

Improvements to the Appointed Representatives regime

Policy Statement

PS22/11

August 2022

This relates to

Consultation Paper 21/34
which is available on our website at
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Contents

1	Summary	3
2	Information and notification requirements	14
3	Responsibilities of principals and our expectations	37
4	Summary of responses to the discussion chapter on potential areas of further change	68
Annex 1		
	List of non-confidential respondents	72
Annex 2		
	Abbreviations used in this paper	73
Appendix 1		
	Made rules (legal instrument)	



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1 Summary

- 1.1** We are setting out the responses – and our feedback – to our proposed changes to the AR regime, plus the final rules.
- 1.2** The Appointed Representatives (AR) regime is set in primary legislation. It allows self-employed representatives to engage in regulated activities without having to be authorised. While the regime has benefits, we have identified a wide range of harm across all the sectors where principals and ARs operate. Where harm occurs, it is often because principals do not undertake adequate due diligence before appointing an AR, and/or due to poor on-going control and oversight.
- 1.3** Our proposals (in CP21/34) focused on two main areas of change aimed at addressing the harms identified and protecting consumers. These were:
- collecting additional information on ARs and strengthening reporting requirements for principals (Chapter 3)
 - clarifying and strengthening the responsibilities and expectations of principals (Chapter 4).
- 1.4** The CP also included a discussion chapter (Chapter 5), seeking views on potential areas of future change. We developed this alongside the Treasury's Call for Evidence (CfE) on the regime, which explored potential legislative changes. Treasury is currently analysing the responses to its Call for Evidence and will set out next steps on its review of the AR regime in due course.
- 1.5** This Policy Statement (PS) summarises and responds to feedback received to Chapters 3 and 4 of our CP. We also provide an overview of the responses to the discussion chapter (Chapter 5). We will be considering the next steps on the discussion topics after publishing this PS. The PS also includes our final Handbook rules and guidance and updated forms.
- 1.6** These changes will take effect on 8 December 2022 following a four-month implementation period. We have put in place transitional arrangements to give firms more time to comply with some of the new rules, particularly those requiring them to submit information on an on-going basis and to review their ARs and self-assess annually. We provide further details on the implementation period in Chapter 3 (see page 59).

Who this affects

- 1.7** This PS will affect all firms that currently have ARs or intend to have ARs in future. It will also affect ARs themselves. We estimate there are currently around 3,400 principals with around 37,000 ARs, including introducer ARs (IARs).
- 1.8** As proposed in the CP, we have not applied these rules to firms in the Temporary Permissions Regime (TPR) or the Financial Services Contracts Regime (FSCR). However, these firms remain subject to relevant rules as set out in Chapter 2 of the General Provisions in the Handbook.

The wider context of this policy statement

Our consultation

- 1.9** We brought forward policy proposals to address potential risks of harm to consumers and markets arising from the AR regime. We identified wide-ranging harms – from mis-selling to fraud – arising at higher levels than for non-principals across all sectors where principals and ARs operate.
- 1.10** As we detail in CP21/34 (see pages 9-11), we analysed a range of Financial Services Compensation Scheme (FSCS) complaints and supervisory case data, which supported the need for our proportionate intervention to protect consumers and markets. Our analysis showed that:
- from 2018 to H1 2019, principals and ARs accounted for 61% of value from FSCS claims, for which the total was £1.1bn during this period
 - on average, principals cause 50 to 400% more supervisory cases and complaints than non-principals (other directly authorised firms), and
 - supervisory cases were higher for principals across all sectors (general insurance & protection; investment management; retail investments; retail lending and wholesale financial markets).
- 1.11** As we set out in the CP, FCA complaints, Financial Ombudsman Service (FOS) complaints and supervision cases are all higher per pound of revenue for principal firms compared to those with no ARs. While the extent varies by firm and sector, this is the case across all the markets we looked at, including General Insurance & Protection, Investment Management, Retail Investments, Retail Lending, and Wholesale Financial Markets.
- 1.12** Thematic reviews of the general insurance (2016) and investment management sectors (2019) also identified shortcomings in principals' understanding of their regulatory responsibilities for their ARs in these sectors.
- 1.13** Since the thematic reviews, we took steps to address issues at individual firms and issued wider communications such as Dear CEO letters as well as thematic findings. Last year, as part of our Consumer Investments Strategy, we also set out how we would take steps to address misuse of the AR regime and the risk to consumers posed by principals and ARs through supervisory activity and wider reforms. These wider reforms included the changes consulted on in CP21/34 as well as our collaborative work with the Treasury to consider potential legislative changes explored in its CfE.

1.14 In our CP we also acknowledged the known benefits of the AR regime which include increased customer choice; providing principals and ARs with a cost-effective way to comply with regulation; providing market access for smaller firms and supporting innovation as some firms use the model to trial new services and propositions.

1.15 We developed our policy proposals to be proportionate and balanced, to ensure the benefits of the regime are retained while effectively addressing the harms.

Other considerations

1.16 In 2021 the Treasury Select Committee (TSC) published a report on Lessons from Greensill. The report made a recommendation for the FCA and the Treasury to consider reforms to the AR regime, with the aim of limiting its scope and reducing opportunities for misuse.

1.17 In our response to the TSC's report, we committed to work with the Treasury to determine the most effective ways to reduce opportunities for misuse of the regime, including whether limiting the scope of the AR regime is a necessary and effective way to achieve this. We committed to take this forward in our 2020/21 Perimeter Report and collaborated with Treasury to deliver its CfE in December 2021.

1.18 Firms should also be aware of the Consumer Duty (the Duty), for which final rules and guidance were published in July this year. The Duty sets a new, higher standard of care that firms should give to consumers in retail financial services markets. This goes hand-in-hand with some of the changes to the AR regime. Principals and ARs should consider how the Duty applies to them. We provide more detail on the Duty in Chapter 3.

1.19 Improving and strengthening the AR regime through the changes in this PS is one part of our commitment to re-evaluate the effectiveness of the regime. We set out in our Business Plan and Our Strategy 2022-2025 our commitment to a new and extensive programme of work on the AR regime, including:

- greater engagement with, and scrutiny of, firms as they appoint ARs, both for new applicants and firms already authorised;
- targeted supervision of principal firms across the whole financial services sector, using improved data and analytical tools to focus our work;
- introducing a new fee that principals must pay for each of their ARs to help fund our work in this area.

1.20 Our Annual Report sets out the steps we have already taken in our supervision of principals and when we review applications for firms' authorisation to better identify risky business models and high-risk principals. Over time, we expect that our increased scrutiny at the authorisation stage will mean that firms with unmanageable risks cannot enter the regulated financial services sector.

1.21 In October 2021 we sent around 1,500 principals with around 20,000 ARs – about half the total population of principals and ARs – a survey asking them to provide additional detail on their ARs. This included questions on ARs' revenue, business models and activities. We are using the data we collected on firms and ARs across different financial markets to better identify potential risks and target interventions as part of our work. We have identified over 60 principal firms across a wide range of sectors for further analysis, with action being taken where we detect harm.

- 1.22** Taken together with the policy changes in this PS, the work we are undertaking across the FCA to tackle issues from principals and ARs will reduce the risk of harm to consumers and markets.
- 1.23** And as we said in our cost benefit analysis (CBA) in the CP (see page 56), we also consider our intervention will be net beneficial. See Chapter 3, paragraph 3.90 onwards of this PS for our response to feedback received on the CBA.

How it links to our objectives

- 1.24** We set out in the CP (see pages 11-12) how all three of our objectives will be advanced by our proposals. We consider this analysis remains the same for the final rules:
- We will increase **consumer protection** by providing additional clarity on principals' responsibilities and our expectations of them.
 - Improved data collection will allow us to intervene early, reducing **consumer harm**.
 - Our proposals will strengthen the oversight of ARs by principals and will lead to greater stability and resilience. This supports both our **consumer protection** and **market integrity** objectives.
 - Reduced level of misconduct and complaints across the market as a whole will enhance **market integrity**.
 - **Effective competition** is driven by a wide variety of firms performing regulated activities. Our proposals will ensure the AR model can operate effectively, with firms upholding standards, and competing in consumers' interests. We expect this will in turn raise the quality of competition across markets.

Outcome we are seeking

- 1.25** The key outcomes we are seeking:
- Principals understand their responsibilities in relation to ARs, have stronger and better oversight of, and take more effective responsibility for, their ARs.
 - We can better challenge firms with, and those looking to appoint, ARs.
 - Principals address problems with their ARs that are, or have the potential to, cause harm to consumers or markets.
 - Consumers can access better-quality information on principals and ARs and make good decisions when choosing products or services.
- 1.26** To achieve these outcomes, we first expect firms to make the necessary changes to comply with our updated rules. Once these have taken effect and with the increased focus on principals and ARs in our supervision and authorisation work, we expect the potential harm we have identified to reduce.
- 1.27** This would have a subsequent impact on how consumers interact with principals and ARs. We would expect consumer confidence to grow as consumers have good outcomes when dealing with principals and ARs. We also anticipate the market would remain stable as a range of principals and ARs across sectors continue to offer a wide selection of products and services. Principal firms applying the Consumer Duty will also support these outcomes (see chapter 3 for details of the Consumer Duty).

Measuring success

- 1.28** We will use metrics which indicate that principals are more effectively overseeing their ARs to measure our success. For example, we will look at the volume of consumer complaints to firms, the FCA and the Financial Ombudsman Service and open supervisory cases. Over time, we expect these to decrease. However, we anticipate both complaints and supervisory cases increasing in the short term, particularly as our supervisory and authorisation work reveals misconduct that drives complaints.
- 1.29** Additionally, we will use metrics related to other strategic outcomes across sectors where ARs operate to measure the impact of our intervention.

What we are changing and key feedback

- 1.30** We received 107 responses to CP21/34 from a range of stakeholders including firms, ARs, individuals and trade bodies.
- 1.31** Most responses supported our proposals. Many respondents agreed that changes are needed to the AR regime to ensure it remains fit for purpose. In many cases, principal firms said they were already doing some version of what we proposed they do to effectively oversee their ARs. And they said they often already collect and process the information on ARs that we proposed they submit to us.
- 1.32** A handful of respondents said the AR regime was not at all fit for purpose and the harms arising from principals and ARs are significant. They considered that the regime should be phased out over time and ultimately removed. They acknowledged however that this was a matter for legislation and not for the FCA.
- 1.33** For those proposals that received wide ranging support, we are proceeding with these as consulted on. We have considered the feedback received and are making some changes in the final rules. We believe these changes add flexibility, will make it easier for firms to implement relevant proposals, and reduce duplication and regulatory burden, while still meeting our objectives. We have also made some changes to ensure that the data we are requiring from principals will be the most useful for us in identifying trends, issues and harms arising from the regime, while minimising burden on firms.
- 1.34** The detail of these changes, as well as other minor clarifications and updates, and our response to the feedback received, is set out in Chapters 2 and 3 of this PS.
- 1.35** We will continue to work closely with the Treasury following its Call for Evidence, and will continue to monitor how the regime evolves over time and whether additional changes are needed. We also plan to publish our response to the feedback received to the discussion chapter (Chapter 5) of the CP separately in 2023.

1.36 The following table sets out the key proposals we consulted on in CP21/34, summarising at a high level the feedback we received and our response.

Information and notification requirements		
We proposed that:	Summary of feedback	Our response
Principals notify the FCA of future AR appointments 60 days before the appointment takes effect	Almost all respondents agreed with the proposal to require pre-notification of AR appointments. Some considered 60-day advance notice to be too long and argued it might create business disruption.	We are reducing the pre-notification period for new AR appointments from 60 calendar days to 30 calendar days.
Within 60 days of rules coming into force, principals must provide information on their existing ARs	The majority of respondents acknowledged the need to provide the FCA with the additional data for existing ARs as well as new appointments. Some respondents called for a longer period to provide this information, and for us to consider options for bulk uploads.	We are proceeding with the proposal as consulted on but not through the final rules. These data are key to enabling us to identify potential issues with principals and ARs. For existing ARs, we will collect the data via a Section 165 data request. Principals will then have 60 days to submit the data to us on all their existing ARs. We consider that the period between publishing this PS and firms having to submit the data to us gives principals enough time to compile and submit these data.

Information and notification requirements		
We proposed that:	Summary of feedback	Our response
Principals provide more information on the business of their ARs, including the nature of the regulated activities the ARs will conduct	<p>We received general support for this proposal. Some challenged the proposals to require information on ARs' non-regulated activities. Others considered that providing revenue estimations is difficult and might be inaccurate.</p>	<p>We are not taking forward the proposal to require principals to provide details on any non-regulated non-financial activities an AR performs, but will require this information for financial non-regulated activities.</p> <p>We are not taking forward the proposal to require principals to provide, at appointment, an estimation of the proportion of a proposed AR's non-regulated activities compared to its regulated activities in the first year following the appointment.</p> <p>We are introducing revenue bands for reporting anticipated revenue of the AR from regulated and non-regulated activity during the first year of appointment.</p>
Principals provide complaints data and revenue information for ARs on an annual basis	<p>Some respondents, mainly larger networks, argued that although they already have complaints and revenue data on their ARs, providing them to the FCA would be burdensome and costly. They sought changes to the type, and level of detail, of some of the data we proposed be submitted.</p>	<p>We are giving principals more time to annually report AR complaints and revenue data, from up to 30 business days after the principal firm's accounting reference date, as proposed, to up to 60 business days.</p> <p>We are introducing revenue bands for annually reporting AR revenue from non-financial non-regulated activities.</p>

Information and notification requirements		
We proposed that:	Summary of feedback	Our response
We publish on the Register the nature of the regulated activities the principal permits the AR to undertake	Respondents supported having more information on ARs' permitted activities on the Register. But many challenged our proposal saying the information already on the Register for authorised firms, and the information we proposed to include on ARs, would not be useful for consumers.	We are not adding more information on the nature of regulated activities ARs are permitted to conduct to the FS Register at this time.
Require principals to notify us whether they provide currently, or intend to provide, regulatory hosting services	We received general support for this proposal. Some respondents considered that the definition of 'regulatory hosting' is too wide and should be changed.	We are refining the definition of 'regulatory hosting' in light of feedback. The only effect of firms' business models coming into scope of the definition of 'regulatory hosting' is that these firms will need to notify us of their intention to provide such service in advance. We are not imposing any additional rules or restrictions on firms which provide such services at this time.

Responsibilities of principals and our expectations		
We proposed that principals:	Summary of feedback	Our response
Apply enhanced oversight of their ARs, including ensuring adequacy of systems and controls, sufficiency of resources and monitoring AR growth	<p>Most respondents agreed with or had no comments on these proposals. Some respondents thought the proposals would be burdensome for firms, particularly for larger networks with many ARs. More specifically, some respondents felt that the proposed annual review and self-assessment requirements would be unduly burdensome for networks. These respondents also considered it excessive to require review and approval of the proposed self-assessment by the principal's governing body. Other respondents reported already carrying out similar checks and reviews so reflected that the proposed requirements would not present a burden. Many of these respondents also welcomed increased oversight and accountability at governing body level. Some respondents requested confirmation that we do not expect them to have an employee-employer relationship with the AR (where we proposed principals have a 'comparable standard' of oversight).</p>	<p>We are clarifying that the annual review requirements can be met by principals integrating them into existing internal reporting processes, so long as they continue to meet the standards set out in our rules and guidance.</p> <p>We also clarify that the annual reviews can be conducted by responsible individuals with a suitable degree of knowledge and authority below the governing body's level, with significant issues identified at specific ARs escalated to the governing body.</p>
Take more effective responsibility for their ARs, including by monitoring and assessing the risk of harm to consumers and market integrity and overseeing ARs to a comparable standard as if they were employees of the principal		<p>We explain that the self-assessment should focus on how the principal itself is meeting its responsibilities in relation to all of its ARs. It is a single document designed to identify any risks and gaps in compliance with the firm's obligations as a principal, and must be reviewed and signed-off by the principal's governing body, at least every 12 months.</p> <p>We have also made some of the proposed rules in the CP guidance instead.</p>
Have clarity on the circumstances where they should terminate an AR relationship and assist ARs with an orderly wind down, and		
Annually review information on ARs' activities, business and senior management. Principals would also need to prepare a self-assessment document at least once a year, covering how they meet the requirements of the policy.		

Responsibilities of principals and our expectations		
	Summary of feedback	Our response
Additional feedback	<p>Some respondents suggested that there should be an implementation period of at least 12 months.</p> <p>A few respondents considered some of the proposals to be costly, arguing that we underestimated the costs in the CBA in some places, particularly for larger networks.</p> <p>A handful of respondents considered that the AR regime was not at all fit for purpose and that the regime should be phased out over time and ultimately removed.</p>	<p>We are introducing a 4 month implementation period before the changes take effect.</p> <p>We have put in place transitional arrangements to give firms more time to comply with some of the new rules, particularly those that require firms to submit information on an on-going basis and to review their ARs and self-assess annually.</p> <p>We have updated the cost benefit analysis and increased the estimated costs for larger firms in implementing the new requirements. We still consider the benefits of the proposals warrant the proposed interventions.</p> <p>The AR regime is set in primary legislation, and the FCA does not have the powers to remove it. The Treasury have invited views on the AR regime in its CfE and we continue to work closely with them on this.</p>

Equality and diversity considerations

- 1.37** We have considered the equality and diversity issues that may arise from the final rules in this PS.
- 1.38** Overall, we do not consider that the changes materially impact any of the groups with protected characteristics under the Equality Act 2010. However, we will continue to consider the equality and diversity implications of these once the final rules are in force.

Next steps

- 1.39** The legal instrument accompanying this PS contains final rules, guidance and forms. We are introducing a 4 month implementation period before the changes take effect, so these will come into force on 8 December 2022.
- 1.40** If your firm is affected by these changes you need to take necessary steps over the next few months to be ready to comply.
- 1.41** We have put in place transitional arrangements to give firms more time to comply with some of the new rules, particularly those that require firms to submit information on an on-going basis and to review their ARs and self-assess annually. We provide details on these transitional periods in the relevant sections to which a transitional period applies, and in the TP section of the rules.
- 1.42** We have also been working with the Treasury to explore whether legislative change is needed. We have collaborated with the Treasury on its Call for Evidence, which gathered views on the overall aim, scope, benefits, and risks of the current AR regime. We will be considering the next steps in relation to the discussion topics after publishing this PS.

2 Information and notification requirements

- 2.1** In this chapter we set out the feedback received, and our response, to our proposals to collect additional information on ARs from principals and to change some notification requirements for principals (Chapter 3, CP21/34).

Overview

- 2.2** As we set out in the CP, the information which principals are currently required to provide to us on their ARs is limited. Our proposals aimed to ensure that we get better and more timely data on ARs and principals, to allow us to better assess principals' arrangements to oversee their ARs, and help us better identify potential risks and target interventions.
- 2.3** We proposed that firms provide new information to us when appointing an AR (and for all existing ARs), report data on ARs on an on-going basis, and make certain notifications.
- 2.4** Most respondents generally agreed with our proposals. Some proposals received little or no feedback. Other proposals, particularly in relation to on-going reporting and provision of information on non-regulated activities, received some challenge on grounds of regulatory burden. There were also some minor comments on proposals or requests for clarifications in certain areas.
- 2.5** For some proposals we have made changes to address feedback, primarily to reduce the potential burden on firms, while ensuring we get the information we need. Where relevant, we also provide clarifications on the requirements and guidance. Where there was widespread agreement with the proposals, we are proceeding with them as consulted on.
- 2.6** We provide below details on the feedback received, our decisions and the changes we have made following consultation.

Principals to provide information on the AR's business

- 2.7** We proposed to require principals to provide additional details on the business of each of their existing and future ARs. The CP set out the new data items we proposed to collect, how we would collect them, and when principals would need to submit them to us.
- 2.8** In relation to IARs we proposed to collect significantly less data, reflecting the limited scope of activities that IARs are permitted to undertake and the generally reduced risks arising from them as a result. We summarise the data and notification requirements in relation to ARs and IARs at the end of this chapter.

- 2.9** We proposed to require principals to provide us with the information summarised in the table below for each of their ARs. We would require these items for both new AR appointments, and for existing ARs as part of a one-off exercise, to ensure that we have these data on the entire AR population. We also proposed that principals would be required to notify us of changes in information they have given on their ARs.

Table 1: Data we proposed to require from principals on their ARs	
A	The primary reason for the principal's intention to appoint the AR
B	The nature of the regulated activities the principal will permit the AR to undertake (primary and additional markets in which the AR will undertake regulated activity)
C	Whether the AR will provide services to retail clients
D	Whether the AR is part of a group. If so, provide the name of the parent undertaking(s)
E	Whether any individuals from the AR will be seconded or contracted to the principal firm to carry on portfolio management and/or dealing activities, and if so explain the rationale for entering into such an arrangement
F	Whether the AR was previously an AR of a different principal, and if so, why the previous relationship was terminated
G	Information about the nature of the financial arrangements between the principal and the AR
H	Non-regulated business of the AR. This includes: <ul style="list-style-type: none"> i. The nature of the non-regulated business (financial or non-financial services activity) ii. The proportion of the non-regulated activities compared to the regulated activities in the first year following the appointment
I	Anticipated revenue from regulated and non-regulated activity during the first year of appointment

- 2.10** We asked:

Q1: *Do you agree with our proposal to require principals to provide more information on the business their ARs conduct?*

Feedback

- 2.11** Most respondents supported these proposals. Many agreed we need to intervene in relation to ARs, and that this is useful and reasonable information for us to require.
- 2.12** Nearly all firms that responded to this question said the proposals would not generally require them to collect new data, since they already hold and assess them as part of their on-going monitoring of their ARs. Respondents also generally supported the proposal to require this information for both new AR appointments and for all existing ARs, and accepted we needed this information for all ARs. There was also support for the need to keep the data up to date and notify us of changes, and respondents acknowledged the data will not be useful otherwise.

- 2.13** Some respondents commented that, for firms with large AR networks, providing these data for all their existing ARs could be a significant undertaking. However, most acknowledged this was a one-off exercise and supported it nonetheless.
- 2.14** The proposals in **items A-F** in Table 1 received little or no feedback and we are proceeding with these as consulted on. We have made minor changes and added minor explanatory text to the forms in relevant areas.
- 2.15** The proposals in **items G-I** in Table 1 received some challenge or requests for clarification. We detail below the key areas of feedback and our response to them. In some cases, where there were minor comments or requests for clarification, we have made changes to address these.

Information about the nature of the financial arrangements between the principal and the AR

- 2.16** We proposed to require principals to provide information about the nature of the financial arrangements between the principal and the AR. For example, whether the AR pays or will pay the principal commission, any flat fees, or any additional payments. We explained that this would give us a better understanding of the financial relationship between the AR and the principal, better allow us to identify potential outliers, and enable us to investigate further where needed.

Feedback

- 2.17** The majority of respondents supported this proposal. A handful noted that the categories we proposed to include in the Add AR form for this question do not fit all the different business models which involve ARs. For example, respondents said that the categories we proposed would not apply to ARs that are service companies, to mortgage intermediary networks and to funeral directors which operate as ARs in the funeral plans market.

Our response

We appreciate that in some business models that involve ARs, the ARs pay their principal and in others they do not.

In our consultation we proposed to ask in the Add AR form the following question: *'Will the appointed representative pay the principal firm for services received? Yes/No. If yes, indicate which services the appointed representative will pay the principal firm for: Commission; Compliance services; IT services; Any other fees, if 'other' provide details.'*

Where the AR does not pay the principal, we expect firms to answer 'no' to the question. Where firms do pay their principals, and these payments do not fall under one of the categories we proposed, firms should choose the 'any other fees' option and provide details. In light of feedback, we decided to also make a minor change and add an open text box which will allow firms to provide details on the financial arrangements between the principal and AR.

We are also adding an option of 'regulatory hosting services' to the categories of types of payments an AR may make to its principal. This will allow firms and us to more accurately capture instances in which the AR pays the principal for these services. This aligns with our proposal to require principals to notify us when they provide regulatory hosting services, and will allow us to know which of the principal's ARs receive these services from it, as there are some principals that provide regulatory hosting services to some but not to all of their ARs.

Information on non-regulated activities

2.18 We proposed requiring principals appointing a new AR (and for all existing ARs), to give us information on the non-regulated business an AR conducts, including whether the non-regulated products or services are financial or non-financial in nature, and what the non-regulated activity is (questions 20 and 20A in the proposed Add AR form). Firms would have to notify us of any changes to this information.

2.19 We also proposed to require principals to estimate the proportion of the revenue of the AR in the first year from regulated activities compared to non-regulated activities (question 20B in the proposed Add AR form).

Feedback

2.20 There was general support for this proposal. Some respondents argued that non-regulated activities ARs perform were outside the scope of the principal AR relationship, and also outside the FCA's remit. Some questioned the proposed requirement to update us of changes to the nature of any non-regulated activities. They argued this might be complicated and overly burdensome, particularly for firms in which activities and services change regularly.

