the same is not true for many Members in business. This will therefore provide a strong incentive for those individuals to relinquish their membership, particularly if they are not employed in an otherwise regulated business. We are not convinced that this will be good for the accounting profession or the public interest more generally.

Appendix 2

PCAOB Sanctions

(a) Sanctions in Proceedings Instituted Pursuant to Rule 5200(a)(1) or Rule 5200(a)(2)

If the Board finds, based on all of the facts and circumstances, that a registered public accounting firm or associated person thereof has engaged in any act or practice, or omitted to act, in violation of the Act, the Rules of the Board, the provisions of the securities laws relating to the preparation and issuance of audit reports and the obligations and liabilities of accountants with respect thereto, including the rules of the Commission issued under the Act, or professional standards, the Board may impose such disciplinary or remedial sanctions as it determines appropriate, subject to the applicable limitations under Section 105(c)(5) of the Act, including -

(1) temporary suspension or permanent revocation of registration;

(2) temporary or permanent suspension or bar of a person from further association with any registered public accounting firm;

(3) temporary or permanent limitation on the activities, functions or operations of such firm or person (other than in connection with required additional professional education or training);

Note: Limitations on the activities, functions or operations of a firm may include prohibiting a firm from accepting new audit clients for a period of time, requiring a firm to assign a reviewer or supervisor to an associated person, requiring a firm to terminate one or more audit engagements, and requiring a firm to make functional changes in supervisory personnel organization and/or in engagement team organization.

(4) a civil money penalty for each such violation, in an amount equal to -

(i) not more than $100,000 for a natural person or $2,000,000 for any other person; and

(ii) in any case to which Section 105(c)(5) of the Act applies, not more than $750,000 for a natural person or $15,000,000 for any other person;

(5) censure;

(6) require additional professional education or training;

(7) require a registered public accounting firm to engage an independent monitor, subject to the approval of the Board, to observe and report on the firm's compliance with the Act, the Rules of the Board, the provisions of the securities laws relating to the preparation and

issuance of audit reports and the obligations and liabilities of accountants with respect thereto, or professional standards;

(8) require a registered public accounting firm to engage counsel or another consultant to design policies to effectuate compliance with the Act, the Rules of the Board, the provisions of the securities laws relating to the preparation and issuance of audit reports and the obligations and liabilities of accountants with respect thereto, or professional standards;

(9) require a registered public accounting firm, or a person associated with such a firm, to adopt or implement policies, or to undertake other actions, to improve audit quality or to effectuate compliance with the Act, the Rules of the Board, the provisions of the securities laws relating to the preparation and issuance of audit reports and the obligations and liabilities of accountants with respect thereto, or professional standards; and

(10) require a registered public accounting firm to obtain an independent review and report on one or more engagements.

(b) Sanctions in Proceedings Instituted Pursuant to Rule 5200(a)(3)

If the Board finds, based on all of the facts and circumstances, that a registered public accounting firm, or a person associated with such a firm, has failed to comply with an accounting board demand, has given false testimony or has otherwise failed to cooperate in an investigation, the Board may impose such disciplinary or remedial sanctions as it determines appropriate, including -

(1) the sanctions described in subparagraphs (1) - (5) of paragraph (a) of this Rule;

(2) requiring a registered public accounting firm to engage a special master or independent monitor, appointed by the hearing officer, to monitor and report on the firms' compliance with an accounting board demand or with future accounting board demands; or

(3) authorizing the hearing officer to retain jurisdiction to monitor compliance with an accounting board demand or with future account board demands and to rule on future disputes, if any, related to such demands.

Note: Rule 5300 does not preclude the imposition of any sanction, on consent, in the context of a settlement, notwithstanding that the sanction is not listed in the Rule.