2.21 However, respondents generally agreed that where the non-regulated activities of the AR are financial in nature, providing this information to us is needed and noted that the potential harm that might arise from such activities is bigger in some cases.

2.22 In addition, some respondents asked that we define 'non-regulated activities', and 'financial non-regulated activities', to help them provide the data correctly and in full.

2.23 A handful of respondents challenged the need for collecting data on the proportion of non-regulated activities compared to regulated activities. They made similar arguments about the burden to firms and what they perceived as being of little benefit to us.

Our response

A principal firm should have good knowledge of the business of its AR(s). While the main focus of the principal would generally be on the regulated activities that an AR conducts on its behalf, being a principal also involves knowing and understanding the breadth of activities that the AR undertakes. This includes non-regulated activities the AR conducts, particularly if these are financial in nature. The level of knowledge around non-regulated activities required by principals will depend on the nature, scope and scale of the AR's non-regulated activities.

Non-regulated activities of an AR could affect the ability of a principal to effectively oversee its AR and are important to understand to enable principals to identify potential sources of risk and harm to customers. For example, they could point to a higher risk profile, indicating whether a principal would need to take different or additional steps to ensure effective oversight. This would be the case, for example, where the AR is large compared to the principal, and/or if the AR conducts financial non-regulated activities where there is a heightened risk of the AR creating an impression that the non-regulated financial activity it undertakes is a regulated activity which might mislead consumers in relation to their rights and protections and the risk involved. This is often referred to as a 'halo effect'.

Requiring principals to give us this information will allow us to identify and monitor such risks more effectively. It will also ensure that principals are familiar with the full scope of their ARs' businesses, although we expect principals to know this already.

While principals should have knowledge of the full scope of their ARs' non-regulated activities, having considered the feedback in relation to non-financial services activity we agree that the proposed requirement to keep this information up to date might be disproportionate. This would be difficult for some firms on the one hand, and the potential benefit for us in having this information is limited. So we have decided not to require principals to provide us with information ARs' non-regulated activity where it is not financial in nature. We have removed that question from the relevant forms.

However, it is important that firms provide us with information of an AR's financial non-regulated activities and keep these up to date. We are progressing with this proposal as consulted on.

To further reduce the burden on firms, we are also removing the question on the proportion of non-regulated activities compared to regulated activities. The data on estimated regulated and non-regulated income in other questions on the form would provide us with sufficient information on this (detail below).

Some respondents asked us to define 'non-regulated activity' and 'non-regulated financial services activity'. We are adding the following non-Handbook definitions to the relevant places in the AR forms:

- Non-regulated activity: 'Any activity that is not a regulated activity.'
- Non-regulated financial services activity: 'Any activity of a financial nature but that does not involve the person carrying on regulated activity. This includes, but is not limited to, activities relating to investment services; insurance; pensions; banking; lending (including consumer credit, mortgages, factoring, financing of commercial transactions); financial leasing; money transmission; payments; guarantees and commitments; foreign exchange; the issuance of securities and other service of a corporate finance nature; custodial, depositary and trust services; and financial information and data services'.

Estimations of revenue in the first year of appointment

- 2.24** We proposed that when appointing a new AR, principals would give us an estimate of the AR's revenue in the first year, from both regulated and non-regulated activities.

Feedback

- 2.25** Respondents that provided challenge to this proposal argued that estimating future revenue would be difficult and imprecise. They said the value of providing data to us would be limited. Some felt there was no need to provide revenue data on non-regulated activities, for similar reasons to those detailed above.
- 2.26** A handful of respondents suggested that instead of requiring an estimated figure for an AR's revenue in the first year, we could instead adopt 'bands' for reporting the estimated revenue, so firms could report a likely range. This would make it easier for firms to complete, and the value to us would still be retained as these estimations are somewhat inaccurate by nature.

Our response

We proposed to require these data to get a better understanding of the likely size and scale of an AR's business. This is a factor that could affect the risk of harm to consumers and what a principal should do to effectively oversee the AR, particularly where the non-regulated activity is financial in nature, and therefore would help us target our interventions where necessary.

We acknowledge that making revenue estimations might be difficult in some cases. So we have decided to introduce bands for providing, at appointment, the estimated revenue of the AR from both regulated and non-regulated activities, and have amended the 'Add AR form' to include the following bands:

>= £0 and < £100k
>= £100k and < £250k
>= £250k and < £1m
>= £1m and < £10m
>= £10m and < £50m
>= £50m and < £100m
>= £100m and < £500m
>= £500m

As we detail above, we are also splitting more clearly the revenue estimations of revenue from regulated activities, non-regulated activity (which is not financial in nature) and non-regulated financial services activity. We are requiring separate estimations for each of these categories.

Getting revenue estimations using these bands would give us an overall indication of the likely size of an AR. We used suggestions for bands given in the responses to the CP and from analysing the revenue data we received from the AR survey.

We expect firms to rely on available information when providing estimations of an AR's revenue in the first year. For example, if the AR is an existing business and/or was previously an AR of a different principal, there will be available information on its revenue from regulated and non-regulated activities, which we expect firms to use.

Reporting significant changes

- 2.27** We proposed to require principals to report to us changes to the information they provided on their ARs. This is to ensure the data we hold remains accurate and up to date, and to allow us to identify any potential issues in relation to these changes.
- 2.28** We explained that principals are already required to notify us of such changes within 10 business days of the change being made (see SUP 12.7.7R), and proposed that this would apply to the new information on ARs that firms will provide in future.
- 2.29** In relation to the categories of regulated activities the principal permits the AR to carry on, and to changes to the AR's name, we proposed that changes to these would in future need to be made 10 days before the change takes effect.

Feedback

- 2.30** There was wide ranging support for the proposal to require these updates and acknowledgment that the data should be kept up to date. Most respondents also agreed to the proposed notification period of 10 business days after the change is made. A minority argued that a longer period was needed.
- 2.31** The main challenge on this point was to the proposal to notify us of changes 10 days before a change is made to the categories of regulated activities the principal allows the AR to carry on and to an AR's name. Some respondents argued that these changes were not time sensitive, and the notification can be made after the change takes effect and not before. Some referred to having to get a name change made with Companies House, and that notifying us of this potential change before telling Companies House might create a mis-match. Others said there were instances in which a principal might need to act quickly to make changes to the scope of activities its ARs can use, and that the pre-notification might create difficulties in such cases.
- 2.32** As detailed above, some argued that changes to the AR's non-regulated activities should not be reported, as this might be burdensome for firms and with marginal benefit to us.

Our response

There was strong support for this proposal to require principals to report changes to the information on ARs within 10 business days of the change being made, and we are proceeding with it as consulted on. Principals are already required to update us on any changes to the details of their ARs within 10 business days and we think this should apply to all the relevant information to ensure the data is kept up to date.

We have decided not to require firms to notify us of a change to an AR's name 10 days before the change takes effect. Instead, we will continue to require principals to report this within 10 business days of the change being made, as is the case with the rest of the AR information. We agree that this information is not particularly time sensitive and believe this change strikes the correct balance between keeping the information on ARs up to date, and allowing for the name change to be made at Companies House first, where relevant.

In relation to changes to the types of regulated activities the principal allows the AR to carry on, we are proceeding with our proposal to require notification of this at least 10 calendar days before the change takes effect. Some changes to the scope of the appointment of an AR to cover additional activities, already need to be reported to us before the change takes effect (e.g., for insurance distribution activities. See SUP 12.7.7R(1)), and this change would apply this pre-notification consistently to all types of regulated activities.

As we detailed above (see page 18 onwards), we have decided not to require principals to provide details on their ARs' non-regulated activities where they are not financial in nature, so firms do not need to notify us of changes to these. Principals are required to notify us of changes to non-regulated activities that are financial in nature, as detailed above.

Pre-notification for new AR appointments

2.33 We proposed to require principals to notify us of a proposed AR appointment at least 60 calendar days before the appointment takes effect. This is to allow us to check, if needed, whether the principal has carried out the appropriate due diligence processes and has put adequate oversight arrangements into place. It would also enable us to check whether the AR is solvent and otherwise suitable to act as an AR before the AR begins to carry out regulated activities.

2.34 We asked:

Q2: *Do you agree with the reporting timeframes we propose for reporting?*

Feedback

2.35 Most respondents agreed with the proposal to require pre-notification for AR appointments and with our rationale. Many also agreed with the 60 day period we proposed.

2.36 Challenge focused mainly on the number of days we proposed to require for pre-notification, not on the fact of pre-notification itself. Some respondents said that 60 days was too long and might result in business disruption to both principals and ARs. A small number said this might make switching principals harder for ARs and as a result negatively affect competition between networks, which might then negatively affect consumers.

- 2.37** Respondents suggested we adopt a shorter pre-notification period, with 30 days often mentioned. A small minority argued there should be no prior notification at all, and any checks could be done retrospectively as now.
- 2.38** Others had no concerns with the proposed 60 day period, but commented that where individuals within the AR need to be approved by us as Approved Persons, it often takes longer than 60 days before an AR can begin the regulated activity in any event. They asked for confirmation that a pre-notification would not be in addition to the statutory three month period for determining Approved Persons applications, and would not prolong the existing process of appointing ARs.
- 2.39** In relation to IARs, respondents also said the notification period should be shorter than 60 days and shorter than that of full ARs.
- 2.40** Some firms also requested guidance on when to submit applications, and specifically whether their due diligence process needs to be complete before pre-notifying us they intend to appoint an AR.

Our response

As we explained in the CP, we consider it important that principals notify us of prospective AR appointments before an AR begins to conduct regulated activities.

To avoid business disruption as far as possible, and reflecting consultation feedback, we have decided to require a shorter pre-notification period of 30 calendar days before an appointment takes effect. 30 days would give us enough time to conduct an initial assessment of an AR appointment, where needed, and consider whether any further action is needed.

We also confirm that where the appointment of the AR involves an Approved Persons process, the 30 days pre-notification period is not in addition to the existing three-month period for determination of approved persons applications. Any checks we may wish to conduct on the appointment will be done in parallel with the Approved Persons process. Our systems now require firms to submit the AR appointment notification and the Form A for Approved Persons at the same time. The pre-notification rule would mean that the earliest an AR can begin operating is 30 calendar days following the appointment notification. Where an Approved Person is needed, the AR would be able to conduct the regulated activities after the individual has been approved, as per the existing process (assuming this was 30 days or more after the relevant approved persons application and associated AR notification had been submitted).

In relation to IARs, we have decided to require the same 30 calendar days notification period as for 'full' ARs. Although the scope of regulated activities IARs are permitted to undertake is limited, we still see harm associated with IARs, and may wish to conduct checks where appropriate. We also consider that due to the limited nature of the regulated activities they are permitted to undertake of effecting introductions and distributing non-real-time financial promotions, a 30-day pre-notification period is unlikely to cause significant business disruption.

Finally, in relation to when principals need to make the pre-notification of AR appointments to us, our expectation is that principals notify us of new AR appointments only after they have completed their due diligence process. We expect notifications of AR appointments only if and when a principal has concluded that the prospective AR is suitable to become an AR, and that the principal itself can effectively oversee the relevant AR.

Managing the potential burden of providing this information to us

2.41 In the CP, we recognised that for some firms, particularly the larger networks, submitting this information to us for their existing ARs as a one-off exercise would require time and effort. We invited views on how we could help firms manage this burden.

2.42 We asked:

Q3: *Do you have any suggestions on how the potential burden, particularly for firms with many ARs, of providing this information to us could be managed?*

Feedback

2.43 As mentioned above, many firms said they already hold the data we proposed to require from them, and that providing them to us would not present a significant burden. A minority commented on the administrative burden, particularly for firms with many ARs. The focus of this challenge was mainly on the proposed on-going reporting requirements relating to complaints and revenue data rather than in relation to the data to be collected on appointment of new ARs and for all existing ARs as a one-off exercise.

2.44 In relation to providing the data for existing ARs, some respondents suggested bulk uploads that will allow them to submit data on all their ARs together would make the process easier for them. Many suggested we allow for an Excel spreadsheet upload.

Our response

To minimise the burden of this one-off exercise, we will be sending the data request through a Section 165 data request (our power to require information and documents from firms) rather than making rules requiring firms to submit new data items to us for existing ARs. Our experience from sending a data request to principal firms in October 2021 suggests that this is an effective way to collect the data.

Collecting the information through a data request will also make it easier for firms to provide the data to us. Firms with 10 ARs or more, will complete an Excel spreadsheet for all their ARs, to avoid them having to go through the data request questions by AR too many times.

Principals will have 60 days after receiving the data request to complete the data and submit them to us. As the data we will be requesting is made

clear in this PS and the relevant forms, firms can begin to prepare for this immediately, to ensure they have enough time to meet the deadline.

The data request will be sent to firms later in the year. It will be sent by email to all principal firms with active ARs or IARs, so it is important that principal firm details are up to date and accurate, particularly the email address. We will also use this data request to ask firms whether they are currently providing regulatory hosting services.

To further reduce the burden on firms in providing us data on new appointments of ARs, we are adding a field to the Add AR form asking for the AR's company registration number (where relevant). Having this number will allow us to extract data directly from Companies House and pre-populate some of the fields, which would save the firm completing the form in future some time and effort.

Verifying AR details

2.45 We proposed to require principals to annually verify the details of their ARs as they appear on the Register, confirm where details remain accurate or report changes to us (see SUP 16.10). We already require FCA authorised firms to confirm their own details and we proposed to extend this obligation to confirming details of their ARs.

2.46 We proposed that principals would be required to check the accuracy of their AR details on the Register within 60 business days of their accounting reference date (ARD), and that any changes would be notified using the appropriate form set out in SUP 12 and in accordance with SUP 16.10.4R.

2.47 We asked:

Q4: *Do you agree with our proposal to require principals to verify the details of their ARs?*

Feedback

2.48 There was wide ranging support for this proposal. Many said they already have processes in place to verify the details of their ARs on a periodical basis, and some respondents welcomed this additional check. The majority also agreed with the proposed timescales.

2.49 A few respondents suggested that this proposal is unnecessary since principals are already required to report any changes under current rules. Some of these also mentioned, in this context, a previous reporting requirement in SUP 16.9 that was removed, and queried why it should now be re-instated.

2.50 There were also some respondents that asked us to confirm that the ARD we are referring to is the principal's ARD, and not that of the ARs.

Our response

There was strong support for this proposal, and we are proceeding with it as consulted on.

While principals are required to keep the details of their ARs up to date at all times and notify us of changes, not all of them do so and changes can be missed. We consider it very important that the data principals have given us on their ARs are accurate and up to date, and that the information presented on the Register provides an accurate overview of a firm's ARs. Principals will be required, once a year, to confirm that the details on their ARs as these appear on the FS Register are correct. If any of the details need changing firms should use the 'Appointed representative or tied agent – change details' form to do so.

We confirm that the relevant ARD for this proposal, and of other proposals in this paper that refer to the ARD, is that of the principal (and not of the ARs). This means that the principal is required to verify the details of all of its ARs, by the relevant date. We provide more detail on this below. See paragraph 2.73.

As mentioned above, we will be collecting data on existing ARs using a data request to be sent to firms later in the year. This should give us up to date information on all existing ARs. We are therefore not requiring existing principals to confirm the details of their ARs in the first year following the rules coming into force. Principals will have to verify the details on their ARs for the first time, on the first ARD after 12 months have passed from the rules coming into force. We have added transitional provisions to that effect. We will send firms reminders at the relevant times.

Include more details about the AR activities on the FS Register

2.51 We proposed that the information about the nature of the regulated activities an AR conducts, and for which the principal takes responsibility, is included on the Register. We said that this information does not currently appear in full on the Register, and that including it could help consumers more easily and quickly check the types of regulated activities which ARs are and are not permitted to undertake.

2.52 We asked:

Q5: *Do you agree with our proposal to include details on the nature of the regulated activities of each AR that a principal takes responsibility for on the FS Register?*

Feedback

2.53 Responders generally agreed it may be beneficial to have more information on the Register on what an AR is permitted to do.

- 2.54** However, some said the information currently shown on the Register for directly authorised firms on the activities they are permitted to undertake is not well understood by or useful for consumers. Some of them said that displaying similar information would not provide consumers with sufficient clarity to understand what an AR is permitted to do. A few respondents argued that adding more information to the Register, that is already perceived by some to be too complicated, might hinder its usability.
- 2.55** There were also some suggestions about the type of information or text that could be added to the Register to help consumers. For example, some considered that it may be useful to add the type of client activities that the principal authorises the AR or IAR to undertake (e.g., arranging /advising/ introducing). Others suggested that a written statement by the principal describing what an AR is permitted to do may help consumers understand the scope of the AR appointment. Some suggested that consumer testing was needed before any significant changes were made to the Register in relation to ARs.

Our response

We have decided not to include information about the nature of the regulated activities the AR conducts on the FS Register at this time. We acknowledge the feedback that adding this information in the format we proposed might not be beneficial enough to consumers and might hinder the usefulness of the Register.

We are however planning to make changes to the information on ARs displayed on the Register, to make it more accessible to consumers. For example, we will be changing some of the text which informs consumers about the principal's responsibility for its AR, and their recourse to the Financial Ombudsman Service in the event of misconduct. We will also create a clearer link between the AR's and the principal's pages on the Register to help consumers better understand the relationship between them. We will also direct consumers to contact the principal with any questions on what an AR is permitted to do on their behalf.

We may look to make further changes to the Register in future, including on the type of information and level of detail displayed on the Register on ARs.

Principals to provide complaints data on their ARs

- 2.56** We proposed to require principals to submit complaints data for each of their ARs annually.
- 2.57** We said that currently, in many cases, complaints data is reported to us in aggregate for the principal and its ARs, and that this limits our ability to identify potentially problematic ARs and potential weaknesses in the principals' oversight of ARs. Having these data will allow us to better identify potentially problematic ARs and potential weaknesses in the principals' oversight of ARs.

2.58 We proposed requiring firm to submit these data within 30 business days of the principal's accounting reference date.

2.59 We asked:

Q6: *Do you agree with our proposal to require principals to provide complaints data on their ARs?*

Feedback

2.60 There was general support for this measure. Nearly all respondents agreed that principals should already have and monitor complaints on their ARs. And nearly all principal firms that responded to this question reiterated that they do hold complaints data and regularly review them. Many respondents, including some large networks with many ARs, said that providing the data to us would be simple and involve minimal costs.

2.61 Many also said they understood why we proposed to require these data from principals. Some argued that providing complaints information to us in the way we proposed would also encourage principals to have better oversight of their ARs, and enable them to better identify problem areas and address them before consumer detriment occurs.

2.62 A minority challenged this proposal. While they agreed that principal firms should have data on complaints against their ARs and although principals hold and monitor these data, they argued that providing them to us would be costly and burdensome. A handful of respondents also argued that this might undermine a key premise of the AR regime that the principal, and not the regulator, is responsible for its ARs. These respondents either argued that we should not require these data at all or suggested that we adopt a form of reporting by exception, rather than requiring complaints data for all ARs.

2.63 Most respondents agreed with the timing we proposed for submitting the complaints data to us, but some considered that a longer period would be required.

Our response

We are proceeding with most of our proposals for collecting complaints data in relation to ARs as consulted on.

Complaints data are a valuable indicator of potential harm arising from ARs and principals. Having a more complete data set, rather than partial complaints data, would allow us to better identify emerging issues and target our regulatory interventions. We also expect principals to hold these data, and nearly all firms that responded to this question confirmed they do.

We recognise this proposal might drive some costs to firms in providing the data to us. But we believe this potential burden can be managed, particularly as many principals said the administrative burden of providing the data would be minimal.

To help minimise the burden, we have changed the reporting period from 30 business days of the principal firm's accounting reference date to 60 business days. This is also to ensure alignment with the AR revenue reporting times which we have extended as well, as these data will be provided using the same form.

Principals to provide revenue information for their ARs

- 2.64** We proposed to require principals to submit revenue data for each of their ARs annually and split by revenue from regulated and non-regulated activities. We further proposed that revenue from non-regulated activities, be split between revenue from non-regulated activity which is non-financial and non-regulated activity which is financial in nature.
- 2.65** We proposed that principals provide this information within 30 days of the principal's ARD.
- 2.66** We explained that the revenue data we currently hold on ARs is very limited, and that we consider that having this information will be useful in identifying potential risks, informing our supervision activities and how we target interventions.
- 2.67** We asked:

Q7: *Do you agree with our proposal to require principals to provide revenue information for their ARs?*

Feedback

- 2.68** There was general support for this measure. As is the case with complaints data, many respondents said that principals should already have data on the revenue of their ARs. Principals that responded to this question generally confirmed they do collect and review these data regularly. Many said that providing the data to us would be simple and involve minimal costs.
- 2.69** A minority challenged this proposal. Similar to the arguments raised in relation to complaints data, some of them argued that while principals should have most of these data, and although they do hold and monitor them, that providing them to us would be costly and burdensome. Some respondents argued that providing revenue data would be more complicated than providing complaints data, and therefore potentially more costly.
- 2.70** Respondents also repeated their suggestions that, instead of requiring these data for all ARs, we introduce reporting by exception (for example, where the AR revenue is over a certain threshold, or where the AR revenue represents a certain percentage of the principal's revenue). Others also suggested that introducing revenue bands would make reporting easier for principals and ARs, particularly in relation to non-regulated activities, while not materially impacting the usefulness of the data to us.
- 2.71** A key area of specific challenge was in relation to reporting AR revenue from non-regulated activities. Respondents echoed the challenge they gave in relation to providing information on ARs' non-regulated activities at appointment, and argued that such activities were outside the scope of the principal AR relationship and of the FCA's

remit. Some also argued that reporting revenue from non-regulated activities might breach commercial confidentiality agreements with the ARs, and that reporting these would more likely require additional systems changes. As before, there was significantly more support, even from those who challenged the proposal, for reporting revenue from non-regulated activities that are financial in nature.

2.72 On the timing of submitting the revenue data to us, some respondents considered that principals would need more than 30 days after the principal's ARD to report this. There was some suggestion that a 60 day period should be adopted.

Our response

We consider it important to have revenue data on all ARs. Information on ARs' finances and on the money paid by ARs to principals or vice versa, would help us identify potential issues and decide where to target interventions. For example, the data could help us understand an AR's business, cases of significant growth in AR activity, instances in which the AR is large objectively or in relation to the size of the principal, and identify outliers.

We also consider that firms should already hold these data. Principals are required under existing rules to assess the financial position of their ARs (see SUP 12.4.2R, SUP 12.4.3 G), and as part of these rule changes we are creating an express requirement to review an AR's (other than IAR's) financial position at least annually. It is important that principals and the FCA have good knowledge of the ARs' revenue from non-regulated activities, particularly where they are financial in nature.

Our proposal was proportionate and balanced. We did not propose to require principals to submit financial accounts for the ARs, but rather the total revenue figures broken down by the type of activity the revenue is generated from – regulated activity, non-regulated financial activity, and non-regulated non-financial activity. We acknowledge that this might place an added burden on some firms, particularly large AR networks, but consider this to be manageable. To better account for the likely costs of complying with these reporting rules, we have updated our cost benefit analysis to reflect this (see chapter 3).

We are proceeding with our proposal to require principals to submit data on all of their ARs' revenue from regulated activities and from non-regulated financial activities as consulted on. To reduce some of the burden on firms in completing this, we have decided to allow principals to round this figure to the nearest £5k. We are also changing the rules to allow firms to submit these data within 60 business days of the principal's ARD, and not 30 days as we proposed in the CP.

In relation to revenue from non-financial non-regulated activities, we have decided to introduce bands for reporting to further reduce the burden on firms in providing us with these data. In accordance with the changes we are making to the Add AR form, we have included bands in the 'On-going reporting by principal firms on their appointed representatives' form (the form in SUP 12 Ann 6), as detailed on page 19.

In addition, to avoid duplication and reduce effort in providing data on revenue from non-regulated activities to us, we have decided that where an AR has multiple principals, only the 'lead principal' (see SUP 12.4.5D G) would need to provide these data to us. We have added explanations to the form to this effect.

We consider that these changes would help firms to provide the data to us and will reduce burden on them, while ensuring that we have the information we need from these submissions.

Clarifications in relation to complaints and revenue reporting

2.73 Some respondents asked us to clarify the following points:

- **Which complaints against the AR and AR revenue need reporting** – A handful of respondents requested clarification on the type of complaints against the ARs that the proposal refers to. They asked for confirmation that the complaints data we proposed to require from principals is only in relation to complaints about the regulated activity an AR performs, rather than complaints about all aspects of the ARs' business (e.g. complaints in relation to a fault in a physical product).

Some respondents also requested confirmation that the reporting requirement would not apply retrospectively, i.e. that complaints made against ARs before the rules come into force would not need to be reported under these new rules. A related comment referred to the need to have a transitional period for existing ARs so that principals provide the data for the first full year of data following the rules coming into effect.

Our response

We confirm that the complaints against the ARs that principals need to report, are "complaints", as that term is defined in the Glossary and also used in the complaints reporting rules in DISP 1.10.

We also confirm that this requirement would not apply retrospectively, and principals would only be required to provide data on newly opened complaints against their ARs in relation to complaints made against ARs after the rules come into force. Firms will need to report the total number of complaints closed, total number of complaints upheld on closed complaints, and total redress paid in the relevant period also where these complaints were opened before the rules come into force, but the relevant action occurs during the reporting year. We would also require the data for the first full year following the rules coming into effect.

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- **Reporting revenue from regulated activity for ARs with multiple principals** – Respondents asked whether for an AR with more than one principal, a principal should report revenue from the regulated activities an AR performs on behalf of all its principals, or only the AR revenue from regulated activities it conducts on their behalf.

Our response

We confirm that a principal only needs to provide revenue data for regulated activity that the AR performs on its behalf, and should not include revenue information generated by the AR on behalf of other principals.

Only the lead principal would need to report AR revenue from non-regulated activities where an AR has multiple principals. This would reduce the burden on firms in reporting the data to us and would avoid data duplication.

- **The Accounting reference date (ARD)** – Respondents asked for confirmation that the ARD in relation to which principals need to submit AR complaints and revenue data is that of the principal and not of the ARs. Almost all respondents that raised this issue agreed that this should be the principal's ARD and not the AR's. They argued that if it were the ARD for each AR, this would be too complex for principals to manage, as different ARs could have different ARDs.

Our response

We consider the CP and relevant forms to be clear on this point, and can confirm that the ARD we refer to is that of the principal firm. The new AR reporting form (SUP 12 Annex 6R) that principals will be required to use to report complaints against their ARs and AR revenue, requires them to report these for all their ARs together in a single submission. Using the principal's ARD would minimise the burden on most firms in doing so.

To give an example on timing for submission, if a principal's ARD is on 31 March, it will need to submit the new AR reporting form (SUP 12 Annex 6) within 60 business days of that date each year, and report on revenue and complaints for all of its ARs for the 12 months from 1 April the previous year to 31 March that year. Firms should also note that there is a transition period for annual reporting of AR revenue and complaints.

- **Existing reporting requirements on the principal** – Some respondents queried whether the proposals in relation to reporting complaints against ARs and revenue data would affect existing reporting requirements on the principal where data is reported in aggregate for both principal and ARs (such as the RMAR). Most raising this issue argued that existing reporting should not change, as changing these might cause confusion and further work for principals.

Our response

The reporting requirements on complaints against ARs do not affect existing reporting requirements on the principal. Where principals are required to report data in aggregate for both principal and ARs under existing rules, they should continue to do so.

- **What payments to the AR should be considered income from regulated activities** – A handful of respondents asked us to clarify whether commission or other payments the principal pays the AR, would be considered income from regulated activities.

Our response

We clarify that commission or other payments the principal pays the AR, would be considered income from regulated activities and should be completed on the relevant forms as such. This includes such payments that the principal makes to its IARs.

- **What should principals report if the AR has no revenue from regulated activities** – Some respondents said in certain business models in which ARs are used, the AR does not generate any revenue from regulated activities, for example where the AR is used as a service company, or in the funeral plans market where the AR is a funeral director.

Our response

Where an AR has no revenue from regulated activities, we would expect the principal to indicate this on the form by completing '0' in the column labelled 'Total regulated business revenue'. To allow principals to explain the reason why the AR has no regulated income, we have added a field to the form to provide details.

We also remind firms that where an AR has not carried on any regulated activity for some time, its principal should consider whether the AR relationship remains appropriate, and terminate it where it is not (see PS22/5).

- **Limited Permission Consumer Credit firms** – a handful of respondents noted that some ARs are also Limited Permission Consumer Credit firms, and as such are subject to reporting revenue and complaints data.

Our response

Limited Permission Consumer Credit firms need to submit form CCR007 Consumer Credit data, which includes questions about revenue and complaints. However, the data we are requiring in relation to ARs on both complaints and revenue is more detailed than the information on that form. We confirm that for ARs that are also limited permission consumer credit firms, principals are required to complete the relevant AR form.

Notification in relation to regulatory hosting services

- 2.74** We proposed to require principals to notify us of an intention to begin providing regulatory hosting services, and to require all existing principal firms to notify us if they already provide regulatory hosting services. This will ensure that we are aware of all firms that use this business model.
- 2.75** We proposed that the principal would make this notification at least 60 calendar days before starting to provide regulatory hosting services. This is to ensure that, if needed, we can check whether the principal has carried out the appropriate due diligence, put oversight arrangements in place, and address any concerns about the initial AR appointment.
- 2.76** We defined 'regulatory hosting' in the legal instrument accompanying the CP. This definition was given solely for the purpose of making this notification to us, and we invited views on what the definition of regulatory hosting should be.
- 2.77** We asked:

Q8: *Do you agree with our proposal to require principals to notify us if they provide or intend to provide regulatory hosting services?*

Feedback

- 2.78** Most respondents that answered this question supported this proposal, including firms that provide regulatory hosting services themselves. Many agreed this is information we should have, and some considered the regulatory hosting model could potentially create a higher risk of harm compared to other models in which ARs operate.
- 2.79** The focus of feedback to this proposal was on the proposed definition of regulatory hosting, on which we invited views. Some said the proposed definition might exclude some regulatory hosting arrangements, for example where the principals do engage in regulated activity themselves whilst also providing hosting services. Others expressed concerns that the definition might be too wide and might capture business models that are not regulatory hosting, such as AR networks.
- 2.80** Some respondents offered suggestions of how we could define 'regulatory hosting' (either in response to this question or in response to question 28 in the CP which invited suggestions on how we should define 'regulatory hosting'). Others offered that we adopt a different definition to the existing definition of 'network' and exclude networks from the definition of regulatory hosting.

Our response

We are proceeding with this proposal as consulted on. This means that principals will be required to notify us of an intention to begin providing regulatory hosting services at least 60 calendar days before starting to provide these services. This notification should be made to us in compliance with the general notification guidance in SUP 15.7.

We have made minor changes to the definition of regulatory host we proposed in the CP, in response to feedback. We refer firms to the revised definition in the final rules, under 'Amendments to the Glossary of definitions'.

We considered whether it would be appropriate to change the existing definition of 'network' as some respondents suggested, but decided against it as we found that parts of the definition were subjective or based on factors which may be present in a particular model but not in others.

We remind firms that the effect of a firm's activities falling under the definition of 'regulatory hosting' is that it would need to notify us under SUP 15 of its intention to provide these services. We have not proposed or introduced any additional requirements on firms that provide regulatory hosting services. Any further interventions we may consider in the future in relation to regulatory hosts will not necessarily use the current definition or may apply only to a subset of these. We will consider the definition carefully alongside any potential interventions in due course.

In addition, the relevant notification form (SUP 15 Annex 4) allows firms to provide details on the notification. Firms can use this to explain the relationship with the AR and their business model in relation to them.

To collect data more effectively on existing principals that are already providing regulatory hosting services, we have included a question in the upcoming data request to collect data on existing ARs about this. This is to avoid having these firms submit separate notifications to us in relation to regulatory hosting.

Summary of the final rules on AR data and notification requirements

2.81 The table below summarises the final rules on AR data and notification requirements. We have marked requirements that apply to ARs, but not to IARs in coral below.

Information to be reported	Rules	Timing for reporting	Mechanism for reporting
Explain the AR's business model	<ul style="list-style-type: none"> Principal to explain the primary reason for the appointment of the AR Provide information on the nature of the regulated activities the principal permits the AR to carry on Indicate whether the AR will conduct any non-regulated activities, and if so whether these are financial or non-financial. For financial non-regulated activities indicate what the activity is Indicate whether the AR will provide services to retail clients Indicate whether the AR was previously an AR of a different principal, and if so, what was the reason for termination of the previous relationship Indicate whether the AR is part of a group, and provide the name of the parent undertaking(s) if so Indicate whether any individuals from the AR will be seconded or contracted to the principal firm to carry on portfolio management and/or dealing activities, and if so explain the rationale for entering into such an arrangement Provide the estimated revenue from regulated and non-regulated activity in the first year following the appointment (using revenue bands) Provide information on the nature of the financial arrangements between the principal and its AR(s) 	<ul style="list-style-type: none"> Provide for all existing ARs, through the data request to be sent via a S165 request Provide 30 calendar days before new appointments Ad hoc reporting of changes to the types of regulated activities an AR will conduct, at least 10 calendar days before these changes take effect Notify of any other changes to the details provided on the AR within 10 business days of the change being made, as per the existing rule 	<ul style="list-style-type: none"> For new appointments, submit this information using 'Add an appointed representative or tied agent form' on Connect For all existing ARs, submit the data using the data request to be sent via a S165 request, which will allow for bulk uploads Changes to the details of the ARs to be reported using the 'Appointed representative or tied agent change details' form

Information to be reported	Rules	Timing for reporting	Mechanism for reporting
Principals to verify AR detail	Principals to check the accuracy of the details of their ARs on the Register (including IARs) on an annual basis, confirm where details remain accurate and report changes to the FCA	Annually	<ul style="list-style-type: none"> Confirm the ARs' details are correct as part of the annual attestation, via Connect. Updates to AR details to be made using the 'Appointed representative or tied agent – change details' form, or the add/terminate AR form if an AR is missing or should have been removed.
Principals to provide complaints data on their ARs	Principals to submit complaints data for all their ARs (including IARs) on an annual basis.	Submit within 60 business days after the principal's ARD	Using the 'On-going reporting by principal firms on their appointed representatives form' (SUP 12 Annex 6R)
Principals to provide AR revenue information	<ul style="list-style-type: none"> Principals to annually submit revenue data for each of their ARs (including IARs) Data on revenue from regulated activities and financial non-regulated activities, to be provided to the nearest £5k Data on revenue from non-financial non-regulated activities, to be reported in bands 	Submit within 60 business days after the principal's ARD	Using the 'On-going reporting by principal firms on their appointed representatives form' (SUP 12 Annex 6R)

Note on Introducer Appointed Representatives

- 2.82** As we set out above in detail, we are requiring significantly less data on IARs than we do for 'full' ARs. This reflects the limited scope of activities that IARs are permitted to undertake, and lower potential risk as a result.
- 2.83** A handful of respondents expressed a concern that it might be unclear to principals of IARs which data points they will need to provide in relation to them.
- 2.84** To address these concerns, we clarify that the electronic form on Connect will show principals only the relevant questions that apply to each of their ARs. Where a principal would indicate that they are appointing or changing the details of an IAR, the system will require principals to complete only data that is relevant to IARs.
- 2.85** The requirements to verify the details of the ARs, and to submit revenue and complaints data apply to both ARs and IARs.

3 Responsibilities of principals and our expectations

- 3.1** In this chapter, we address feedback received, and our response, to our proposals on enhancing and clarifying our expectations of principals and their responsibilities (Chapter 4, CP21/34). We also include here comments received in response to our cost benefit analysis.
- 3.2** We brought forward these proposals to make clear the standards we expect principals to meet in respect of their ARs. The proposals would also ensure effective oversight of ARs and better equip principals to respond where there are issues requiring action.
- 3.3** As with the CP, most of the policy changes in this chapter will also apply to principals with IARs. Where this is not the case, we have stated this in the text.

Clarifying principals' responsibilities for their ARs and our expectations

- 3.4** We put forward proposals on how we expect principals to ensure high standards both within their firm, and at their ARs. To do this, we proposed new guidance to help principals meet our expectations. This guidance included practical steps principals should take to ensure ARs operate within the scope of their appointment, and how to assess senior management at ARs to ensure they meet fitness & propriety standards.
- 3.5** We considered these proposals would help us better hold principals to account, in turn reducing consumer harm.
- 3.6** Most respondents agreed with the proposals in this section. We are therefore proceeding with most proposals as consulted on, with some clarificatory changes made in response to feedback.

ARs providing functions or tasks for principals

- 3.7** We proposed that principals should ensure that arrangements with ARs to provide functions or tasks do not present a conflict of interests. Additionally, we proposed that where the principal is delegating a task or function to an AR, it must put appropriate safeguards in place.
- 3.8** Consumer harm from this sort of arrangement could arise where, for example, a principal has an arrangement with an AR to provide compliance monitoring. If this monitoring was sub-standard and the principal was not compliant as a result, harm to consumers or markets could be more likely to occur.

3.9 We asked:

Q9: *Do you agree with our proposed guidance for principals to put appropriate safeguards in place where a function or task is delegated to an AR or tied agent?*

Feedback

- 3.10** All respondents to this question supported our proposal. However, some respondents requested more detailed guidance, for example on what we meant by 'appropriate safeguards' and 'functions or tasks'. Other respondents felt that our proposed guidance was too prescriptive and that managing risks in this way could lead to 'tick-box outcomes' from principals.
- 3.11** Additionally, some respondents considered our proposals didn't go far enough, and questioned why we didn't use the SM&CR to place greater obligations on principals and ARs, or prevent principals from outsourcing risk or compliance functions to their ARs altogether. Other respondents questioned whether the proposal would be effective unless corresponding reporting requirements and enhanced monitoring were also put in place to ensure the principal was compliant.
- 3.12** Lastly, a few respondents had comments on how we see this proposal working in practice where a principal's existing arrangement with an AR constitutes outsourcing/ material outsourcing.

Our response

Respondents supported this proposal and we are proceeding with it as consulted on. We respond to some of the feedback and provide clarifications below.

Clarification on 'appropriate safeguards' and 'functions or tasks'

Given the presence of principals, ARs and IARs across many different sectors, we intended for this guidance to be sufficiently high-level so that it could be implemented flexibly and proportionately by all firms in scope. As we set out in the CP (see page 26) appropriate safeguards include, but are not limited to, ensuring the delegated function or task does not present a conflict of interest and is subject to enhanced monitoring.

Functions and tasks include anything that the principal would normally have to carry out to deliver its business, but which it has delegated to an AR. This could include for example reporting duties, compliance, HR or payroll. We would expect that delegated tasks or functions would normally be identifiable as part of the principal's contractual agreement with an AR.

Ensuring accountability in respect of ARs and potential application of the SM&CR

Application of the SM&CR to ARs would require legislation and this was one of the questions HMT invited views on in its CfE.

In the absence of legislative change at this time, we consider our changes help ensure increased accountability at principals in respect of their ARs to the extent we are able to deliver this in reliance on our rule-making powers. The additional guidance we provided on fitness & propriety and on competence and capability, will also go some way to enhancing accountability and improving consumer outcomes.

Additionally, having considered the feedback, we consider there is no need to bring forward specific reporting requirements alongside this change. Principals are already expected, under Principle 11 and outsourcing rules, to share information about such arrangements with us.

We note, as we set out in the CP, that many principals are already subject to SYSC 3.2.3G(1) on ensuring appropriate safeguards are put in place where functions or tasks are delegated. This change to add new guidance at SUP 12.6.5BG ensures this applies to all principals, regardless of type or sector.

Existing outsourcing arrangements

On the interaction between this new guidance and existing outsourcing expectations, we see no issue for firms in complying with all relevant requirements and obligations. For example, if a firm has a material outsourcing arrangement with an AR, it must comply with all relevant requirements and obligations in respect of outsourcing, as well as relevant requirements and obligations as a principal. Firms may find it useful to refer to our webpage on [outsourcing and operational resilience](#) for further information on the different requirements and guidance in this area.

Fit and proper expectations for principals

3.13 We brought forward these proposals to ensure principals maintain appropriate oversight over their ARs by annually assessing fitness & propriety, and competency and capability of individuals at ARs.

3.14 We proposed that principals:

- Assess competence and capability of individuals at ARs, using our proposed practical guidance. Considerations for principals in approaching the assessment include (see paragraph 4.18 of the CP) whether senior management at the AR are appropriately experienced and trained to be responsible for the activities and business they undertake on behalf of the principal, and whether they have the necessary time to perform the tasks/functions for which they are responsible.
- Assess fitness & propriety of individuals at ARs, using our proposed practical guidance. Considerations for principals in approaching the assessment include (see paragraph 4.21 of the CP) ensuring and verifying accuracy of information provided by ARs and discussing omissions or concerns proactively with relevant persons at the AR.

3.15 We also proposed that principals' managing bodies would need to review whether senior management at its ARs remain fit and proper to act in that capacity, on an annual basis (see SUP 12.6A.2R). We cover the feedback and our response to the annual review requirements in paragraph 3.60 onwards.

3.16 We proposed these changes would not apply to IARs.

3.17 We asked:

Q10: *Do you agree with our proposals in relation to principals' annual assessment of ARs' fitness & propriety and the proposed considerations they should have to achieve this?*

Feedback

3.18 Most respondents agreed with these proposals, with some reflecting how they already meet these expectations as best practice. Where respondents disagreed, this was generally because they considered the proposals could be duplicative, burdensome, or disproportionately resource-intensive, particularly for principals with many ARs and those in the funeral plans sector.

3.19 As with other proposals in this CP, some respondents queried whether the same outcomes could be achieved by extending the SM&CR. Similarly, several respondents asked for clarity on which 'individuals' are captured by the proposals. A couple of other respondents also commented on the scope of the changes, specifically the proposal not to extend these new provisions to IARs. One respondent suggested that IARs be captured, and another requested that service companies should be exempt.

3.20 A couple of respondents had more specific queries relating to GDPR concerns and supply chains. On GDPR, one respondent was concerned that requiring fitness & propriety reviews of individuals at ARs could raise GDPR issues. And in relation to supply chains, a respondent asked us to clarify how our proposals fit with requirements set out in PS21/5 on information sharing across supply chains.

Our response

We have considered the feedback received and are making some changes to ensure these policy changes can be implemented proportionately across the population of principals and ARs while still achieving the same key outcomes of increased oversight and accountability. As consulted on, we have decided these changes will not apply to IARs.

Scope of the requirement

As the draft rules in the CP state, where we refer to 'individuals', for the purposes of our corresponding Handbook rule at SUP 12.6A.2R, we refer to controllers, directors, partners, proprietors and managers at the AR. In respect of extending the SM&CR, please see our response above in paragraph 3.12.

We consider that principals with an AR operating as a service company should approach compliance with our policy in the same way as any other principal in respect of an AR. Annual fitness and propriety assessments are essential for ensuring on-going appropriateness of senior management individuals at ARs. These assessments should also assist principals in identifying and addressing concerns, which if left undiscovered or unaddressed could lead to consumer or market harm.

Principals are exempt from certain policy requirements and obligations in respect of IARs because the limited activities IARs carry on are lower risk. We do not consider service company ARs to be equally low risk.

GDPR considerations and sharing information across supply chains

As for concerns about potential GDPR issues in assessing senior management at ARs for fitness & propriety, it is already our expectation that firms assess the fitness and propriety of senior managers at the AR and collect the information needed for doing so. Principals should handle personal data needed for this exercise in line with GDPR expectations and consider relevant record retention requirements applying to them.

In response to the comment around how these proposals fit with some principals potentially needing to share information with other firms across the supply chain to meet the reporting requirements of PS21/5 'General insurance practices market study: Feedback and final rules'. We consider the changes we have made to allow firms to integrate reporting into existing processes, and the changes to the annual review requirements (see paragraph 3.60 onwards) will ensure that there isn't an excessive administrative burden on firms and that there is no conflict with the GI Pricing Practices reporting requirements.

Strengthening our expectations of firms to monitor activities outside the scope of appointment

- 3.21** We proposed new guidance (at SUP 12.4.4GG) to help principals understand how they should practically take 'reasonable steps' to ensure their ARs act within the scope of their appointment.
- 3.22** We considered this new guidance would support principals to better identify when an AR may be acting outside the scope of its appointment and the subsequent harm that might arise.
- 3.23** We asked:

Q11: *Do you agree with our proposed guidance on what we expect 'reasonable steps' to be?*

Feedback

- 3.24** Most respondents agreed with the proposed guidance. Where respondents had comments, these were on the prescriptiveness and scope of the proposed guidance; requests for clarification or additional information on the application of the guidance; and general reflections on our approach.
- 3.25** Some respondents suggested we broaden the guidance and include additional detail, for example on monitoring the onboarding and offboarding of staff to ensure on-going competency. Others considered the approach might be overly prescriptive and warned that we might be overreaching into the business of the AR. A few respondents suggested we clarify the proposal by providing practical examples, including on good and bad practice.

- 3.26** Others suggested the guidance was not needed if we were also going to update the Register so it includes detail on what an AR can do. Other respondents suggested that we should instead go further and make principals strictly liable for all AR activity, both when an AR is acting inside or outside the scope of its appointment. These respondents generally considered that the introduction of new guidance may not be sufficient to hold principals to account.
- 3.27** A few respondents reflected on how the proposal would apply across different sectors and business models. One asked for clarification on how principals in multiple principal agreements should approach it and another suggested it shouldn't apply to wholesale activity. As with other proposals, one respondent commented on potential duplication with existing outsourcing expectations.

Our response

Given the strong support received, we are proceeding with this proposal as consulted on. We provide below some clarifications and comments in response to feedback.

We consider the proposed guidance to be proportionate, and that it will lead to positive outcomes for consumers as principals will have more clarity on our monitoring expectations. We welcome suggestions from respondents on additional guidance to incorporate at SUP 12.4.4GG but consider that our proposed guidance is already detailed and covers the key points.

To give firms more detail on what we may expect principals to do to ensure their ARs act within the scope of their appointment, we provide some additional examples below. These will of course depend on the circumstances and the nature of the relationship between the principal and the AR.

Principals may want to consider and review the customer experience and what is being offered to the customer, for example through the AR's website. The principal might also want to explicitly identify where the risks of a particular AR acting outside scope might occur at onboarding stage and also as part of a periodic review. Where complaints or customer feedback identify an issue that might indicate that an AR is acting outside of scope, firms may consider whether this needs to be investigated more broadly rather than just in response to a specific issue. The principal will want to gain adequate assurance and ensure that any concern relating to acting outside of scope are explored in sufficient detail, considering what evidence might be appropriate for this. Principals should also be reviewing their ARs' finances in sufficient detail to identify any evidence that an AR might be acting outside of scope.

Some firms may consider they already meet the standards outlined in the proposed guidance, and across our proposals more broadly, because of existing regulatory obligations applying to them. Where this is the case, we would encourage firms not to duplicate effort unnecessarily but regularly review their arrangements in the usual way to ensure on-going compliance.

The question of whether a principal should be liable for all of the activities of its AR – whether within or outside of the scope of its appointment – is one on which HMT has invited views in its CfE. If following the introduction of this new guidance there remains a problem of covert activity by ARs, which the AR actively conceals from its principal, this may need to be addressed by further measures such as HMT is considering. We will continue to work with HMT on this.

Overseeing ARs effectively

- 3.28** We brought forward proposals to strengthen existing requirements relating to principals' oversight of ARs. We considered these would address harm from lack of adequate oversight, particularly in cases where an AR has grown disproportionately large compared to its principal.

Sufficient resources

- 3.29** Principals are already required, before they appoint an AR and on an on-going basis, to establish on reasonable grounds that the principal has 'adequate' controls over the AR's intended activities, and resources to monitor and enforce an AR's compliance with the relevant requirements that apply to its regulated activities.
- 3.30** To strengthen the existing requirement we proposed new guidance on our practical expectations of these controls and resources (see paragraph 4.33 of the CP).
- 3.31** We also proposed that principals must assess the adequacy of their controls (e.g. their risk, audit and compliance functions, organisational structures and reporting) and resources (e.g., people, processes, technology, facilities and information), at least every 12 months. We also directed principals to the proposed guidance at SUP 12.4.4BG on ensuring controls and resources are commensurate to the size of the AR's business and its activities.
- 3.32** Where a firm identifies an issue with an AR we expect firms to fix the issue as a matter of urgency (see SUP 12.6.1R) and notify us of this under Principle 11, or not appoint the AR until the issue is satisfactorily resolved. Additionally, we proposed new guidance on the circumstances in which a principal should terminate its relationship with an AR if a problem can't be remediated in a reasonable time period.
- 3.33** We asked:

Q12: *Do you agree with our proposals to clarify what we mean by adequate resources and controls and how to assess whether these are appropriate?*

Feedback

- 3.34** Most respondents agreed with these proposals. In some cases, respondents observed that our proposals reflected best practice and considered they are already meeting these standards. A few respondents suggested we include examples on good and bad practice to help different firms implement the changes.

- 3.35** A few respondents requested they have more flexibility in how they implement our proposals, perceiving this would be more proportionate. Some suggested this could be achieved by principals taking a risk-based approach to assessment based on the activity being conducted by the AR or commensurately to its size. Others suggested we should set different expectations by business model, size or sector, and some suggested there should be an exception to the expectation that a principal's controls and resources be commensurate to the size of an AR's business where the principal and AR are part of the same group. A couple of respondents considered it would be excessive for principals to assess all resources ahead of appointing an AR.
- 3.36** Respondents also requested minor changes to the drafting of our proposed rules and guidance. One suggested we should change 'significant and on-going' issues to 'significant or on-going' issues so that firms wouldn't underreport these. Another respondent requested we clarify what we meant by a 'reasonable time period' after which we would expect the principal to consider whether it needs to indefinitely postpone appointment of the AR, or, if it has already appointed the AR, terminate the relationship.
- 3.37** One respondent requested we clarify that the proposals only covered regulated business undertaken by the AR within the scope of the principal's permission.

Our response

Given the high level of support for these proposals we are proceeding as consulted on with minor clarifications to address the feedback received.

We appreciate respondents' comments on alternative approaches, but we consider that these changes already facilitate an appropriate degree of flexibility. Fundamentally, and as some respondents flagged, the changes reflect standards for sufficient resources in line with best practice in the market. To reduce consumer harm, it is important for principals to be meeting these standards in respect of their ARs to ensure they are suitably equipped to oversee them effectively.

Clarifications

We clarify that SUP 12.7.9CG(2) refers to a 'significant' failure rather than 'significant and on-going'. We consider this appropriate and will ensure that the relevant significant failures are reported whether or not they are on-going.

We also clarify that these proposals only apply with reference to regulated activity undertaken by the AR within the scope of the principal's permission, and refer firms to SUP 12.4.2 R (3).

By a 'reasonable time period', we mean a period fairly and reasonably determined by the principal. We consider this is sufficiently broad to give principals flexibility in deciding what best fits their expectations and individual circumstances.

Monitoring appointed representative growth

3.38 We proposed guidance (SUP 12.4.4FG) for principals on the circumstances in which they should consider whether their resources, systems and controls are appropriate to monitor oversight of an AR. Our aim with this is to ensure principals only appoint an AR after appropriate due diligence, have the processes, systems, controls and processes to effectively oversee their ARs, and monitor their ARs to be able to identify issues which could cause harm to consumers or markets. We referred to this process as an oversight appropriateness review. Where an oversight appropriateness review led to concerns, principals would then need to fix any issues or terminate the contract with the AR.

3.39 We also proposed that a principal be required to ensure that its contractual arrangement with an AR allows for termination where the principal considers it can no longer adequately oversee it (SUP 12.5.5R).

3.40 We asked:

Q13: *Do you agree with the proposed circumstances which should trigger a review of principals' oversight appropriateness?*

Q14: *Do you agree with our other proposals for principals to ensure they can effectively maintain pace with AR growth?*

Feedback

3.41 Most respondents agreed with these proposals. Where respondents had feedback, these were generally on the prescriptiveness of the proposals; interaction with existing requirements (e.g., the Insurance Distribution Directive (IDD) and the Investment Firms Prudential Regime (IFPR)); and whether we could take a different approach to afford principals greater flexibility in implementation. Some respondents asked us to clarify whether the proposals would apply in respect of unregulated business carried on by ARs.

3.42 A few respondents also asked us to clarify some of the proposed language used, including where staff turnover at the AR is 'unusually high' and senior management turnover at the AR is 'significantly high'. One respondent queried how staff on secondment should be viewed in terms of turnover rates.

3.43 Some respondents also suggested we revise our list of proposed 'trigger circumstances' at SUP 12.4.4FG. Respondents suggested we include other triggers such as where there is:

- a sudden or sharp increase in business levels, complaints, business liabilities and particularly commission debt.
- a change in target market and/or permissions.
- an AR doing very little business.

3.44 A few respondents asked us to provide more detail on how different types of firms should approach implementing our proposals, for example where a principal has multiple ARs, or where principals have an AR with only one Approved Person.

3.45 While almost all respondents agreed with the proposals covered by Q14, several respondents had comments on how principals should practically approach remediating issues and/or terminating AR contracts. Respondents asked for more guidance

in some areas, while others considered the proposals too prescriptive. A couple of respondents raised points about the wider implications of these proposals, for example how terminating because an AR has grown too large could cause legal disputes and highlighting the potential impact on an AR's customers where there isn't an orderly wind down plan in place.

Our response

Given the high level of support for these proposals, we are proceeding as consulted on with minor changes and clarifications. As with the other policy proposals in CP21/34, we aimed to calibrate these so that they could be implemented proportionately across all of the sectors where principals and ARs operate.

Triggers for review of oversight appropriateness

We welcome the suggestions from respondents on other circumstances which should be reflected in the guidance triggering a review of oversight appropriateness at SUP 12.4.4FG. We are expanding the guidance to include the following additional circumstances:

- a significant increase in complaints received by the principal about the AR's activities or business, or
- a change in the AR's target market, or
- a change to the AR's scope of appointment (within the principal's permissions)

Clarifications

Where we refer to 'significant' or 'unusual' in the guidance, we would encourage principals to use their judgment in determining what this means specific to each AR, to ensure that they can effectively oversee their ARs and identify any potential issues. Principals should consider, for example, whether changes could have been reasonably foreseen. We also clarify that staff on secondment would generally fall outside of an 'unusually high' rate of staff turnover because we would expect principals to be aware of this in advance.

We do not consider it problematic for principals to implement the guidance at small ARs, for example where the AR has just one Approved Person. Principals should approach implementation pragmatically and consider, for example, how many changes of Approved Persons it would find acceptable over a certain period of time. For principals with many ARs, it may be helpful to categorise or group ARs to set thresholds for internal purposes.

Potential overlap with other requirements

We have considered whether our policy changes overlap with existing requirements, including for example the IFPR and IDD. Our view is that while elements of these frameworks may seem similar, they do not apply to all principals across sectors. Rather, they provide sector-specific requirements and expectations which are not tailored to the AR regime. Our policy changes aim to ensure that all principals meet consistently high standards in respect of their ARs and IARs.

In some cases, principals which are investment firms may find they can use information gathered as part of their Internal Capital Adequacy and Risk Assessment (ICARA), for example, to inform and meet AR regime requirements. We consider this would alleviate burden and reduce duplicative effort. Likewise, firms subject to IDD requirements may determine they can meet the requirements of both policies in this way.

Termination of AR contract where the AR is too large

We have considered the feedback received to Q14 and are proceeding with our proposed change to SUP 12.5.5R as consulted on. Principals should have confidence to act where they cannot keep pace with AR growth. And where termination is necessary, principals must ensure that they have considered how, where appropriate, they will help the AR wind down relevant business (see the new rule at SUP 12.8.3R).

We consider this will help drive positive outcomes for consumers and ensure consumers are not left without product or service access or provision.

How we would expect principals to approach remediating issues and/or terminating AR contracts would depend on the issue with the AR.

For example, where the size or volume of the AR's regulated business increases significantly in a short period of time, the principal would be expected to assess the risk arising from the AR's changed circumstances. Principals may consider requiring more information from an AR that is growing significantly, to understand the drivers for growth and consider what steps the AR is taking or should be taking to mitigate the potential elevated risks arising from increased and sudden growth and whether the principal's own oversight needs to adapt. If the AR is not managing the increased risk appropriately and/or the principal is unable or unwilling to increase its oversight arrangements and capabilities, we would expect it to terminate the contract. The principal would also be expected to assess how its oversight arrangements should change, often with a view to increasing the oversight activities in relation to the AR and the resources applied to overseeing it, to match the increased level of activity and potential higher risks. In some cases, it may be more appropriate for an AR to instead seek direct authorisation. For example, where it has grown too large for the principal to effectively oversee it.

Where senior management and staff turnover is unusually high, the principal should seek to understand the drivers for this to identify any issues within the AR to either mitigate them swiftly or terminate the relationship with the AR. It should also ensure that the AR is effectively managing the risks arising from increased turn-over, including lack of resources, knowledge retention, and management spans of controls, or otherwise terminate the relationship.

In line with our proposal in the CP, principals will not need to revise existing contracts to meet our requirements until the next natural contract revision/renewal point. TP 13(1) applying to SUP 12.5.5R(4) requires firms to amend an existing contract at the first point that the contract is subject to renewal or revision.

Overseeing ARs to a comparable standard as if they were employees of the principal

3.46 We proposed principals should oversee individuals at ARs to a comparable standard as if they were directly employed by the principal and carrying on regulated activity in house. We also set out our expectation that principals should be doing this to satisfy, and continue to satisfy, Threshold Conditions.

3.47 To help principals understand our expectations of how they can achieve this level of oversight in practice, we proposed guidance at SUP 12.4.4GG. The guidance included steps we expect principals to take, such as collecting and scrutinising management information (MI) and relevant data provided by the AR.

3.48 We asked:

Q15: *Do you agree with our proposed guidance for principals overseeing individuals at their ARs to a comparable standard as if they were directly employed by the principal?*

Feedback

3.49 Most respondents agreed with this proposal. However, some were concerned that it presented issues with existing employment expectations, suggesting there could be unintended interaction with employment law, data protection and tax requirements (including IR35). Other respondents considered the proposal could confuse principals and ARs as to their responsibilities over employees.

3.50 Where respondents had other comments, some were about building more proportionality into the proposals, for example by reviewing which employees would be captured. As with other proposals, some respondents also queried whether extending the SM&CR to ARs could achieve similar outcomes.

3.51 Some respondents queried how the proposals should be implemented in specific scenarios, such as where the principal and AR are part of the same group. A few respondents also had specific queries on language, asking for clarification on what we mean by 'management information' and how 'all individuals' referred to in SUP 12.4.4G interacts with the reference to 'other staff' in SUP 12.4.4FG. A few respondents asked for clarification on how the proposal would interact with existing requirements, such as the IDD, outsourcing and the Consumer Duty.

3.52 Lastly, one respondent suggested we should also refer, in the proposed practical guidance at SUP 12.4.4G, to principals being responsible for the accuracy of content published on ARs' websites and for online advertising.

Our response

Given the high level of support for these proposals we are proceeding as consulted on with minor changes and clarifications.

Existing employment expectations

The policy changes we are making are intended to provide firms with additional clarity as to the matters which a firm should consider in assessing the adequacy of controls and resources in relation to the regulated activities of the AR for which the firm is responsible.

The requirement in our rules to maintain adequate controls and resources is not changing. These changes amount to guidance on the requirements in COBS 12.4.2R. The reference to applying a level of oversight equivalent to that which would be applied if relevant individuals were employees is just one aspect of the consideration that a firm should give to the adequacy of its oversight arrangements. Ultimately, this is one element of a package of new guidance which is designed to train the minds of principals with a view to ensuring that they maintain sufficient levels of control over the activities of their ARs for which they have accepted responsibility.

As we set out in paragraph 4.49 of the CP, our proposal was not intended to change the nature of the relationship between the principal and financial services staff working at the AR from an employment perspective. Furthermore, we would not expect firms to implement any processes or arrangements which would have the effect of changing or distorting the nature of the relationship between the firm, its AR and any staff of the AR from an employment perspective. To this end, we do not expect this policy change to have any direct impact on whether a principal, an AR or individual needs to comply with relevant Intermediaries Legislation (IR35) requirements.

Which employees are captured by the proposal

We welcome the requests for clarification on which employees are captured by the proposal. In the CP we proposed that this would apply to all individuals engaged in carrying on activities at the AR within the scope of the regulated activity that the principal permits the AR to conduct.

In practice we expect firms to be proportionate when identifying these staff. The level of oversight depends on what the individual is doing at the firm and the level of risk arising from those activities. So for example, ancillary staff at the AR should be supervised in the same manner as ancillary staff would be overseen within the principal. We would also expect firms to apply the same principle of proportionality to 'other staff' referred to at SUP 12.4.4FG(1)(b)(ii).

Clarification on 'management information'

Where we refer to 'management information' (MI) at SUP 12.4.4GG, we would expect this will vary across sectors and between principals and ARs. Ultimately, we consider management information is information which a principal needs to keep itself informed on the relevant aspects of its ARs' business and activities to allow it to identify potential issues. It could, for example, include key statistics on customer numbers, products or services sold monthly, and website traffic.

Interaction with existing requirements

Firms are referred to page 46 onwards of this PS for information on how to approach existing outsourcing and IDD requirements and expectations given these changes. On the Consumer Duty, we consider that the key outcomes of both policies are aligned and not duplicative. While the Consumer Duty will apply to all directly authorised firms, we consider the changes in this PS ensure good consumer outcomes but

with some specificity to the AR regime and its business models. We provide more detail on the Consumer Duty in chapter 4 below.

Both policies aim to ensure firms focus on the outcomes experienced by consumers, and act in a way that reflects how consumers actually behave and transact in the real world.

We consider that principals will already often need to review relevant materials distributed by ARs and IARs, under our financial promotion rules (see for example COBS 4). We also consider it a reasonable expectation within the existing framework applying to principals that they would review relevant website content of their ARs and IARs. For example, principals may choose to do this as a 'reasonable step' in ensuring an AR acts within the scope of its appointment.

Firms should see page 40 for our response on intra-group arrangements and our suggested approach.

Effectively recognising, and limiting, the risk of harm

3.53 We proposed principals would be required, before appointing an AR and on an on-going basis, to ensure that an AR's activities do not result in an undue risk of harm to consumers or market integrity. To help principals identify and assess the types of harm, we proposed accompanying guidance on the considerations principals should have to identify an undue risk of harm (see SUP 12.4.4CG).

3.54 In paragraphs 4.58-4.59 of the CP, we also set out the next steps principals would need to take if they identified an undue risk of harm arising from an AR's activities. Principals would need to rectify the matter with the AR or otherwise terminate the relationship.

3.55 We asked:

Q16: *Do you agree with our proposals on principals ensuring ARs' activities do not present an undue risk of harm to consumers or market integrity?*

Feedback

3.56 Most respondents agreed with these proposals. Several respondents had comments on the scope of the proposed rule and guidance. They asked for clarification on whether this was only relevant for activities carried on by the AR within the scope of the principal's permissions. A few respondents reflected that assessing the risk of harm was something for regulators to address.

3.57 Other respondents commented on the appropriateness of the proposals when applied across sectors and markets. Some felt that the proposed guidance was more relevant to retail than wholesale markets. Another respondent asked us to clarify how the proposals would apply to those firms already completing The Internal Capital Adequacy Assessment Process (ICAAP) or internal capital and risk assessment (ICARA) under the IFPR.

3.58 A few respondents had comments on the language used in the proposed rule and guidance. Some considered 'undue risk' was too subjective and called for us to align more closely with the Consumer Duty. Others felt that requiring principals to ensure

that an AR's activities do not result in an undue risk of harm set too high a standard, and this should instead be on a 'reasonable efforts' basis.

- 3.59** Some respondents also requested we ensure the proposals could be implemented proportionately by different principals, including by those with just one AR, those where the principal and AR are part of the same group, and those with very many ARs. Similarly, a few respondents suggested the proposals should be proportionate to the AR's/principal's business or business model.

Our response

Given the high level of support for these proposals we are proceeding as consulted on with minor changes and clarifications.

Scope of the proposed rule and guidance

We developed the proposals so that they could be implemented proportionately by different principals across sectors. To achieve this, principals must ensure, for regulated activities carried on by an AR within the scope of the principal's permission, that these do not result in an undue risk of harm. Similarly, the guidance at SUP 12.4.4CG is not designed to be exhaustive; there may be other, additional considerations principals should have when considering and looking to identify harm. We consider this existing proportionality will also help principals with different AR populations implement the proposals.

Application of the rule in different circumstances

MiFID Investment Firms should read our response on page 46 for information on how they should approach these changes given existing IFPR requirements.

Where the principal and AR are part of the same group, the principal must still ensure it meets these standards in respect of the AR's activities. This would be especially important where the AR is providing products or services to consumers, or where its activities could otherwise present an undue risk of harm to market integrity. Even where there is no obvious undue risk of harm arising, we would still expect principals to be able to explain why this is the case.

Clarification of 'undue risk'

We consider harm is something both firms and regulators must proactively address. Alongside these policy changes, we are also taking steps to tackle harm arising from the regime, through our enhanced supervisory programme and proactive authorisation work. In considering what constitutes an 'undue' risk of harm, principals have flexibility in identifying what level of harm would be unwarranted, inappropriate or excessive. Taking this approach, as opposed to referring to significant or greater risk of harm requiring a baseline, means principals can think about harm in the context of an individual AR's business, activities and other risk factors. We consider that principals thinking about harm in this way will, in turn, generate positive consumer outcomes.

Annual review of AR's activities and business and of fitness and propriety of senior individuals within the AR

3.60 We proposed principals would need to undertake, at least every twelve months, a review of an AR's activities and business (see paragraph 4.61 of the CP). We proposed that this review should include, for each AR the firm has (but not its IARs):

- The fitness and propriety of senior individuals at the AR, and, in particular, their ability to carry out the regulated activities for which the firm has accepted responsibility;
- The AR's financial position;
- The adequacy of the principal's controls and resources to effectively oversee the AR.

3.61 This review would need to be carried out more regularly in certain scenarios, such as where the AR changes its business model, the scope of its appointment changes, the AR is appointed by an additional principal, the principal identifies a significant increase in the number of complaints about the AR, and other circumstances as set out in SUP 12.6A.3R. (see paragraph 4.63 of the CP).

3.62 We asked:

Q17: *Do you agree with our proposals in relation to principals conducting an (at least) annual review of their ARs?*

Feedback

3.63 Most respondents agreed with this proposal. Where respondents had comments, these were broadly on the proposal to require these reviews at least once a year, our proposed risk-based approach to more regular reviews, and how the proposals would need to be implemented in respect of specific sectors or types of principals.

3.64 Some respondents considered that a review at least once a year was too frequent, and that this could be disproportionate or burdensome, especially for firms with many ARs. Some of them asked for more flexibility in implementing the annual review requirement. Suggestions included taking a risk-based approach; allowing flexibility on the frequency of reviews; basing the approach on nature of activities undertaken by the AR; and allowing delegation to senior management instead of requiring Board- or equivalent managing body approval. In some cases, respondents suggested alternative periods, ranging from on an on-going or monthly basis to 12 months and at a minimum every 3 years. A few respondents commented on the costs for principals in implementing the proposals, suggesting these could be passed on to and ultimately be borne by customers.

3.65 A couple of respondents requested clarification on the interaction between the proposed fitness & propriety annual review and the annual review of ARs' activities and business.

3.66 Several respondents commented on how the proposals would need to be implemented in certain scenarios to ensure they remained fit for purpose across sectors and markets. Respondents asked for clarity on how principals in multiple principal arrangements should approach the reviews to avoid duplication. Of these, some respondents asked if they could meet the review requirements by incorporating the review requirements into, or by aligning them with, established internal processes.

- 3.67** A few respondents provided suggestions of additional risky circumstances for us to include at SUP 12.6A.3R. For example, these included changes in volume of AR transactions and to an AR's target market. Other respondents suggested that instead of reviewing on at least an annual basis, principals could carry out an initial risk assessment of ARs (based on factors such as the size and nature of their business) and then set a review cycle accordingly.

Our response

We consider that requiring principals to complete an annual review of an AR's activities and business on at least annual basis will help principals ensure they have a regular checkpoint for review. In turn, this would improve principals' on-going oversight and reduce the potential for harm.

There was general support for this proposal and we are proceeding with this high-level requirement. But, as we detail below, in response to feedback we are making some changes to how it works in practice, to add more flexibility for firms in how the requirement could be met, and to reduce any potential burden. We are also making some clarifications which we consider will further reduce any perceived burden for principal firms.

Clarifications and flexibility in implementing the requirement

We are introducing additional flexibility in implementing the annual review of ARs, to reduce the burden on principals while meeting the objective of the requirement.

We have decided not to require that the principal's governing body review each of the firm's appointed representatives as part of the annual review. The annual reviews can be conducted below this level by responsible individuals with a suitable degree of knowledge and authority, with any significant issues identified in relation to specific ARs brought to the governing body for consideration and decision. Please see the revised rule in SUP 12.6A.2R.

Firms should note that principals' governing bodies will be required to review and approve the principal's self-assessment, as we detail below (see paragraph 3.74 onwards). Firms are also reminded of the existing on-going obligation to ensure that all its ARs are suitable to act as ARs.

We are clarifying that principals will be able to meet the annual review requirement by integrating associated processes and reporting into existing internal reporting, if in doing so they can continue to meet our expected standards. We also clarify that following the first annual review, subsequent reviews can focus on areas of change or heightened risks to avoid repetition and reduce effort and costs.

We appreciate the suggestions from respondents on how we could approach the annual review differently. Given that many respondents stated they are already meeting these requirements and expectations as best practice, we consider such a change in approach would be unnecessary. Our proposals are already designed to allow flexibility in

implementation across the population of principals and ARs and the clarifications and changes detailed above will provide additional flexibility.

Interaction between the fitness & propriety annual review and the annual review of ARs' activities and business

Some respondents referred in their feedback to separate annual reviews – one for fitness and propriety and another for the AR's activities and business.

Our rules only require a single annual review which has different elements to it, as detailed above, and in SUP 12.6A.2R. We are not mandating a prescribed format for the annual review but consider that including all elements of the required annual review of ARs into a single document would be preferable for most firms, and would more easily provide a holistic view of each AR. We also refer firms to our response below to feedback on the self-assessment and in particular Figure 1 below.

Timing of annual reviews

Our annual review rules and guidance will come into effect on 8 December 2022. But we have provided, through TP 13(2), that principals will then have up to a maximum of a year to carry out their first annual review (see TP 13(2)). We consider this provides principals sufficient flexibility in setting a review date which best suits them.

Multiple principal arrangements

To reduce duplication of effort, principals in multiple principal agreements may wish to discuss effective information sharing with the other principals in the agreement to see if this could be helpful when carrying out respective annual reviews. We don't consider it would be appropriate to nominate lead principals to carry out a single annual review where a multiple-principal agreement is in place, given the individual nature of principal-AR agreements and regulatory obligations on each principal.

Scenarios in which more regular reviews need to be carried out

We appreciate respondents' suggestions for other circumstances in which principals be required to carry out the annual review more than annually. We have expanded SUP 12.6A.3R to include a significant increase in complaints received by the principal about the AR's activities or business, as another trigger for a review. We have also clarified that a significant change to the AR's business model or to its target market, would trigger a review.

Potential costs of implementing the requirement

We are aware of the indirect risk that some principals may pass the cost of implementing these changes on to ARs and consumers. But we consider that this risk is no higher than the risk of principals incurring increased compliance costs in complying with broader regulatory obligations applying to them.

We consider our approach to the annual review allows principals to take a flexible and risk-based approach to oversight, and will help reduce costs. This will ensure positive outcomes for consumers and markets as principals will be better equipped to spot any issues and

risks arising. The comments made by some respondents about the costs of implementing the annual review have been reflected in our revised cost benefit analysis as detailed below.

Termination of AR contracts and winding down

3.68 We proposed to add guidance (SUP 12.6.1-AG) on circumstances in which principals should likely terminate a relationship with an AR. Alongside this, we also consulted on a new decision flow chart (SUP 12 Annex 7G) to help principals effectively identify and assess the best course of action. We also proposed to require principals to take all reasonable steps to ensure that if they terminate a relationship with an AR and this results in the wind down of the relevant business that this is undertaken in an orderly way (SUP 12.8.3R(5)).

3.69 We asked:

Q18: *Do you agree with our proposals for the remediation or termination of AR contracts?*

Feedback

3.70 Most respondents agreed with this proposal. Where respondents had comments, these were often about the scope of the proposals and how principals would need to apply the proposals in certain circumstances. Some respondents also reflected on our approach to termination more holistically, considering it constituted a more reactive, than proactive, approach to risk.

3.71 Other respondents commented on the prescriptiveness of the proposals, in some cases reflecting that our proposed guidance was too broad. However, several respondents considered our existing provisions on termination and remediation already sufficient. Additionally, some respondents thought we should be more prescriptive about appropriate remedial actions, though one warned that in being too prescriptive principals could believe that anything outside of these circumstances was not reason enough to terminate.

3.72 Some respondents asked for more guidance on specific terms, including 'unsatisfactory', 'high turnover' and 'reasonable time period'. A few respondents asked for more information on how the proposals would apply in specific sectors.

3.73 Some respondents considered principals should have more flexibility in not proceeding with termination in some cases, where there are mitigating factors for example. Others questioned the FCA's and principals' roles in situations where termination seemed the best course of action and asked for clarity on remit. More specifically, some respondents questioned how the principal would have any power over an AR's actions once it had already terminated the contract.

Our response

Given the high level of support for these proposals we are proceeding as consulted on.

As a principal accepts responsibility for an AR's activity within the scope of its permission, we consider it appropriate that a principal should also act responsibly when it terminates that relationship. This means, among other things, that a principal should take reasonable steps to ensure – in so far as it is able – that, where relevant, business is wound down in an orderly way.

We expect that in practice, given the principal will no longer have responsibility for the AR once the contract has ended, as soon as it provides the AR with notice of termination, the principal should ensure it helps the AR to ensure the orderly wind down of any relevant business.

Principals to proactively consider whether termination is necessary

We consider principals are best placed, given individual principal-AR contracts, to determine appropriate steps and actions. Ahead of giving notice, we would also expect a principal to proactively consider, and discuss with the AR, its plans for facilitating orderly wind down should termination be necessary. The principal should also consider any potential impact on the AR's customers and plan how it will address these.

In certain circumstances we expect it may take principals longer to ensure an orderly wind down of relevant AR business, particularly where it has identified wider impacts to consumers or markets. Where this is the case, principals should take extra care not to rush through the termination process, where appropriate to ensure they achieve good outcomes for consumers. We refer principals to their obligations under SUP 12.8.3 R (2) which require them to ensure that any outstanding regulated activities and obligations of the AR to customers are properly completed and fulfilled.

On our circumstances for termination at SUP 12.6.1-AG, principals should remember that these do not constitute an exhaustive list. We consider this provides principals with flexibility to identify other relevant circumstances where they feel termination is the necessary course of action. We consider that, if we were more prescriptive, principals may avoid terminating an AR contract where a specific circumstance is not covered by the guidance. This could drive negative outcomes for consumers, as it might result in an AR continuing to operate within the principal's permission when this is no longer appropriate.

Clarification on terminology

We consider principals are best placed to determine what constitutes 'high turnover' of senior management for which the AR's explanation is 'unsatisfactory', and other relevant terms in the guidance. This is because what is acceptable or appropriate will vary from principal to principal, and across sectors, business models and markets. We also refer firms to SUP 12.6A.3 R (3), which requires a principal to carry out a review of an AR, if the AR changes any of its senior management in a particular role, with responsibility for, or being involved with, the activities being carried on within the scope of its appointment more than once in a 12-month period.

Self-assessment

3.74 We proposed to require principals to explain in a self-assessment document how they are meeting certain requirements of the policy. While we did not propose this document be formally provided to us, we set out how it should be available to supervisors on request. We also proposed principals would need to prepare and then review or update the self-assessment document on an annual basis and seek sign off on it from their governing body.

3.75 We proposed that principals with IARs would need to complete the self-assessment to the extent corresponding requirements would apply to them.

3.76 We asked:

Q19: *Do you have any comments on our proposed requirement for principals to create, and maintain, a self-assessment document?*

Feedback

3.77 Most respondents agreed with this proposal, although some considered the proposal could be burdensome, particularly where a principal has significant numbers of ARs or where there is a multiple principal agreement in place. Many of these respondents suggested alternative options to afford principals greater proportionality in implementation.

3.78 These alternatives included preparing the document on a 'by exception' basis, where only key AR risks and issues would be reflected, or permitting principals to set their own schedule for preparing the document. One respondent requested that the limited scope of this requirement as it applies to IARs should also apply in relation to an AR operating as a service company of the principal.

3.79 Several respondents questioned how the document would add value, but others agreed the document would be helpful to principals from a risk management, gap analysis and oversight perspective. Additionally, some respondents agreed that it would increase accountability and ensure governing bodies fully understand the risks of having ARs.

3.80 Where respondents had other comments on the self-assessment document, these generally constituted requests for more guidance on what should be included; reflections on how the document be used by principals and the FCA; and comments on the role of the governing body in reviewing and approving it.

3.81 Some respondents highlighted links with existing regulatory requirements, including the SM&CR, outsourcing expectations and the ICARA (risk assessment under IFPR).

3.82 Finally, several respondents requested we build an implementation period into the final rules, to ensure principals have enough time to implement the proposal.

Our response

There was general support for this proposal and we are therefore proceeding with the broad requirement. But, as we detail below, in response to feedback we are making some changes and adding clarifications, many of which will reduce the perceived burden for principal firms.

Potential burden in meeting the requirement and adding flexibility

The key purpose of the annual self-assessment document is to ensure that the firm and its governing body regularly consider and assess the principal's ability to effectively oversee its ARs, identify any risks or weaknesses in its processes and systems, and take action to address any risks arising from the firm having ARs. We consider that an annual assessment by the principal of how it is meeting the requirements and responsibilities of being a principal firm would increase accountability and improve outcomes for consumers and markets.

We have clarified in the rules the difference between the annual review of ARs (see page 53 onwards) and the self-assessment of the principal.

As we detailed above, the annual review focuses on each of the principal's ARs and assesses suitability, financial position and fitness and propriety and adequacy of oversight of the individual AR. Our rule does not require direct involvement by the principal's governing body, though some firms may wish to involve their governing bodies in this.

The self-assessment document focuses on the principal itself, in relation to all of its ARs. It is a single document designed to identify any risks and gaps in compliance with the firm's obligations as a principal, and must be reviewed and signed-off by the principal's governing body, at least every 12 months.

We provided guidance on what the self-assessment document could include to allow the principal's governing body to assess the principal's arrangements in relation to its ARs, as detailed above. We would normally expect the self-assessment document to include an overview of how the principal is overseeing all of its ARs holistically, highlighting any identified risks and changes to oversight arrangements. In most cases, and as appropriate, this would include details of any significant issues with specific ARs that the principal identified either as part of the annual review of ARs, or in the on-going monitoring and supervision of the AR. Such issues with specific ARs should be included both to inform the governing body's view of any potential weaknesses in the principal's oversight of ARs, and where appropriate, to seek the governing body's views and direction as to how to proceed in relation to a specific AR.

We consider that this clarification and changing some of the proposed rules to guidance as we detail above, addresses the concerns raised by respondents, and would reduce the perceived burden in meeting the requirement, particularly for large networks with many ARs.

Multiple principal arrangements

Principals in multiple-principal agreements may wish to discuss effective information sharing with the other principals in the agreement to see if this could be helpful when carrying out self-assessments. Each principal should conduct its own self-assessment, as the assessment focuses on the principal itself. We do not consider it would be appropriate to nominate lead principals to carry out a single self-assessment where a multiple-principal agreement is in place, given the individual nature of principal-AR agreements, emerging risks and regulatory obligations on each principal and the need for each principal to assess its own oversight arrangements.

Making the self-assessment document available on request and updating it

The self-assessment is intended to be a useful oversight tool for principals which will encourage positive accountability outcomes. We consider it will also be a powerful supervisory tool for the FCA, so it will still need to be made available to us on request.

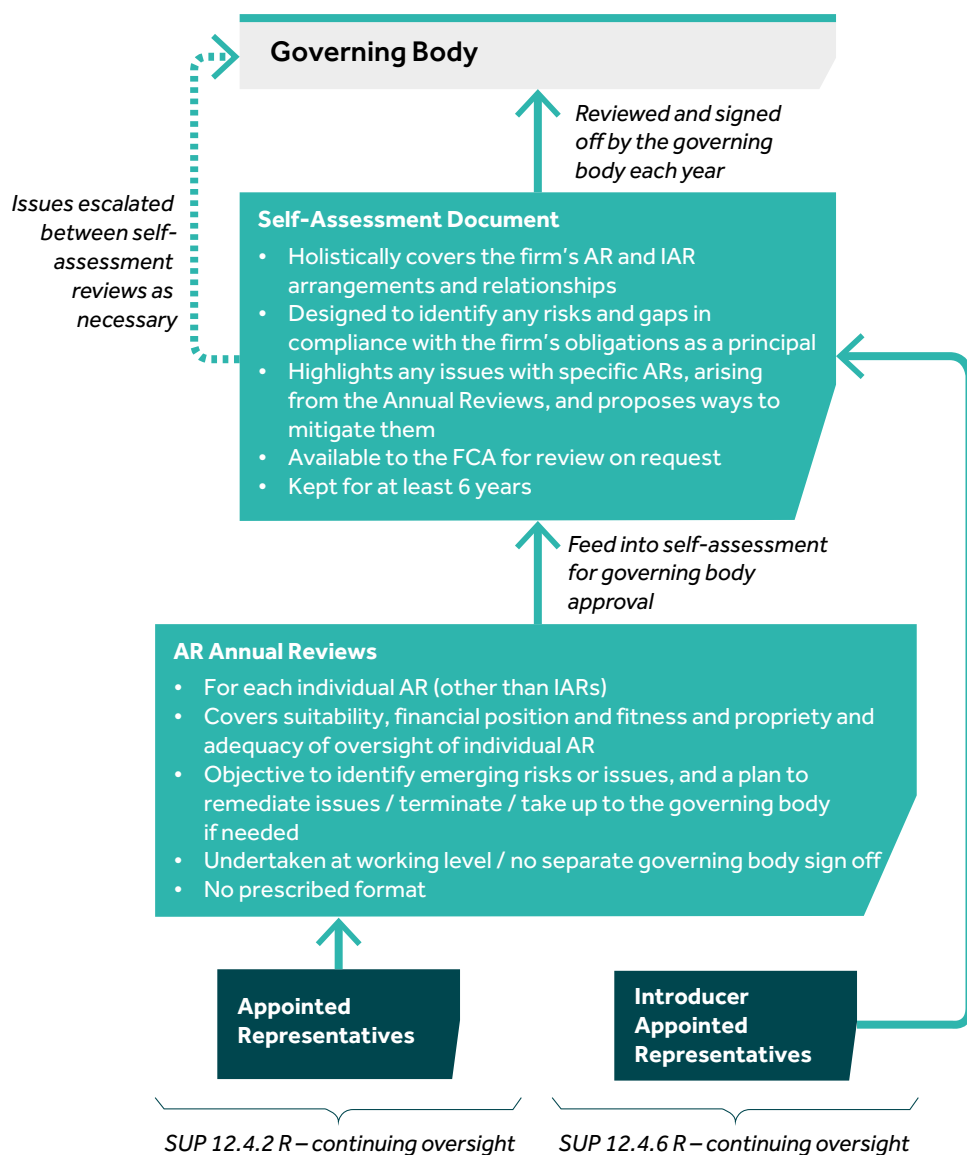
As we set out in the CP, principals do not need to create a new self-assessment document each year. Principals can review and update their current assessment before seeking governing body approval.

Implementation period

In response to feedback received about an implementation period, we agree that principals will benefit from having more time to prepare their initial document. We have introduced a transitional period in respect to the self-assessment document which will allow principals to prepare their initial assessment and seek approval from their governing body up to a year after the rules come in to force on 8 December 2022. We have clarified this at TP 13(3).

The chart below provides an overview of the annual review and self-assessment requirements and guidance, and illustrates the relationship between these documents.

Fig 2: ARs: Annual Review and Self-Assessment



Summary of the final rules on AR data and notification requirements

3.83 The table below summarises the final rules on Responsibilities of principals and our expectations.

Topic	Requirements	Applies to IARs
Clarify principals' responsibilities for their ARs and our expectations		
Principals, where they delegate functions or tasks to an AR or tied agent, should put appropriate safeguards in place	Principals to ensure that delegated functions or tasks do not represent a conflict of interests and are subject to enhanced monitoring	Yes
Principals to assess senior management at ARs for competence and capability	Principals to consider guidance on how to practically assess senior management at ARs	No
Principals to ensure their ARs act within the scope of their appointment	Principals to consider proposed guidance on what we consider 'reasonable steps' to be	Yes
Overseeing ARs effectively		
Principals to ensure their controls and resources are adequate at all times	This can be done as part of the annual self-assessment Where controls and resources are inadequate, principals should consider notifying us under Principle 11 If the issue cannot be resolved, principal should postpone appointment of the prospective AR or otherwise terminate the existing AR relationship	Yes
Principals should re-assess whether their controls and resources remain adequate in certain circumstances	Principals to consider guidance on the circumstances in which this review would be triggered Principals to review contractual relationship with an AR where it, or its business, grows rapidly in a short time	Yes
Principals to have systems and controls in place which anticipate the oversight of ARs to a comparable standard as if they were an individual directly employed by the principal	Principals to consider the practical expectations of how they might achieve this standard of oversight through systems and controls	Yes
Principals must ensure, when appointing an AR and on on-going basis, that the activities the AR carries on do not, or would not, result in an undue risk of harm to consumers or market integrity	Principals to meet the expectations of how they might identify harm	Yes

Topic	Requirements	Applies to IARs
Principals to conduct a review of each of their ARs, at least every 12 month, consisting of: <ul style="list-style-type: none"> The fitness and propriety of senior management at ARs and in particular, their ability to carry out the regulated activities for which the firm has accepted responsibility The AR's financial position The adequacy of the principal's controls and resources to effectively oversee the AR 	Principals would need carry out the annual review more regularly in certain circumstances Any significant issues identified at a specific AR should be reviewed by the principal's governing body	No
Principals to arrange on-going oversight of their ARs	Principals to consider the practical guidance on how to achieve this	Yes
Termination of AR contracts and winding down		
Principals to have clarity on the circumstances in which they should terminate an AR relationship	Principals to consider proposed guidance on circumstances and terminate relationships if necessary	Yes
Principals to ensure, when terminating a relationship with an AR, that they do this in an orderly way	Principals would need to take reasonable steps to ensure they assist ARs with orderly wind down where they decide this is necessary	Yes
Self-Assessment		
Principals to annually prepare a self-assessment document demonstrating their compliance with aspects of the policy and methodologies used to complete the assessment	The self-assessment document focuses on the principal itself, in relation to all of its ARs. It is a single document designed to identify any risks and gaps in compliance with the firm's obligations as a principal It must be reviewed and signed-off by the principal's governing body, at least every 12 months If requested, principals would need to submit the self-assessment document to their FCA supervisor	Yes, to the extent corresponding requirements would apply to IARs

The Consumer Duty

3.84 The final rules and non-Handbook Guidance on the Consumer Duty PS22/9, was published in July 2022. The Duty applies to all firms in the distribution chain for products and services sold to retail customers, including certain small and medium enterprises (SMEs).¹ It will therefore apply to many of the firms in the scope of this PS.

3.85 The Duty and the changes we are introducing to improve the AR regime go hand in hand and reinforce one another in increasing protection for consumers dealing with ARs. We provide a brief overview below of the key expectations of firms under the Duty, and encourage firms to read the Policy Statement, rules and non-Handbook Guidance on the Duty.

¹ For details on the scope and application of the NCD, please refer to the final non-Handbook Guidance for firms on the Consumer Duty PS22/9

3.86 The Duty sets the standard of care that firms should give to consumers in retail financial markets. It sets expectations that can apply flexibly and dynamically to new products, services and business models as they continue to emerge and develop in a changing and increasingly digital environment. It therefore helps protect consumers from current and new/emerging drivers of harm, and provides firms with certainty of our expectations to support innovation and new ways of serving customers.

3.87 Overall, under the Duty, firms should:

- put consumers at the heart of their business and focus on delivering good outcomes for customers
- provide products and services that are designed to meet customers' needs, that they know provide fair value, that help customers achieve their financial objectives and which do not cause them harm
- communicate and engage with customers so that they can make effective, timely and properly informed decisions about financial products and services and can take responsibility for their actions and decisions
- not seek to exploit customers' behavioural biases, lack of knowledge or characteristics of vulnerability
- support their customers in realising the benefits of the products and services they buy and acting in their interests without unreasonable barriers
- consistently consider the needs of their customers, and how they behave, at every stage of the product/service lifecycle
- continuously learn from their growing focus and awareness of real customer outcomes
- ensure that the interests of their customers are central to their culture and purpose and embedded throughout the organisation
- monitor and regularly review the outcomes that their customers are experiencing in practice and take action to address any risks to good customer outcomes
- ensure that their board or equivalent management body takes full responsibility for ensuring that the Duty is properly embedded within the firm, and senior managers are accountable for the outcomes their customers are experiencing, in line with their accountability under the Senior Managers and Certification Regime (SM&CR)

3.88 All firms have the same responsibility to act to deliver good outcomes for retail customers, but there will clearly be differences in the capabilities of a firm depending on its size and activities. One question all firms can ask themselves is whether they are applying the same standards and capabilities to delivering good customer outcomes as they are to generating sales and revenue in comparable areas.

3.89 Firms will need to consider any changes they need to make to meet the requirements of the Duty alongside the changes to the AR regime.

Cost benefit analysis

3.90 We carried out a cost benefit analysis (CBA) of our proposals (see pages 51-63 of CP21/34). We assessed the one-off and on-going (annual) costs arising from each of the elements of the proposed policy changes, and provided a split by size of principal – small, medium and large.

3.91 We categorised a small firm as one with 5 or fewer ARs, a medium firm as 6-99 ARs and a large firm as having 100 or more ARs. Our estimates were based on there being

3,002 principals in the small category, 498 in the medium category and 75 in the large category (totalling 3,575).

3.92 To calculate the expected one-off and on-going costs for firms and associated industry totals, we used the Standardised Costs Model, which is detailed in Annex 1 of 'How we analyse the costs and benefits of our policies'. Detailed costs are on pages 56-59 of the CP.

3.93 Having analysed the costs for firms and quantifiable benefits, we set out how the other benefits detailed in the CP would be net beneficial in the short-to-medium term. We considered the benefits for consumers, firms and markets would be proportionate to our interventions. In reaching this conclusion, we also acknowledged that not all benefits can be quantified at this stage, including better product suitability for consumers and the on-going availability of products and services provided by ARs.

3.94 Our CP did not include a specific question requesting views on the CBA. Some respondents commented on the CBA as part of their broader CP response.

Feedback

3.95 Some of the respondents that fed back on the CBA commented on the methodology we used to estimate costs. Some considered that the use of the Standardised Costs Model resulted in inaccurate estimations. Others queried the accuracy of not distinguishing ARs from IARs for the purposes of the CBA.

3.96 One respondent considered we should have included estimated costs for ARs as well as principals. Another respondent suggested that in using the number of AR relationships as the basis for costs, and not their value, we may not have been able to fully assess the reasonableness of the costs for firms. Another respondent suggested we should have included costs expected to be incurred from necessary changes to principal-AR agreements as a result of our proposals.

3.97 Respondents also argued that in some areas our estimated costs appeared too low. They considered we had underestimated the necessary staff resources for implementing proposed changes, particularly for the on-going data reporting, annual review and self-assessment proposals. There were also mentions of cost of systems and controls, and technology that would be needed.

3.98 A handful of the respondents provided estimated costs of implementation for firms with significant numbers of ARs. Some provided estimations based on the number of hours that they considered would be needed to meet the requirements and others provided overall total projections based on what they considered to be a comparable regulatory change project.

3.99 In contrast, several respondents said throughout their responses that they already do much of what we proposed they do to effectively oversee their ARs, that they hold the data we proposed to require of them so that providing them to us would not be burdensome, and that they considered the costs of the proposals as a whole to be small.

Our response

Use of the Standardised Costs Model

We consider our Standardised Costs Model, which we use to calculate the one-off costs for many of our policy changes, provided an accurate and robust cost estimate. The assumptions this model uses are based on previous CBAs, internal consultation and desk-based research (for more information see 'How we analyse the costs and benefits of our policies').

For changes to an existing policy framework, where the expected costs can be categorised, the Standardised Costs Model facilitates a consistent and proportionate approach. It also helps with timely intervention, as is the case with the AR regime, where the risk of harm to consumers and markets is significant.

Distinguishing between ARs and IARs

We do not consider it necessary to separately distinguish IARs from ARs when using numbers of ARs to estimate costs for small, medium and large principal firms. Principals will need to implement fewer policy changes in respect of IARs than ARs, and the costs incurred by principals in relation to IARs would be lower in comparison to 'full' ARs. This is already reflected in the CBA, as the estimated one-off and on-going costs across all firm sizes represent average values.

Considering the costs for ARs

We did not include estimated costs for ARs in the CBA as we believe their costs to be negligibly small. ARs should already be collecting and submitting the majority, if not all, of these data to their principals under existing rules. Indeed, some principals that responded to our consultation have confirmed that they already hold the data, and where the proposals were challenged they focused on the costs of providing these data to us, not on obtaining them from the ARs.

Using the value of an AR's business and not the number of AR relationships for cost estimates

We consider it would not have been appropriate or beneficial to estimate costs to firms by using the value of an AR's business instead of the number of AR relationships. We consider the approach we took of estimating costs by the number of ARs better reflects the policy proposals. This includes, for example, in relation to the costs of providing data to us and conducting the annual review of ARs.

Costs of changes to principal AR contracts

We did not include in the CBA costs of potential changes to principal-AR agreements in line with our final rules, as we do not expect principals to incur extra costs as a direct result. As we clarified above and reflected in transitional provisions, principals can make any necessary changes to contracts at the next contractual renewal or revision point, rather than expending resource on immediate changes.

Updating the estimated on-going costs of large firms

As detailed above, many respondents considered that the costs of implementing our proposals would be small. A minority of respondents,

and in particular larger AR networks and trade bodies representing larger networks, said that the on-going administrative burden of providing some of the data to us would be significant and therefore more costly than we estimated. A handful of respondents provided estimations of the costs of implementing these changes in larger networks, and these were significantly higher than the costs we estimated for them.

In light of the challenge from principals with large numbers of ARs on the likely costs of implementation, we have updated the CBA in relation to the on-going costs for larger firms. Based on the responses to our consultation, we accept that the average annual on-going costs for large firms is likely to be higher than in our initial calculations. This is mainly due to the costs of staff needed to compile and submit data to us, and to complete the annual reviews, particularly for firms with a very large number of ARs. Notwithstanding these increased cost estimates, we continue to consider the proposals a proportionate response to risks of harm.

The revised estimates we set out below, are based on the examples of likely costs in some of the responses, alongside other responses which estimated the costs as small. The average estimated costs we used also take into account the fact that some firms have more advanced systems and processes than others, so that the costs for some firms will be lower or higher than for others.

We also consider that the changes we made to the final rules from the proposals in the CP significantly reduce the potential costs to firms. In particular, the flexibility we introduced on how principals can approach and complete the annual reviews and self-assessment is likely to remove much of the burden and resource required to complete these. This is also the case with some of the changes we made in relation to data reporting. We also consider that any changes some firms will need to make to their systems would make on-going reporting simpler and would require relatively small effort on an on-going basis once these changes are made. The costs of the system changes have been reflected in the one-off costs estimates which we consider remain accurate.

The updated on-going annual cost is estimated at £2.7m for all large firms and £7.6m across all firms (please refer to Table 3 and 4 on page 59 of the CP). The average cost per large firm is estimated at £35.9k and £2.1k across all firms. More specifically, we assumed that it would take on average 1-2 hours per AR for a member of the principal's compliance team to handle notifications, annual review, and self-assessment. This assumes that changes are made to relevant systems, where needed. As the average number of ARs across the large firms in scope was 330, we expect that on average these functions would take approximately 70 working days.

Table 2: Assumed staff resources for the on-going costs of notifications, annual review, and self-assessment for large firms

Senior managers	no. of working days	4
	no. of people	3
Compliance	no. of working days	35
	no. of people	2

Other costs

We consider that the estimated one-off costs presented in the CBA annex remain accurate. We would naturally expect principals with many ARs to incur higher costs in relation to these proposals compared to principals with fewer ARs. This has already been taken into account in the CBA and the responses we received and estimations within them support our calculations.

We also consider that the on-going costs for small and medium firms remain accurate. As set out above, many of the respondents considered that the requirements would have small costs associated with them. We did not receive significant challenge on costs from small and medium sized firms.

Overall, even after the update to the on-going annual expected costs, we believe the interventions will remain net beneficial.

4 Summary of responses to the discussion chapter on potential areas of further change

- 4.1** In this chapter, we summarise the feedback we received to the questions we asked in the discussion chapter on potential areas of further change.
- 4.2** At this stage, we are not providing our views on this feedback. We will be considering our next steps on how best to reduce the potential harm in the business models and practices discussed in light of the feedback received. We are also continuing to work with the Treasury to consider areas of potential legislative change, including the ideas discussed in its CfE, for example on the scope of activities ARs are permitted to conduct, an introduction of a principal permission, potential application of the SM&CR or parts of it to ARs, and coverage of ARs by the Financial Ombudsman Service.

Overview

- 4.3** The discussion chapter in the CP set out our views on areas of potential policy change which we consider could improve the effectiveness of the AR regime and reduce harm. We did not consult on potential rule changes but did invite views on a range of potential ways to address in the future the harm from certain business models and practices.
- 4.4** We invited views on the following:
- The regulatory hosting model;
 - The use of the regulatory hosting model in the investment management sector, including the use of the Host AIFM' model and secondment of staff between principal and AR;
 - Harms and benefits in smaller principals with larger ARs;
 - Challenges where principals appoint overseas ARs;
 - Whether prudential standards should be introduced or enhanced to reflect the harm posed by business models that involve ARs.
- 4.5** We refer firms to chapter 5 of the CP for details of the issues we raised and the questions we asked.

Summary of responses

- 4.6** In general, fewer respondents had opinions on the questions we set out in this chapter than on our wider consultation, with about half of all respondents providing views on these questions.
- 4.7** Responses we received presented mixed views on most of the questions in this chapter. Most responses considered that there was harm associated with the business models and practices we set out and suggested that regulation of them should be tightened. Other respondents, many of which were firms that operate these models

or practices, considered these business models to be viable and stable and were confident in their ability to effectively oversee their ARs and manage any challenges that these business models might present.

4.8 We provide below some more detail on each of the issues we invited views on in the discussion chapter.

The regulatory hosting model

4.9 The majority of respondents agreed with our assessment that there is harm associated with the regulatory hosting model. They considered that regulatory hosts often exercised poor oversight over their ARs which might lead to harm. They cited a number of reasons for this, which included:

- that some regulatory hosts underinvest in the oversight of their ARs and apply a light-touch approach both to minimise the costs of oversight and to attract ARs;
- that there are inherent conflicts of interests in this model arising from the fact that the regulatory host is reliant on fees paid by the AR as a main source of income, and that these cannot be effectively mitigated; and
- a lack of expertise and knowledge and experience in the relevant markets which hinders the principal's ability to effectively oversee the ARs, particularly where the ARs cover different and varied markets and business models.

4.10 In contrast some respondents highlighted the benefits of the regulatory hosting model, and argued that it has a number of benefits and advantages. Some respondents said that regulatory hosting provided quick and cost-effective access for firms wishing to operate in financial markets, and highlighted the importance of this for maintaining the UK as an attractive, innovative, and competitive environment. The role 'regulatory incubators' played in helping bring innovation to markets was also often cited as a key advantage of the model. Some respondents highlighted the importance of the function the incubators play in nurturing small firms and allowing them to test products and services until they are big enough to become directly authorised.

4.11 Some of these respondents considered that any conflicts of interest associated with the regulatory hosting model could be managed, and argued that some of the regulatory hosting firms were doing this successfully. Some respondents considered that where a regulatory host does not itself engage in the regulated activities of its ARs, this could be an advantage, as it allows the principal to focus on their core business of overseeing their ARs. Other respondents considered that regulatory hosts tended to have better contractual arrangements and more advanced systems and technology for overseeing the ARs.

The use of the regulatory hosting model in the investment management sector

4.12 Many of the respondents considered that any misrepresentation of an AR and what activities it conducts or is allowed to conduct should cease, and called for changes to ensure misrepresentation does not occur. Others saw this model as a way to circumvent the rules preventing ARs from managing investments.

4.13 Other respondents, mostly firms that operated this model, considered it to be appropriate, where adequate controls were applied. Some considered that the model works in the interests of consumers, particularly in supporting or providing regulatory

incubator services, and that it helps start-ups to raise capital. They also argued that often the oversight applied by the principal under this model was stronger than if the fund manager were directly authorised.

- 4.14** There was general agreement, from both respondents who opposed this model and those who supported it, that ARs should not be able to market activities they are not lawfully permitted to undertake and that principals must ensure that when promoting and marketing AIFs the ARs do not present themselves as investment managers.

Smaller principals with larger ARs

- 4.15** Some respondents agreed that a model in which an AR or ARs are larger than the principal might create issues. Many considered that if a principal is overly financially reliant on any one particular AR, or a group of larger ARs, this creates greater potential for conflicts of interest. Some respondents also considered that where the AR was very large compared to the principal, the principal was less likely to have the resources or capacity to adequately supervise the larger ARs.

- 4.16** There was some suggestion that a threshold could be defined either for the overall size of an AR, or for its size in relation to that of the principal, and that if the threshold were met action would be taken. There were different suggestions of what such action could be, including that: the principal or the AR could be required to notify the FCA of this; the AR would be required to become directly authorised or to seek a different principal; independent compliance would be applied to the AR and or the principal; more robust governance within the AR or principal or both would be required.

- 4.17** Some respondents considered that if any requirements were to be considered in future, the relevant size of an AR should primarily be that of its regulated activities and not the overall size of its business (including any non-regulated activities). Otherwise, some argued, where the AR is a large firm that only needs the AR status for minor business lines, it might struggle to find an appropriate principal. A few respondents asked that intra-group agreements and arrangement should be considered in any future work on this, particularly if proposals to limit the size of ARs are intended.

- 4.18** A small minority considered that smaller principals sometimes had advantages over larger ones. They argued that smaller principals tend to have closer links to the AR, as staff at the AR will be dealing consistently with the same people working for the principal. Others said that smaller principals can often be innovative and apply innovative approaches to oversight, and that some had expertise in particular areas, which in turn improved the quality of oversight they could apply to their ARs.

Overseas ARs

- 4.19** There was general agreement that there are significant challenges in relation to overseas ARs, which might result in harm to consumers or markets. Some respondents believed that these were unsurmountable and that only UK-based ARs should be allowed. Others considered that while challenges exist, they can be managed effectively and that the model provides significant advantages to firms, markets and consumers.

- 4.20** The key challenges cited in relation to overseas ARs included challenges in understanding and managing legal, accounting and regulatory requirements for each jurisdiction; potential difficulties in having effective communications with the ARs, due

to cultural and language differences; likely challenges in monitoring and effectively overseeing the AR due to geographical distances.

- 4.21** There was also some mention that overseas ARs may be used by firms as a loophole to gain access to UK financial markets, while avoiding appropriate regulation.
- 4.22** Other respondents presented the view that, although more risk is involved in this model, it should be permitted, provided that the ARs are overseen effectively. They considered that there are legitimate uses of overseas ARs, and urged us not to take a one size fits all approach in any future potential interventions which might undermine these legitimate uses of the model. Intra-group arrangements were also mentioned in this context.
- 4.23** Some respondents also highlighted the benefits of overseas ARs. These included wider variety of products and services for consumers and a larger pool for innovation; allowing greater geographical reach in a cost effective way; and lowering barriers of bringing new business to UK. All of which, respondents argued, result in increased and improved competition to the benefit of consumers.

Enhancing prudential standards for principals

- 4.24** Most respondents considered that no new prudential requirements should be introduced in relation to principals and ARs. Many said that existing rules already provide the necessary requirements and therefore no additional rules or guidance were needed. Some firms considered that MIFIDPRU, the ICARA requirements and the IFPR already provide sufficient and robust frameworks that do not need changing in relation to MiFID business.
- 4.25** There was some suggestion that any changes to prudential standards should be considered as part of wider prudential reviews and not in the context of reforms to the AR regime. There were also arguments that changes to prudential standards should be introduced based on specific evidence of harm on a sector or activity basis, rather than on a cross-sector basis.
- 4.26** Some respondents said they expected principals to consider risks their ARs might pose when assessing capital requirements. Several principals confirmed that they already do so, with some requiring their ARs to hold certain levels of capital.
- 4.27** Only a minority of firms considered that the heightened risks arising from the AR regime, should be addressed by changing prudential standards to align to and take account of these risks.

Annex 1

List of non-confidential respondents

AB Consultants
Association of British Insurers (ABI)
Association of Mortgage Intermediaries (AMI)
Association of Professional Compliance Consultants (APCC)
Bilby Compliance & Training LLP
Create Solutions Ltd
Financial Services Consumer Panel (FSCP)
Golden Charter Ltd
IWP Advisory Services Ltd
Jelf Insurance Brokers Ltd (Marsh Commercial)
John Lewis plc
Lloyd's
Managing General Agents' Association
Money Advice Trust
New South Law Ltd
PRIMIS Mortgage Network and TMA Mortgage Club
ROCK Insurance Services Ltd
Sesame Limited
SimplyBiz
Social Money Limited
Stonebridge Mortgage Solutions Ltd
The FCA Smaller Business Practitioner Panel
The FCA Practitioner Panel
The On-line Partnership Ltd & The Whitechurch Network Ltd
The Right Mortgage Ltd

Annex 2

Abbreviations used in this paper

Abbreviation	Description
AR	Appointed Representative
ARD	Accounting Reference Date
COBS	Conduct of Business sourcebook
CBA	cost benefit analysis
COND	Threshold Conditions
CP	Consultation Paper
DP	Discussion Paper
FIT	Fit and Proper test for Employees and Senior Personnel
FSCS	Financial Services Compensation Scheme
FSCR	Financial Services Contracts Regime
FSMA	Financial Services & Markets Act 2000
IAR	introducer appointed representative
IDD	Insurance Distribution Directive
IT	information technology
LRRA	Legislative and Regulatory Reform Act 2006
MCD	Mortgage Credit Directive
PRA	Prudential Regulation Authority
PS	Policy Statement
SLA	service level agreement
SM&CR	Senior Managers' & Certification Regime
SUP	Supervision manual

Abbreviation	Description
SYSC	Senior Management Arrangements, Systems and Controls sourcebook
TC	Training & Competence sourcebook
TSC	Treasury Select Committee
TPR	Temporary Permissions Regime

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Appendix 1

Made rules (legal instrument)

APPOINTED REPRESENTATIVES INSTRUMENT 2022

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under the following sections of the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers); and
 - (3) section 139A (Power of the FCA to give guidance).
- B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

- C. Part 1 of Annex B of this instrument comes into force on 29 July 2022.
- D. Part 2 of Annex B of this instrument comes into force on 4 August 2022.
- E. All other parts of this instrument come into force on 8 December 2022.

Amendments to the Handbook

- F. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- G. The Supervision manual (SUP) is amended in accordance with Annex B to this instrument.

Notes

- H. In the annexes to this instrument, the “notes” (indicated by “**Note:**” or “*Editor’s note:*”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- I. This instrument may be cited as the Appointed Representatives Instrument 2022.

By order of the Board
15 July 2022

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Insert the following new definition in the appropriate alphabetical position. This text is not underlined.

<i>regulatory host</i>	<p>a <i>firm</i>:</p> <ol style="list-style-type: none"> (1) that offers or provides a service: <ol style="list-style-type: none"> (a) by which <i>unauthorised persons</i>, whether or not in the same <i>group</i> as the <i>firm</i>, may become <i>appointed representatives</i> of the <i>firm</i>; (b) for <i>remuneration</i> with a view to profit; and (2) to which either (a) or (b) applies: <ol style="list-style-type: none"> (a) the <i>firm</i> does not carry on any <i>regulated activities</i> other than through its <i>appointed representatives</i>; or (b) the <i>regulated activities</i> carried on by one or more of the <i>appointed representatives</i> of the <i>firm</i> are not connected to any <i>regulated activity</i> undertaken by the <i>firm</i> other than through its <i>appointed representatives</i>.
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Amend the following definition as shown.

<i>Complaint</i>	<p>...</p> <ol style="list-style-type: none"> (2) (in <i>DISP</i>, except <i>DISP</i> 1.1 and (in relation to <i>collective portfolio management</i>) in the <i>consumer awareness rules</i>, the <i>complaints handling rules</i> and the <i>complaints record rule</i>, and in <i>CREDS</i> 9 <u>and in SUP 12</u>) any oral or written expression of dissatisfaction, whether justified or not, from, or on behalf of, a <i>person</i> about the provision of, or failure to provide, a financial service, <i>claims management service</i> or a <i>redress determination</i>, which: <ol style="list-style-type: none"> (a) alleges that the complainant has suffered (or may suffer) financial loss, material distress or material inconvenience; and (b) relates to an activity of that <i>respondent</i>, or of any other <i>respondent</i> with whom that <i>respondent</i> has some connection in marketing or providing financial
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services or products or *claims management services*, which comes under the jurisdiction of the *Financial Ombudsman Service*.

...

Annex B

Amendments to the Supervision manual (SUP)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Part 1: Comes into force on 29 July 2022

Insert the following new question in SUP 12 Annex 3R (Add an appointed representative or tied agent form) in the appropriate numerical position. The text is not underlined.

15A Will the appointed representative undertake funeral plan distribution? † § ☐ ☐

Part 2: Comes into force on 4 August 2022

Insert the following new question in SUP 12 Annex 4R (Appointed representative or tied agent – change details form) in the appropriate numerical position. The text is not underlined.

	Yes	No
13C Does the appointed representative undertake funeral plan distribution? † §	<input type="checkbox"/>	<input type="checkbox"/>
Do you wish to change this? If 'Yes', please provide details below: †	<input type="checkbox"/>	<input type="checkbox"/>

Part 3: Comes into force on 8 December 2022

2 Information gathering by the FCA or PRA on its own initiative

2.1 Application and purpose

Application

...

2.1.2A G *CBTL firms* are subject to a duty to deal with the *FCA* in an open and co-operative manner under article 18(1)(d) of the *MCD Order*. *SUP 2.3* applies to *CBTL firms* in relation to complying with that duty as though:

...

(5) a reference to *SUP 12.5.3G* were a reference to ~~*SUP 12.5.3AG*~~ *SUP 12.5.13G*;

...

...

12 Appointed representatives

12.1 Application and purpose

...

Interaction of SUP 12 and other modules in relation to MiFID business

12.1.1D G ...

Territorial application: Gibraltar

12.1.1E G This chapter applies to a Gibraltar-based firm which is considering appointing, has decided to appoint or has appointed an appointed representative in accordance with the general application of this chapter.

...

12.2 Introduction

...

Business for which an appointed representative is exempt

12.2.7 G (1) The *Appointed Representatives Regulations* are made by the Treasury under sections 39(1), (1C) and (1E) of the *Act*. These regulations describe, among other things, the business for which an *appointed representative* may be exempt or to which sections 20(1) and (1A) and 23(1A) of the *Act* may not apply, which is business which comprises any of:

...

(k) *agreeing to carry on a regulated activity* (article 64 of the *Regulated Activities Order*) where the *regulated activity* is one of those ~~in (a) to (h) or (ja) or (jb)~~ specified in Regulation 2(1)(d) of the *Appointed Representatives Regulations*; and

...

(2) If the *appointed representative* is also a *tied agent*, the business for which the *appointed representative* may be exempt includes the following additional activities:

(a) placing *financial instruments* or structured deposits;

(b) providing advice to *clients* or potential *clients* in relation to the placing of *financial instruments* or structured deposits.

...

What is an introducer appointed representative?

12.2.8 G ...

- (2) The permitted scope of appointment of an *introducer appointed representative* does not include in particular:

...

- (d) *advising on investments, giving basic advice on a stakeholder product, advising on a home finance transaction, advising on regulated credit agreements for the acquisition of land, or other activity that might reasonably lead a customer to believe that ~~he~~ they had received, ~~basic advice or advice on investments or on home finance transactions~~ or that the introducer appointed representative is permitted to ~~give basic advice or give personal recommendations on investments or on home finance transactions~~ provide, one of those services.*

...

...

12.2.10 G All *rules* in SUP 12 apply in relation to *introducer appointed representatives* except for:

- (1) SUP 12.4.2R, SUP 12.4.5BR and SUP 12.4.5C, on the appointment of *appointed representatives*, which are replaced by SUP 12.4.6R;
- (2) SUP 12.5.6AR on required contract terms, which is replaced by SUP 12.5.7R; ~~and~~
- (2A) SUP 12.6A.2R to SUP 12.6A.4R; and
- (3) SUP 12.9.1R(4) (Record keeping).

...

12.4 What must a firm do when it appoints an appointed representative or an FCA registered tied agent?

...

Appointment of an appointed representative (other than an introducer appointed representative)

12.4.2 R Before a *firm* appoints a *person* as an *appointed representative* (other than an *introducer appointed representative*) and on a continuing basis, it must establish on reasonable grounds that:

...

(3) the *firm* has adequate:

...

(b) resources to monitor and enforce compliance by the *person* with the relevant requirements applying to the *regulated activities* for which the *firm* is responsible and with which the *person* is required to comply under its contract with the *firm* (see SUP 12.5.3G(2)); ~~and~~

(4) the *firm* is ready and organised to comply with the other applicable requirements contained or referred to in this chapter; and

(5) the *person's* activities do not, or would not, result in undue risk of harm to consumers or market integrity.

12.4.2A R (1) ~~A *firm* must ensure that:~~ [deleted] [Editor's note: This provision now appears at SUP 12.4.4HR.]

(a) ~~a *tied agent* that is an *appointed representative*; or~~

(b) ~~a *MiFID optional exemption appointed representative*; or~~

(c) ~~a *structured deposit appointed representative*;~~

~~is of sufficiently good repute and that it possesses appropriate general, commercial and professional knowledge and competence so as to be able to communicate accurately all relevant information regarding the proposed service to the *client* or potential *client*. This does not limit a *firm's* obligations under SUP 12.4.2R.~~

(2) ~~A *firm* must ensure that its *tied agent* or *MiFID optional exemption appointed representative* also possesses appropriate general, commercial and professional knowledge and competence so as to be able to deliver the *investment service* or *ancillary service* for which the *firm* has accepted responsibility.~~

[Note: paragraphs 2 and 3 of article 29(3) of *MiFID*]

12.4.2B G (1) ~~A *firm* to which SUP 12.4.2AR applies should also have regard to SYSC 5.1 (Skills, knowledge and expertise). The requirements of the Training and Competence sourcebook (TC) and guidance in the Fit and Proper Test for Employees and Senior Personnel (FIT) may also be relevant.~~ [deleted] [Editor's note: This provision now appears at SUP 12.4.4IG.]

(2) ~~ESMA has issued guidelines for *MiFID investment firms* specifying the criteria for the assessment of knowledge and competence. These guidelines are relevant to *tied agents* (see SYSC 5.1.5ADG).~~

Guidance on the appointment of an appointed representative

- 12.4.2C G SUP 12.4.2R applies before a *firm* appoints a *person* as an *appointed representative* and on a continuing basis thereafter. References in this guidance to an *appointed representative* should therefore be read as also referring to a prospective *appointed representative* where appropriate.
- 12.4.3 G In assessing, under SUP 12.4.2R(2)(a) and (b), whether an *appointed representative* ~~or prospective appointed representative~~ is solvent and otherwise suitable, a *firm* should determine, among other matters, whether the *person* is likely to be adversely influenced by its financial position in the conduct of the business for which the *firm* is responsible. This might arise, for example, if the *person* has cashflow problems and is not able to service its debts. ~~Guidance~~ Guidance for *firms* on assessing the financial position of an *appointed representative* ~~or prospective appointed representative~~ is given in SUP 12 Annex 1.
- 12.4.4 G In assessing, under SUP 12.4.2R(2)(b), whether an *appointed representative* ~~or prospective appointed representative~~ is otherwise suitable to act for the *firm* in that capacity, a *firm* should consider:
- (1) whether the *person* is fit and proper; guidance on the information that *firms* should take reasonable steps to obtain and verify is given in SUP 12 Annex 2; ~~and~~
 - (2) the fitness and propriety (including good character ~~and competence~~) and financial standing of the *controllers, directors, partners, proprietors* and *managers* of the *person*; *firms* seeking guidance on the information which they should take reasonable steps to obtain and verify should refer to *FIT* and the questions in the relevant Form A (Application to perform controlled functions under the approved person regime) in SUP 10A Annex 4; and
 - (3) the competence and capabilities of relevant *directors, partners, proprietors* and *managers* of the *person*, including whether they have:
 - (a) appropriate experience, knowledge, skills and training in relation to the activities and business carried out, or to be carried out, on behalf of the *firm*; and
 - (b) the necessary time to properly perform the tasks and functions for which they are, or will be, responsible.
- 12.4.4A G In considering the competence and capabilities of relevant *individuals, firms* should note that other provisions, including SYSC 3.1 (Systems and controls) and SYSC 5.1 (Skills, knowledge and expertise), the requirements of the Training and Competence sourcebook (*TC*) and guidance in the Fit and Proper test for Employees and Senior Personnel sourcebook (*FIT*) may also be relevant. See also SUP 12.6.10G.
- 12.4.4B G In assessing whether the *firm* has adequate controls and resources for the purposes of SUP 12.4.2R(3)(a) and (b), a *firm* should consider whether these:

- (1) are commensurate to:
 - (a) the size or potential size of the *appointed representative*; and
 - (b) the nature of the *regulated activities* for which the *firm* has, or proposes to have, responsibility;
 - (2) enable the *firm* to effectively manage conflicts of interest;
 - (3) allow the *firm* to maintain effective oversight of the *appointed representative*;
 - (4) enable the *firm* to identify and remediate any issues arising at the *appointed representative*; and
 - (5) enable the *firm* to maintain a level of oversight of the *appointed representative's regulated activities* equivalent to that which would be, and ought reasonably to be, applied if:
 - (a) those activities were carried on by the *firm* in a principal capacity; and
 - (b) all *individuals* engaged in those activities were employees of the *firm*,
- (and see also *Principle 3*, *COND 2.5.6G(1)* and *(1A)* and *SUP 12.6.11G*).

12.4.4C G In assessing, under *SUP 12.4.2R(5)*, whether an *appointed representative's* activities or proposed activities give rise to an undue risk of harm, a *firm* should consider, without limitation:

- (1) the nature of the risks associated with the *person's* appointment and activities or proposed activities having regard to, amongst other things, the *person's*:
 - (a) business model;
 - (b) (as applicable) senior management and governance arrangements;
- (2) the likely impact on *clients* or potential *clients* were a relevant risk to crystallise having regard to, amongst other things:
 - (a) the number of *clients* with which the *person* is, or is likely be, dealing;
 - (b) whether the *clients* or potential *clients* with which the *person* is, or is likely to be, dealing include those in vulnerable circumstances who may be at greater risk of harm if things go wrong;

- (c) the likely extent of any financial loss that *clients* may suffer;
- (3) the likely impact on the *firm* were a relevant risk to crystallise including, but not limited to, the impact of a significant volume of *complaints* relating to the *person's* activities;
- (4) the likely impact on the continuity of the provision of services to *clients* in the event of the *person's* failure;
- (5) the potential for reputational damage which could harm the *clients* with which the *person* deals, or is likely to deal; and
- (6) the ability of its own arrangements to effectively identify and manage those risks in compliance with its obligations in *SYSC*.

[Editor's note: The provision at SUP 12.4.4DG is moved from SUP 12.4.5G.]

- 12.4.4D G In determining, under SUP 12.4.2R(2)(c), whether an *appointed representative* has any *close links* which would be likely to prevent the *firm's* effective supervision, a *firm* should consider the *guidance to threshold condition 2C or 3B* as applicable in *COND 2.3*.

Practical considerations for assessment

- 12.4.4E G In undertaking the assessment required by SUP 12.4.2R, a *firm* should:
- (1) ensure and verify that information provided by the *appointed representative*, either at entity-level or about relevant *individuals* (SUP 12.4.4G(2) and (3)), is accurate, sufficiently detailed and up to date;
 - (2) discuss any omissions or concerns proactively with relevant *individuals* at the *appointed representative*; and
 - (3) ensure that it is made aware of any changes, including to relevant *individuals* at the *appointed representative*, which may affect the quality or integrity of the information provided.

Continuing obligations after appointment: controls and resources

- 12.4.4F G SUP 12.4.2R applies on a continuing basis. In particular:
- (1) a *firm* should re-assess whether its controls and resources remain adequate for the purposes of SUP 12.4.2R(3)(a) and (b) if any of the following circumstances arise:
 - (a) the size or volume of the *appointed representative's* business involving *regulated activity* increases significantly in a short period of time;
 - (b) the *firm* identifies an unusually high rate of turnover at the

appointed representative of:

- (i) senior management; or
 - (ii) other staff of the appointed representative involved in carrying on the regulated activities for which the firm has accepted responsibility;
 - (c) the firm identifies a significant increase in the number of complaints it receives about the appointed representative;
 - (d) the appointed representative changes its business model (including target market); or
 - (e) a change is made to the scope of the appointed representative's appointment.
- (2) SUP 12.6A.3R requires a firm to carry out a review, including of the adequacy of the firm's controls and resources, in any of the circumstances specified in that rule.

Practical steps to ensure effective oversight

- 12.4.4G G In order to comply with the various obligations in this chapter and having due regard to the nature of the appointed representative's activities and the risks associated with them, a firm should:
- (1) collect and scrutinise relevant management information and agree with its appointed representative how and when management information should be provided, the format it should take and the data it should capture;
 - (2) analyse data provided by the appointed representative to identify emerging risks and issues;
 - (3) closely monitor the delivery of the appointed representative's activities and business, within the scope of its appointment (for example, by reviewing call scripts or other materials provided by the appointed representative and organising regular meetings with them);
 - (4) engage regularly with its appointed representative, whether through in-person meetings, telephone calls or email communication; and
 - (5) establish clear processes for the escalation of issues, including service level agreements where necessary. This could include, for example, grading of issue severity based on impact and potential harm to clients and processes for remediation within defined timeframes. Where appropriate, such expectations should be included in the contract between the firm and the appointed representative.

[Editor's note: The provisions at SUP 12.4.4HR and SUP 12.4.4IG are not new text; they are moved from SUP 12.4.2AR and SUP 12.4.2BG respectively.]

Appointment of tied agents, MiFID optional exemption appointed representatives and structured deposit appointed representatives

- 12.4.4H R (1) A firm must ensure that:
- (a) a tied agent that is an appointed representative; or
 - (b) a MiFID optional exemption appointed representative; or
 - (c) a structured deposit appointed representative,
- is of sufficiently good repute and that it possesses appropriate general, commercial and professional knowledge and competence so as to be able to communicate accurately all relevant information regarding the proposed service to the client or potential client. This does not limit a firm's obligations under SUP 12.4.2R.
- (2) A firm must ensure that its tied agent or MiFID optional exemption appointed representative also possesses appropriate general, commercial and professional knowledge and competence so as to be able to deliver the investment service or ancillary service for which the firm has accepted responsibility.

[Note: paragraphs 2 and 3 of article 29(3) of MiFID]

- 12.4.4I G (1) A firm to which SUP 12.4.4HR applies should also have regard to SYSC 5.1 (Skills, knowledge and expertise). The requirements of the Training and Competence sourcebook (TC) and guidance in the Fit and Proper test for Employees and Senior Personnel (FIT) may also be relevant.
- (2) ESMA has issued guidelines for MiFID investment firms specifying the criteria for the assessment of knowledge and competence. These guidelines are relevant to tied agents (see SYSC 5.1.5ADG).
- 12.4.5 G ~~In determining, under SUP 12.4.2R(2)(c), whether an appointed representative or prospective appointed representative has any close links which would be likely to prevent the firm's effective supervision, a firm should consider the guidance to threshold condition 2C or 3B as applicable in COND 2.3. [deleted] [Editor's note: This provision now appears at SUP 12.4.4DG.]~~

...

Multiple principals

...

- 12.4.5C R Multiple principal agreement

	Matter	Explanation
--	--------	-------------

...		
8.	Sharing information	The arrangements for sharing information on matters relevant to the matters covered under the multiple principal agreement and each <i>principal's</i> obligations under <i>SUP</i> 12.6 (Continuing obligations of firms with appointed representatives) and <i>SUP</i> 12.6A (Assessment of compliance).
		...

...

Appointment of an introducer appointed representative

- 12.4.6 R Before a *firm* appoints a *person* as an *introducer appointed representative*, and on a continuing basis, it must take reasonable care to ensure that:
- (1) the *person* is suitable to act for the *firm* in that capacity (having regard, in particular, to other *persons* connected with the *person* who will be, or who are, directly responsible for its activities); ~~and~~
 - (2) the *firm* is ready and organised to comply with the other applicable requirements contained or referred to in this chapter; and
 - (3) the *person's* activities do not, or would not, result in undue risk of harm to *consumers* or market integrity.

...

- 12.4.7A G In complying with the requirements in *SUP* 12.4.6R, a *firm* should also have regard, so far as relevant, to the *guidance* in *SUP* 12.4.4BG, *SUP* 12.4.4CG, *SUP* 12.4.4FG and *SUP* 12.4.4GG.

...

- 12.4.8C R ...

Inclusion on the Financial Services Register

- 12.4.9 G ...
- (2) ~~If an appointed representative's scope of appointment is to include an *insurance distribution activity*, the principal must notify the *FCA* of the appointment before the appointed representative commences that activity (see *SUP* 12.7.1R(1)). [deleted]~~
 - (3) ~~As an exception, pre-notification is not required if the appointed representative is already included on the *Financial Services Register* as carrying on *insurance distribution activities* in another capacity (for example, as the appointed representative of another *principal*). [deleted]~~

...

Appointed representative carrying on MCD credit intermediation activity

...

- 12.4.10C G (1) ~~If an appointed representative's scope of appointment is to include MCD credit intermediation activity, the principal must notify the FCA of the appointment before the appointed representative commences that activity (see SUP 12.7.1R(1)). [deleted]~~

...

Appointment of an FCA registered tied agent

- 12.4.11 R If a MiFID investment firm appoints an FCA registered tied agent, SUP 12.4.2R and SUP 12.4.2AR 12.4.4HR apply to that firm as though the FCA registered tied agent were an appointed representative.

...

Tied agents

- 12.4.12 G ...
- (5) ~~If an appointed representative's scope of appointment is to include acting as a tied agent, the principal must notify the FCA of the appointment before the appointed representative starts acting as such (see SUP 12.7.7R(1A)). [deleted]~~

...

MiFID optional exemption appointed representatives and structured deposit appointed representatives

- 12.4.13 G ...
- (2) ~~A firm must notify the FCA of the appointment of a MiFID optional exemption appointed representative or a structured deposit appointed representative before such appointed representative starts acting in that capacity (SUP 12.7.1R). [deleted]~~

...

12.5 Contracts: required terms

Required contract terms for all appointed representatives

...

- 12.5.2A G If: ~~[deleted]~~ [Editor's note: This provision now appears at SUP 12.5.12G.]

- (1) ~~a MiFID investment firm or a third country investment firm appoints an appointed representative that is a tied agent or a MiFID optional exemption appointed representative, regulation 3(6) of the Appointed Representatives Regulations requires the contract between the firm and the appointed representative to contain a provision that the representative is only permitted to provide the services and carry on the activities referred to in section 39(7) of the Act while entered on the Register.~~
- (2) ~~a firm appoints an appointed representative that is a structured deposit appointed representative, regulation 3(6) of the Appointed Representatives Regulations requires the contract between the firm and the appointed representative to contain a provision that the representative is only permitted to sell, or advise clients on, structured deposits while entered on the Register.~~

12.5.3 G (Subject to ~~SUP 12.5.3AG~~ 12.5.13G) a firm should satisfy itself that the terms of the contract with its *appointed representative* (including an *introducer appointed representative*):

...

- (2) require the *appointed representative* to cooperate with the FCA as described in SUP 2.3.4G (Information gathering by the FCA on its own initiative: cooperation by firms) and give access to its premises, as described in SUP 2.3.5R(2); ~~and~~
- (3) require the *appointed representative* to give the firm's auditors the same rights as are provided by section 341 of the Act; ~~and~~
- (4) require the *appointed representative* to provide the firm with such information as is necessary to enable the firm to comply with its obligations under this chapter (SUP 12), including, without limitation:
 - (a) as to any matters which might require the firm to undertake a review under SUP 12.6A.3R;
 - (b) to enable the firm to comply with its reporting and notification obligations in SUP 12.7.

12.5.3A G ~~To the extent that the appointment of the *appointed representative* includes CBTL business, a firm should satisfy itself that the terms of the contract with its *appointed representative*: [deleted] [Editor's note: This provision now appears at SUP 12.5.13G.]~~

- (1) ~~are designed to enable the firm to comply properly with any direction issued or imposed under article 19 of the MCD Order; and~~
- (2) ~~require the *appointed representative* to deal with the FCA in an open and co-operative manner and give access to its premises, as set out in SUP 2.3.4G and SUP 2.3.5R(2), as applied by SUP 2.1.2AG.~~

- 12.5.4 G A *firm* should have the ability to terminate the contract with its *appointed representative* in the circumstances in SUP 12.6.1R(2). However, such a termination provision should not be automatic (see SUP 12.8.3R(1)). SUP 12.5.5R(4) also requires that the *firm* be able to terminate the contract in the event that the *firm* determines that it is no longer able to effectively oversee the activities of the *appointed representative*.
- 12.5.5 R A *firm* must ensure that its written contract with each of its *appointed representatives*:
- ...
- (2A) (where the scope of appointment of the *appointed representative* includes *CBTL business*) requires the *appointed representative* to comply, and to ensure that any *persons* who provide services to the *appointed representative* under a contract for service comply, with the requirements of and arising under Part 3 of the *MCD Order*; ~~and~~
- (3) (unless the written contract prohibits appointments by other *principals*) requires the *appointed representative* to notify the *firm*:
- ...
- (c) (as soon as possible) of the termination of any such appointment; and
- (4) enables the *firm* to terminate the contract in the event that the *firm* determines, pursuant to its continuing obligation in SUP 12.4.2R, SUP 12.4.6R or SUP 12.4.8AR that it is no longer able to adequately oversee the activities of the *appointed representative*.
- ...

[*Editor's note*: The provisions at SUP 12.5.12G and SUP 12.5.13G are not new text; they are moved from SUP 12.5.2AG and SUP 12.5.3AG respectively.]

Required contract terms for tied agents, MiFID optional exemption appointed representatives and structured deposit appointed representatives

- 12.5.12 G If:
- (1) a MiFID investment firm or a third country investment firm appoints an appointed representative that is a tied agent or a MiFID optional exemption appointed representative, regulation 3(6) of the Appointed Representatives Regulations requires the contract between the firm and the appointed representative to contain a provision that the representative is only permitted to provide the services and carry on the activities referred to in section 39(7) of the Act while entered on the Register;

- (2) a firm appoints an appointed representative that is a structured deposit appointed representative, regulation 3(6) of the Appointed Representatives Regulations requires the contract between the firm and the appointed representative to contain a provision that the representative is only permitted to sell, or advise clients on, structured deposits while entered on the Register.

Required contract terms for appointed representatives engaging in CBTL business

- 12.5.13 G To the extent that the appointment of the appointed representative includes CBTL business, a firm should satisfy itself that the terms of the contract with its appointed representative:
- (1) are designed to enable the firm to comply properly with any direction issued or imposed under article 19 of the MCD Order; and
- (2) require the appointed representative to deal with the FCA in an open and co-operative manner and give access to its premises, as set out in SUP 2.3.4G and SUP 2.3.5R(2), as applied by SUP 2.1.2AG.

12.6 Continuing obligations of firms with appointed representatives or FCA registered tied agents

~~Suitability etc. of appointed representatives~~ Remediation and termination

12.6.1 R ...

- 12.6.1-A G Where SUP 12.6.1R applies, the circumstances in which it is likely to be appropriate to terminate the contract include, but are not limited to, where:
- (1) there are issues with the appointed representative which have not been resolved satisfactorily or within a reasonable period of time. This may include where the appointed representative has agreed to resolve known issues but it has not met the firm's standards or expectations for remediation or where the firm considers the proposed remediation would risk it breaching applicable rules;
- (2) the appointed representative is unable to satisfactorily explain unusually high rates of senior management turnover;
- (3) the principal becomes aware that the appointed representative is carrying on regulated activities in breach of the general prohibition or (if the appointed representative is a firm with a limited permission) in breach of section 20(1) or (1A) of the Act;
- (4) the appointed representative is found to have intentionally misled clients or potential clients in any way; or
- (5) any of the appointed representative's senior management with responsibility for, or involvement in, activities carried on within the scope of the appointed representative's appointment are dismissed on

the basis of gross misconduct.

- 12.6.1-B G SUP 12 Annex 7G contains a flowchart to assist *firms* in determining whether a particular matter is more properly addressed through remediation or termination.

Monitoring: tied agents; appointed representatives carrying on MCD credit intermediation activity

- 12.6.1A R ...

...

Appointed representative's financial position

- 12.6.2 G ~~The FCA would normally expect a *firm* to carry out a check on its *appointed representative's* financial position every year (more often, if necessary) and to review critically the information obtained. A *firm* is required to review the financial position of its *appointed representatives* (other than its *introducer appointed representatives*) at least annually (SUP 12.6A.2R). An appropriately experienced *person* (for example, a financial accountant) should carry out these checks in support of the *firm's* obligation in SUP 12.6A.2R.~~

...

- 12.6.5A G ...

Appointed representatives performing functions or tasks for principals

- 12.6.5B G (1) Where a *firm* delegates functions or tasks to an *appointed representative*, it should apply appropriate safeguards including, but not limited to:
- (a) ensuring that the delegation does not represent a conflict of interest; and
- (b) applying enhanced monitoring to the delegated task or function.
- (2) A *firm* should also refer, where applicable, to SYSC 3.2.3G.

Regulated activities and investment services outside the scope of appointment

...

- 12.6.6A G In determining what are reasonable steps for the purposes of SUP 12.6.6R, a *firm* should have regard to the *guidance* at SUP 12.4.4GG.

...

Insert the following new section SUP 12.6A after SUP 12.6 (Continuing obligations of firms with appointed representatives or FCA registered tied agents). The text is not underlined.

12.6A Assessment of compliance

Purpose

- 12.6A.1 G (1) *SUP 12.4.2R* imposes continuing obligations on a *firm* that has appointed an *appointed representative*. This includes to ensure on reasonable grounds that the *person* is suitable to act in the capacity of an *appointed representative* and that the *firm* has adequate controls and resources to oversee the *person's* activities. *SUP 12.4.6R* imposes similar obligations in relation to *introducer appointed representatives*.
- (2) *SUP 12.6.1R* requires a *firm* to act where it has reasonable grounds to believe that the conditions referred to in (1) are not, or are not likely to be, satisfied in relation to any *appointed representative*.
- (3) Without prejudice to these continuing requirements, the *rules* in this section require:
- (a) a *firm* to undertake a specific review (referred to in this section as the 'annual review') of certain aspects of its arrangements with *appointed representatives* (other than *introducer appointed representatives*) on at least an annual basis; and
- (b) the *governing body* of a *firm* to:
- (i) review and approve at least once every 12 *months* a written record of the *firm's* assessment of how it is meeting the requirements in this chapter (referred to in this section as the 'self-assessment *document*'); and
- (ii) agree the *firm's* response to any material issues identified.
- (4) The assessment in (3)(b) applies in relation to *introducer appointed representatives* to the extent that the *rules* in this chapter apply to arrangements with *introducer appointed representatives*.

Annual review

- 12.6A.2 R At least once every 12 *months*, a *firm* must specifically review in respect of each of the *firm's appointed representatives* (other than its *introducer appointed representatives*):
- (1) whether the *appointed representative* is solvent and otherwise suitable for the purposes of *SUP 12.4.2R*(2)(a) and (b);
- (2) the fitness and propriety of the *controllers, directors, partners, proprietors and managers* of the *appointed representative* and, in particular, their ability to carry out the *regulated activities* for which

the *firm* has accepted responsibility; and

- (3) the adequacy of the *firm's* controls over, and resources for monitoring and enforcing compliance of, the *appointed representative* for the purposes of SUP 12.4.2R(3)(a) and (b).

12.6A.3 R In addition to the annual review required by SUP 12.6A.2R, a *firm* must carry out a review of the matters in SUP 12.6A.2R in relation to an *appointed representative* where:

- (1) the *appointed representative* changes its business model (including its target market);
- (2) the scope of the *appointed representative's* appointment is expanded to include one or more additional *regulated activities*;
- (3) the *appointed representative* changes any of its senior management in a particular role with responsibility for, or being involved with, the activities being carried on within the scope of its appointment more than once in a 12-month period;
- (4) the *appointed representative* is appointed by an additional *principal*; or
- (5) the *firm* identifies a significant increase in the number of *complaints* it receives about the *appointed representative*.

12.6A.4 R (1) A *firm* must maintain a written record of each review undertaken for the purposes of SUP 12.6A.2R or SUP 12.6A.3R.

- (2) The written record required by (1) must be retained for at least 6 years.

12.6A.5 G (1) In carrying out, and documenting, each review required by SUP 12.6A.2R or SUP 12.6A.3R, a *firm*:

- (a) should have regard to the *guidance* on assessing the matters covered by the review in SUP 12.4;
- (b) may focus on any changes from the previous such review undertaken in relation to the relevant *appointed representative* and cross-refer, where appropriate, to previous reviews.
- (2) A *firm* may determine the most appropriate way in which to undertake and document each review required by SUP 12.6A.2R or SUP 12.6A.3R. Each review should be undertaken by one or more individuals at the *firm* with an appropriate level of knowledge and experience.
- (3) A *firm* should ensure that any significant issues which arise as a result of a review undertaken for the purposes of SUP 12.6A.2R or SUP 12.6A.3R are escalated for consideration by its *governing body*,

where appropriate, in particular in so far as those issues give rise to risks of harm to *consumers* or market integrity (see also *SUP* 12.6A.7G(1)(c)).

Self-assessment

- 12.6A.6 R (1) At least once every 12 *months*, the *governing body* of a *firm* must:
- (a) review and approve a written record (its ‘self-assessment *document*’):
 - (i) of the way in which the *firm* complies with the requirements in this chapter (*SUP* 12); and
 - (ii) that identifies any material deficiencies in, or concerns in relation to, such compliance; and
 - (b) agree the steps to be taken to address the matters in (1)(a)(ii).
- (2) The self-assessment *document* must include any concerns arising from the most recent reviews undertaken in relation to each of the *firm’s appointed representatives* for the purposes of *SUP* 12.6A.2R or *SUP* 12.6A.3R.
- 12.6A.7 G (1) The self-assessment *document* should include, as appropriate, the *firm’s* current assessment of:
- (a) the effectiveness of the *firm’s* arrangements for overseeing its *appointed representatives*;
 - (b) the adequacy of the *firm’s* controls and resources for the purposes of *SUP* 12.4.2R(3);
 - (c) the *firm’s* assessment of the risk of harm to *consumers* or market integrity arising from its *appointed representatives’* activities or business (*SUP* 12.4.2R(5));
 - (d) the outcome of any re-assessment of the continuing adequacy of the *firm’s* controls and resources for the purposes of *SUP* 12.4.4FG; and
 - (e) the methodologies used to assess and verify the *firm’s* compliance with the requirements.
- (2) In respect of any *introducer appointed representatives*, the self-assessment *document* should include, as appropriate, those matters in (1) which are relevant to *introducer appointed representatives* (including those matters specified in *SUP* 12.6A.7G(1)(a),(c) and (d)).
- 12.6A.8 R A *firm* must retain a copy of each self-assessment *document* approved by the *governing body* of the *firm* for at least 6 years from the date of approval.

- 12.6A.9 G (1) While the self-assessment *document* must be approved by the *governing body* each year (SUP 12.6A.6R), it is not expected that the *firm* creates a new *document* each year.
- (2) A *firm* that has appointed more than one *appointed representative* need only maintain a single self-assessment *document* covering all of its *appointed representative* relationships.
- 12.6A.10 G While the self-assessment *document* need only be approved by the *governing body* once a year, *firms* are reminded that the senior management of a *firm* is responsible for the control and monitoring of the *firm's appointed representatives* (SUP 12.6.7G). Notwithstanding the requirements of this section, a *firm* should ensure that any issues relating to its *appointed representatives* are escalated for consideration by its *governing body* where appropriate, in addition to the annual approval of the self-assessment *document*, in particular in so far as those issues give rise to risks of harm to *consumers* or market integrity.

Amend the following text as shown.

12.7 Notification and reporting requirements

Notification of appointment of an appointed representative

- 12.7.1 R (1) This *rule* applies to a *firm* which intends to appoint an *appointed representative* or *FCA registered tied agent*.
- (a) ~~an *appointed representative* to carry on insurance distribution activities; or~~
- (b) ~~a *tied agent*; or~~
- (c) ~~an *appointed representative* to carry on *MCD credit intermediation activity*; or~~
- (d) ~~a *MiFID optional exemption appointed representative*; or~~
- (e) ~~a *structured deposit appointed representative*.~~
- (2) ~~This *rule* also applies to a *firm* which has appointed an *appointed representative*.~~ [deleted]
- (3) A *firm* ~~in (1)~~ to which this *rule* applies must complete and submit the form in SUP 12 Annex 3 ~~before the appointment to be received by the FCA no later than 30 days before the commencement of regulated activities by the proposed *appointed representative*.~~
- (4) A *firm* ~~in (2)~~ must complete and submit the form in SUP 12 Annex 3 ~~within ten business days after the commencement of activities.~~ [deleted]

12.7.1A R (1) A *firm* other than:

- (a) a *credit union*; or
- (b) a *firm* which intends to appoint, ~~or has appointed~~, an *appointed representative* to carry on only *credit-related regulated activity*;

must submit the form in SUP 12 Annex 3 via online submission at the FCA's website at <http://www.fca.org.uk> or any of the methods set out in SUP 15.7.4R to SUP 15.7.5AR (Method of notification).

- (2) A *credit union* or a *firm* which intends to appoint, ~~or has appointed~~, an *appointed representative* to carry on only *credit-related regulated activity* must submit the form in SUP 12 Annex 3R in the way set out in SUP 15.7.4R to SUP 15.7.9G (Form and method of notification).

...

12.7.2 G A *firm's* notice under SUP 12.7.1R should give details of the proposed appointed representative ~~and the regulated activities which the firm is, or intends to, carry on through the appointed representative~~, including:

...

- (2A) if the appointed representative is a company, its company registration number;
- (3) a description of the nature of the regulated activities which the *appointed representative* will be permitted or required to carry on and for which the *firm* ~~has accepted~~ intends to accept responsibility;
- (4) any restrictions imposed on the *regulated activities* for which the *firm* ~~has accepted~~ intends to accept responsibility; ~~and~~
- (5) where the *appointed representative* is not an individual, the name of the individuals who are responsible for the management of the business carried on by the *appointed representative* so far as it relates to *insurance distribution activity*;
- (6) where the appointed representative will carry on insurance distribution activities, the name of the individual to be named as the primary point of contact at the appointed representative on the Financial Services Register;
- (7) information on the nature of any non-regulated activities of the appointed representative;
- (8) any group of which the appointed representative is a part;
- (9) the principal reason for the appointment;

- (10) information about the financial relationship between the *firm* and the *appointed representative*;
- (11) an estimate of the expected level of revenue of the *appointed representative* during the first year of its appointment by reference to its *regulated activities* and *non-regulated activities*;
- (12) whether the *appointed representative* will provide services to *retail clients*;
- (13) whether it was previously the *appointed representative* of a different *principal*; and
- (14) information on any arrangements for seconding or contracting individuals from the *appointed representative* to the *principal* for the purposes of conducting portfolio management or *dealing* activities.

12.7.2A G A *firm*'s notice under SUP 12.7.1R relating to a proposed *introducer appointed representative* need not include those details specified in SUP 12.7.2G(7), (8), (9), (12), (13) and (14).

12.7.2B G A *firm* should only submit a notification pursuant to SUP 12.7.1R having first established those matters in SUP 12.4.2R or SUP 12.4.6R, as applicable.

...

Notification of appointed representatives undertaking regulated funeral plan activity

- 12.7.6A R (1) A *firm* must notify the FCA in good time before:
- (a) ~~it appoints an *appointed representative* to carry on regulated funeral plan activity for the first time; or [deleted]~~
 - (b) ...

...

...

Notification of changes in information given to the FCA

12.7.7 R (1) If: ~~[deleted]~~ [Editor's note: This provision now appears at SUP 12.7.7AR.]

- (a) (i) ~~the scope of appointment of an appointed representative is extended to cover *insurance distribution activities* for the first time; and~~
- (ii) ~~the appointed representative is not included on the Financial Services Register as carrying on *insurance distribution activities* in another capacity; or~~

- (b) the scope of appointment of an appointed representative ceases to include *insurance distribution activity*;

the appointed representative's principal must give written notice to the *FCA* of that change before the appointed representative begins to carry on *insurance distribution activities* under the contract (see *SUP 12.4*) or as soon as the scope of appointment of the appointed representative ceases to include *insurance distribution activities*.

- (1A) If: ~~[deleted]~~ [Editor's note: This provision now appears at *SUP 12.7.7BR.*]

- (a)
 - (i) the scope of appointment changes such that the *appointed representative acts as a tied agent, MiFID optional exemption appointed representative or structured deposit appointed representative* for the first time; and
 - (ii) the *appointed representative* is not included on the *Financial Services Register*; or
- (b) the *appointed representative* ceases to act as a *tied agent, MiFID optional exemption appointed representative or structured deposit appointed representative*;

the *appointed representative's principal* must give written notice to the *FCA* of that change before the *appointed representative* begins to act as a *tied agent, MiFID optional exemption appointed representative or structured deposit appointed representative* (see *SUP 12.4*) or as soon as the *appointed representative* ceases to act as a *tied agent, MiFID optional exemption appointed representative or structured deposit appointed representative*.

- (1B) If: ~~[deleted]~~ [Editor's note: This provision now appears at *SUP 12.7.7CR.*]

- (a)
 - (i) the scope of appointment of an *appointed representative* is extended to cover *MCD credit intermediation activity* for the first time; and
 - (ii) the *appointed representative* is not included on the *Financial Services Register*; or
- (b) the scope of appointment of an *appointed representative* ceases to include *MCD credit intermediation activity*;

the *appointed representative's principal* must give written notice to the *FCA* of that change before the *appointed representative* begins to carry on *MCD credit intermediation activity* under the contract (see *SUP 12.4*), or as soon as the scope of appointment of the *appointed representative* ceases to include *MCD credit intermediation activity*.

~~[Note: article 31(4) of the MCD]~~

- (2) ~~Where~~ Except where (4) applies, where there is a change in any of the information provided to the FCA under SUP 12.7.1R ~~or SUP 12.7.7R(1A)~~, a firm must complete and submit to the FCA the form in SUP 12 Annex 4R (Appointed representative or tied agent – change details) within ten *business days* of that change being made or, if later, as soon as the firm becomes aware of the change. The Appointed representative or tied agent – change details form must state that the information has changed.

...

- (4) A firm must complete and submit to the FCA the form in SUP 12 Annex 4R (Appointed representative or tied agent – change details) at least 10 days before a change taking effect to the category of regulated activities which the appointed representative is permitted or required to carry on and for which the firm accepts responsibility.

...

[Editor's note: The provisions at SUP 12.7.7AR, SUP 12.7.7BR and SUP 12.7.7CR are not new text; they are moved from SUP 12.7.7R(1), (1A) and (1B) respectively.]

Notification of changes relating to insurance distribution activities

12.7.7A R If:

- (1) (a) the scope of appointment of an appointed representative is extended to cover insurance distribution activities for the first time; and
- (b) the appointed representative is not included on the Financial Services Register as carrying on insurance distribution activities in another capacity; or

- (2) the scope of appointment of an appointed representative ceases to include insurance distribution activity;

the appointed representative's principal must give written notice to the FCA of that change before the appointed representative begins to carry on insurance distribution activities under the contract (see SUP 12.4) or as soon as the scope of appointment of the appointed representative ceases to include insurance distribution activities.

Notification of changes relating to tied agents, MiFID optional exemption appointed representatives and structured deposit appointed representatives

12.7.7B R If:

- (1) (a) the scope of appointment changes such that the appointed

representative acts as a tied agent, MiFID optional exemption appointed representative or structured deposit appointed representative for the first time; and

(b) the appointed representative is not included on the Financial Services Register; or

(2) the appointed representative ceases to act as a tied agent, MiFID optional exemption appointed representative or structured deposit appointed representative;

the appointed representative's principal must give written notice to the FCA of that change before the appointed representative begins to act as a tied agent, MiFID optional exemption appointed representative or structured deposit appointed representative (see SUP 12.4) or as soon as the appointed representative ceases to act as a tied agent, MiFID optional exemption appointed representative or structured deposit appointed representative.

Notification of changes relating to MCD credit intermediation activity

12.7.7C R If:

(1) (a) the scope of appointment of an appointed representative is extended to cover MCD credit intermediation activity for the first time; and

(b) the appointed representative is not included on the Financial Services Register; or

(2) the scope of appointment of an appointed representative ceases to include MCD credit intermediation activity;

the appointed representative's principal must give written notice to the FCA of that change before the appointed representative begins to carry on MCD credit intermediation activity under the contract (see SUP 12.4), or as soon as the scope of appointment of the appointed representative ceases to include MCD credit intermediation activity.

[Note: article 31(4) of the MCD]

...

Notification of intention to act as a regulatory host

12.7.9A R (1) A firm must notify the FCA if it intends to begin acting as a regulatory host.

(2) The notification in (1) must be received by the FCA at least 60 days before the firm begins offering services as a regulatory host.

12.7.9B G (1) Any notification required by SUP 12.7.9AR is in addition to any notification required by any other rule in SUP 12 (including the requirement to notify the FCA of an intention to appoint individual

appointed representatives in SUP 12.7.1R).

- (2) A firm making a notification in accordance with SUP 12.7.9AR should consider the rules and guidance in SUP 15.7 on the form and method of notification.
- (3) When providing the notification required by SUP 12.7.9AR, a firm may include information about the service that it intends to offer.

Other notifications

- 12.7.9C G (1) A firm should also be aware that certain matters relating to firms' appointed representatives may require notification to be made to the FCA under the notification rules in SUP 15 and Principle 11.
- (2) In particular, SUP 15.3.8G(2) sets out the FCA's expectation that a firm will notify the FCA in accordance with Principle 11 in the event of a significant failure of the firm's systems and controls for overseeing its appointed representatives.

Complaints and revenue data reporting

- 12.7.9D R (1) This rule applies to a firm that has appointed one or more appointed representatives.
- (2) A firm must, once a year, submit the form in SUP 12 Annex 6R (On-going reporting by principal firms on their appointed representatives) to the FCA including information on:
- (a) numbers of complaints relating to each of the firm's appointed representatives; and
 - (b) revenue and remuneration attributed to each of the firm's appointed representatives.
- (3) The form in (2) must be submitted to the FCA within 60 business days of the firm's accounting reference date using the appropriate online systems accessible from the FCA's website.
- (4) A firm must submit the form in (2) in respect of each 12-month period to its accounting reference date in respect of which it has been a principal to one or more appointed representatives (whether or not it was a principal for the complete 12-month period).
- (5) In relation to an appointed representative with more than one principal, a firm need not report information about the appointed representative's revenue from non-regulated activities if it is not the 'lead-principal' (see SUP 12.4.5DG).
- 12.7.9E G In complying with SUP 12.7.9DR in relation to an appointed representative with more than one principal, a firm should only report information about the appointed representative's revenue from that regulated activity for which the

firm has accepted responsibility

Submission in the event of failure of FCA information technology systems

- 12.7.10 G If the *FCA*'s information technology systems fail and online submission is unavailable for 24 hours or more, the *FCA* will endeavour to publish a notice on its website confirming that online submission is unavailable and that *firms*, other than *credit unions*, should use the alternative methods of submission set out in *SUP* 12.7.1AR(3) and *SUP* 12.7.8AR(3) (as appropriate), and *SUP* 15.7.4R to *SUP* 15.7.9G, ~~addressing~~ clearly marking applications for the attention of the Approved Persons, Passporting and Mutuals Team as relating to appointed representatives.

...

12.8 Termination of a relationship with an appointed representative or FCA registered tied agent

Notification of termination or prohibited amendment of the contract

...

- 12.8.2 G In assessing whether to terminate a relationship with an *appointed representative*, a *firm* should have regard to the guidance in *SUP* 12.6.1-AG and be aware that the *notification rules* in *SUP* 15 require notification to be made immediately to the *FCA* if certain events occur. Examples include a matter having a serious regulatory impact or involving an offence or a breach of any requirement imposed by the *Act* or by regulations or orders made under the *Act* by the Treasury.

Steps to be taken on termination or prohibited amendment of the contract

- 12.8.3 R If a contract with an *appointed representative* is terminated, or if it is amended in a way which gives rise to a requirement to notify under *SUP* 12.8.1R, a *firm* must take all reasonable steps to ensure that:

...

- (3) where appropriate, *clients* are informed of any relevant changes; ~~and~~
- (4) all the other *principals* of the *appointed representative* of which the *firm* is aware are notified; and
- (5) if the termination results in the wind down of relevant business, this is, or will be, undertaken in an orderly way.

...

12.9 Record keeping

...

12.9.2A G SUP 12.6A also contains *rules* on maintaining records of a *firm's* self-assessment *documents* and of reviews undertaken by a *firm's governing body* of *appointed representative* arrangements.

...

12 Annex 3R	Appointed representative appointment form
	This annex consists of only one form. Forms can be completed online now by visiting: www.fca.org.uk/firms/authorisation
	The form can also to be found through the following address: -
	Add an appointed representative or tied agent form 10 - <i>SUP</i> 12 Annex 3



Add an appointed representative or tied agent form

Notification under *SUP* 12.7.1R (i.e. the form in *SUP* 12 Ann 3R)

Firm name (i.e. the principal firm) [†]

("The firm")

Firm reference number[§]*

Address[§]*

Please return the form to:
Financial Conduct Authority
12 Endeavour Square
London, E20 1JN
United Kingdom
Telephone +44 (0)

[†] These questions should be completed whether submission of this form is online or in one of the other ways set out in *SUP* 15.7

^{*} These questions should only be completed if the form is being submitted in one of the ways set out in *SUP* 15.7 other than online submission. It should not be completed if the submission of this form is online

[§] Denotes a mandatory field

[‡] These questions are not applicable to introducer appointed representatives

300 500 0597

Facsimile +44 (0) 207 066 0017

E-mail iva@fca.org.uk

Website http://www.fca.org.uk

Registered as a Limited Company in England and Wales No 1920623. Registered Office as above.

NOTES

This form should be used to notify the FCA of a new appointed representative or tied agent. It is the form required by SUP 12.7.1R which is set out in SUP 12 Ann 3R.

For the purposes of this form, references to 'appointed representative' include 'tied agent' unless the context otherwise requires.

Personal Details**Section A**

- 1** Contact name for this form (this is not necessarily the same person making the declaration at the end of the form) [†]

§

- 2** Contact's details:

- a** position in the *firm* [†]

§

- b** daytime telephone number [†]

§

- c** e-mail address [†]

- d** individual reference number (IRN), if applicable ^{*}

- e** business address [†]

- f** post code [†]

- g** mobile phone [†]

- h** ~~fax number~~ [†]

[†] These questions should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

^{*} These questions should only be completed if the form is being submitted in one of the ways set out in SUP 15.7 other than online submission. It should not be completed if the submission of this form is online

[§] Denotes a mandatory field

New Appointed Representative Details

Section B

1	Name of the appointed representative [†] §	§
	Appointed Representative FRN (if known) *	
	<u>Company registration number (Companies House number if incorporated in the United Kingdom)[†]</u>	
2	Address of the appointed representative [†] §	§
		Postcode:
3	Trading name(s) of the appointed representative, if different to the name given in question 1 above [†]	
4	Telephone number of the appointed representative [†]	
5	Fax number of the appointed representative[†]	
6 <u>5</u>	Email address of the appointed representative [†] §	§
7 <u>6</u>	Website address of the appointed representative [†]	
8 <u>7</u>	Legal status of the appointed representative [†] §	
	Private limited company <input type="checkbox"/>	Public limited company <input type="checkbox"/>
	Partnership <input type="checkbox"/>	Limited partnership <input type="checkbox"/>
	Limited liability partnership <input type="checkbox"/>	Unincorporated association <input type="checkbox"/>
	Sole trader <input type="checkbox"/>	Other, please specify below <input type="checkbox"/>

[†] These questions should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

* These questions should only be completed if the form is being submitted in one of the ways set out in SUP 15.7 other than online submission. It should not be completed if the submission of this form is online

§ Denotes a mandatory field

‡ These questions are not applicable to introducer appointed representatives

98 Date of appointment (if an appointed representative carrying on insurance distribution activities or a tied agent) or Intended date of commencement of the appointed representative's activities (if any other kind of appointed representative) [†] §

109 Is Will the appointed representative be an introducer appointed representative? §[†]

10 Is the application in respect of a tied agent? [†]§

11 If the appointed representative will carry on insurance distribution activities, name of main contact for Financial Services Register: [†]

Title [†] §

Forename(s) [†] §

Surname [†] §

Yes No

12 Was the appointed representative to which this form refers previously an appointed representative of a different principal? [†] § [‡]

12A If "yes", for what reason was the arrangement with the previous principal terminated? [†] [‡]

End of contract ☐ Terminated by principal ☐

Retirement ☐ Terminated by the appointed representative ☐

Suspension ☐ Failure of the appointed representative ☐

Other ☐

12B If "yes", please provide any additional information considered relevant. [†] [‡]

Yes No

13 Is the appointed representative part of a group? ¹ [†] § [‡]

13A If the appointed representative is part of a group, what is the name(s) and FRN(s) of the parent undertaking(s)?² [†] [‡]

14 What is the primary market covered by the appointed representative agreement in which the appointed representative will undertake regulated activity?³ [†] §

¹ "Group" has the meaning given in section 421 of the Financial Services and Markets Act 2000 and contained in the Glossary of the FCA Handbook: <https://www.handbook.fca.org.uk/handbook/glossary/G486.html>

² "Parent undertaking" has the meaning given in section 420 of the Financial Services and Markets Act 2000 and contained in the Glossary of the FCA Handbook: <https://www.handbook.fca.org.uk/handbook/glossary/G832.html>

<u>Credit-related regulated activity; Select all that apply below:</u>	<input type="checkbox"/>	<input type="checkbox"/>
<u>Credit broking</u>	<input type="checkbox"/>	<u>Operating an electronic system in relation to lending</u>
<u>Other credit-related regulated activity</u>	<input type="checkbox"/>	
<u>Insurance distribution activity</u>	<input type="checkbox"/>	<u>Funeral plan distribution</u>
<u>Structured deposit regulated activity</u>	<input type="checkbox"/>	<u>Bidding in emissions auctions</u>
		<u>Home finance mediation activity; Select all that apply below:</u>
<u>Consumer buy-to-let mortgage business</u>	<input type="checkbox"/>	(i) <u>mortgage mediation activity;</u>
		(ii) <u>reversion mediation activity;</u>
		(iii) <u>home purchase mediation activity</u>
<u>Designated investment business; Select all that apply below:</u>	<input type="checkbox"/>	
(i) <u>in connection with managing investments;</u>	<input type="checkbox"/>	
(ii) <u>involves advising on pension transfers and pension opt-outs;</u>	<input type="checkbox"/>	
(iii) <u>other designated investment business</u>	<input type="checkbox"/>	

15 If the appointed representative will be permitted to undertake regulated activities under the appointed representative agreement in additional markets, what markets will the appointed representative undertake regulated activities in? Select all options that apply: [†] §

<u>Credit-related regulated activity; Select all that apply below:</u>	<input type="checkbox"/>	<input type="checkbox"/>
<u>Credit broking</u>	<input type="checkbox"/>	<u>Operating an electronic system in relation to lending</u>
<u>Other credit-related regulated activity</u>	<input type="checkbox"/>	
<u>Insurance distribution activity</u>	<input type="checkbox"/>	<u>Funeral plan distribution</u>
<u>Structured deposit regulated activity</u>	<input type="checkbox"/>	<u>Bidding in emissions auctions</u>
	<input type="checkbox"/>	<u>Home finance mediation activity; Select all that apply below:</u>
<u>Consumer buy-to-let mortgage business</u>		(i) <u>mortgage mediation activity;</u>
		(ii) <u>reversion mediation activity;</u>
		(iii) <u>home purchase mediation activity</u>
<u>Designated investment business; Select all that apply below:</u>	<input type="checkbox"/>	
(i) <u>in connection with managing investments;</u>	<input type="checkbox"/>	
(ii) <u>involves advising on pension transfers and pension opt-outs;</u>	<input type="checkbox"/>	
(iii) <u>other designated investment business</u>	<input type="checkbox"/>	

11 Will the appointed representative undertake designated investment business? [†] §

☐ ☐

³ The primary market refers to the category of regulated activity from which the largest percentage of the appointed representative's gross income is expected to be derived.

- 12** Will the appointed representative undertake home finance activities? [†] § ☐ ☐
- 12A** Will the appointed representative undertake consumer buy to let mortgage business? [†] ☐ ☐

13 Is the application in respect of: [†] §

(1) ~~an appointed representative who will carry on insurance distribution activities?~~ ☐ ☐

If question 13(1) is answered “yes”, you must complete the 3 fields immediately below:

Name of main contact for Financial Services register:

Title [†]

Forename(s) [†]

Surname [†]

Or

(2) ~~a tied agent?~~ ☐ ☐

- 14** Will the appointed representative undertake credit related regulated activities? [†] § ☐ ☐
- 15** Will the appointed representative undertake structured deposit related regulated activities? [†] § ☐ ☐
- 15A** Will the appointed representative undertake funeral plan distribution? [†] § ☐ ☐
- Yes No

16 Will the appointed representative provide services to retail clients, as applicable? [†] § [‡] ☐ ☐

Yes No

17 Will any individuals from the appointed representative be seconded or contracted to the principal firm to carry on portfolio management / dealing activities? [†] § [‡] ☐ ☐

18 If 'Yes' please explain the rationale for entering into such an arrangement. [†] § [‡]

19 What is the primary reason for the principal's intention to appoint the appointed representative? [†] § [‡]

Distribution of products/services ☐

Acquisition of an appointed representative / restructuring of business ☐

Investment adviser to fund managed by principal/connected firm ☐

Introductions/capital raising for principal's business ☐

Hosting/compliance services/incubation ☐

Other ☐

If other, provide details

Yes

No

20 Will the appointed representative conduct any non-regulated activities?⁴ † § ¶ ☐ ☐

If question 20 is answered “yes”, you must consider the two fields immediately below: Yes No

20A Will the non-regulated activity include non-regulated financial services activities?⁵ † § ¶ ☐ ☐

20B If yes, what is the non-regulated financial services activity? † § ¶ Open text box

21 Approximately how much revenue does the appointed representative expect to generate from its regulated activities in the first year following the commencement of its appointment?⁶ † § ¶

☐ ≥£0 and <£100k
☐ ≥£100k and <£250k
☐ ≥£250k and <£1m
☐ ≥£1m and <£10m
☐ ≥£10m and <£50m
☐ ≥£50m and <£100m
☐ ≥£100m and <£500m
☐ ≥£500m

22 If question 20A is answered “yes”, approximately how much revenue does the appointed representative expect to generate from its non-regulated financial services activities in the first year following the commencement of its appointment? † § ¶

☐ ≥£0 and <£100k
☐ ≥£100k and <£250k
☐ ≥£250k and <£1m
☐ ≥£1m and <£10m
☐ ≥£10m and <£50m
☐ ≥£50m and <£100m
☐ ≥£100m and <£500m
☐ ≥£500m

⁴ In this form, ‘non-regulated activity’ means activity that is not a *regulated activity*.

⁵ In this form, ‘non-regulated financial services activities’ refers to any activity of a financial nature but that does not involve the *person carrying on regulated activity*. This includes, but is not limited to, activities relating to investment services; insurance; pensions; banking; lending (including consumer credit, mortgages, factoring, financing of commercial transactions); financial leasing; money transmission; payments; guarantees and commitments; foreign exchange; the issuance of securities and other service of a corporate finance nature; custodial, depository and trust services; and financial information and data services.

⁶ Where the data is available, for example if the appointed representative already conducts these activities (for example, for non-regulated business, or if regulated business was conducted under a different principal) the principal should provide the estimation based on actual figures.

23 If question 20 is answered “yes”, approximately how much revenue does the appointed representative expect to generate from its non-regulated non-financial services activities in the first year following the commencement of its appointment?[†] § ¶

- ☐ >£0 and <£100k
- ☐ >£100k and <£250k
- ☐ >£250k and <£1m
- ☐ >£1m and <£10m
- ☐ >£10m and <£50m
- ☐ >£50m and <£100m
- ☐ >£100m and <£500m
- ☐ >£500m

24 Will the appointed representative pay the principal firm for services received?[†] §

Yes No

☐ ☐

24A If “yes”, indicate for which services the appointed representative will pay the principal firm:[†]

- | | | | |
|---------------------------------|--------------------------|---|--------------------------|
| <u>Commission</u> ⁷ | <input type="checkbox"/> | <u>Compliance services</u> ⁸ | <input type="checkbox"/> |
| <u>IT services</u> ⁹ | <input type="checkbox"/> | <u>Regulatory hosting services</u> | <input type="checkbox"/> |
| <u>Any other fees</u> | <input type="checkbox"/> | <u>If other, provide details</u> | |

24B Please provide any additional information about the financial relationship between the appointed representative and the principal considered relevant:¹⁰ †

⁷ Most commission is paid by the principal firm to appointed representatives. This question asks about payments the appointed representative makes to the principal firm. Select this option if the appointed representative will make commission payments to the principal.

⁸ Fees the appointed representative will pay the principal for providing them or assisting them with compliance.

⁹ Payments the appointed representative will make to the principal for use of IT systems, including licences.

¹⁰ Principals can use this text box to explain the nature of the financial relationship between themselves and the appointed representative. This could include, for example, explanations of payments made by the appointed representative to the principal, or by the principal to the appointed representative. It can also be used to explain the financial arrangement if no money is paid.

Declaration and signatures

Section C

Warning[†]

Knowingly or recklessly giving the FCA information, which is false or misleading in a material particular, may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000).

SUP 15.6.4R requires an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FCA and to notify the FCA immediately if materially inaccurate information has been provided.

Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the Appropriate Regulator.

It should not be assumed that information is known to the FCA merely because it is in the public domain or has previously been disclosed to the FCA or another regulatory body. If you are not sure whether a piece of information is relevant, please include it anyway.

Data Protection[†]

For the purposes of complying with the Data Protection Act, the personal information in this form will be used by the FCA to discharge its statutory functions under the Financial Services and Markets Act 2000 and other relevant legislation. It will not be disclosed for any other purposes without the permission of the applicant.

Review and submission[†]

The ability to submit this form is given to an appropriate user or users by the firm's principal compliance contact.

Some questions do not require supporting evidence. However, the records, which demonstrate the applicant firm's compliance with the rules in relation to the questions, must be available to the FCA on request.

Declaration[†]**By submitting this notification:**

- **I/we confirm that this information is accurate and complete to the best of my knowledge and belief and that I have taken all reasonable steps to ensure that this is the case.**
- **I/we confirm that I/we have complied with all of my/our regulatory obligations as a principal, including those contained in the Financial Services and Markets Act 2000 and SUP 12.**
- **I am/we are aware that it is a criminal offence knowingly or recklessly to give the FCA information that is false or misleading in a material particular.**
- **I/we will notify the FCA immediately if there is a significant change to the information given in the form. If I/we fail to do so, this may result in a delay in the application process or enforcement action.**

Signature *	
Name of signatory [†]	
Date [†]	
Position in firm [†]	

* These questions should only be completed if the form is being submitted in one of the ways set out in SUP 15.7 other than online submission. It should not be completed if the submission of this form is online.

Individual Registration Number (if applicable)	
--	--

☐ Tick here to confirm you have read and understood this declaration: ∞

**12 Annex
4R** **Appointed representative or tied agent – change details**

This annex consists of only one ~~or more~~ form. Forms can be completed online now by visiting: www.fca.org.uk/firms/authorisation

The form can also to be found through the following address:

Appointed representative or tied agent – change details - *SUP* 12 Annex 4



Appointed representative or tied agent - change details

Notification under *SUP* 12.7.7R (i.e. the form in *SUP* 12 Ann 4R)

Firm name (i.e. the *principal firm*)[†]

("The firm")

Firm reference number*

Address*

Financial Conduct Authority

12 Endeavour Square

London, E20 1JN

United Kingdom

Telephone +44 (0) 300 500 0597

Facsimile +44 (0) 207 066 0017

E-mail iva@fca.org.uk

Website <http://www.fca.org.uk>

Registered as a Limited Company in England and Wales No 1920623.

Registered Office as above

NOTES

This form should be used to change the details of an existing appointed representative or tied agent. It is the form required by *SUP* 12.7.7R which is set out in *SUP* 12 Ann 4R.

For the purposes of this form, references to 'appointed representative' include 'tied agent' unless the context otherwise requires.

N.B. if all the changes made on the form do not take effect from the same date, you should use more than one form for each set of changes that take effect on the same date.

Personal Details

Section A

- 1** Contact Name for this form (this is not necessarily the same person making the declaration at the end of the form)[†]

§

- 2** Contact's details:

- a** position in the *firm*[†]

§

- b** daytime telephone number[†]

§

- c** e-mail address[†]

- d** business address[†]

- e** post code[†]

- f** mobile phone number[†]

- g** ~~fax number~~[†]

Change Details of an Existing Appointed Representative**Section B**

What is the name of the appointed representative whose details are to be amended?†

§

What is this appointed representative's Firm Reference Number? (If not known, this can be found on the Financial Services Register on our website at www.fca.org.uk)†

§

Yes

1 a. Do you wish to suspend the appointed representative?†

☐

If 'Yes', please give the reasons for this:†

If you have any additional information to add to the reason above please attach it to this form†.

Yes

b. Do you wish to reinstate the appointed representative?† ☐



I have supplied further information related to this page in Section 3†

YES ☐

NO ☐

		Yes
2	Do you wish to change the name of the appointed representative? †	<input type="checkbox"/>
	If 'Yes', what is the new name of the appointed representative? †	§
		Yes
3a	Do you wish to change the legal status of the appointed representative? †	<input type="checkbox"/>
	If 'Yes', what is the new legal status of the appointed representative? †	
	Private limited company	<input type="checkbox"/>
	Partnership	<input type="checkbox"/>
	Limited liability partnership	<input type="checkbox"/>
	Sole trader	<input type="checkbox"/>
	Public limited company	<input type="checkbox"/>
	Limited partnership	<input type="checkbox"/>
	Unincorporated association	<input type="checkbox"/>
	Other, please specify below	<input type="checkbox"/>
		Yes No N/A
3b	Has the name change been approved by Companies House? †	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	N.B. If the appointed representative is a UK registered company or LLP, the name of the appointed representative can only be changed if the change has already been approved by Companies House.	
		Yes
4	Do you wish to change the address of the appointed representative? †	<input type="checkbox"/>
	If 'Yes', please enter the new address: †	§
		Postcode:

† These questions should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

‡ These questions are not applicable to introducer appointed representatives

Yes

- 5 Do you wish to change the trading name(s) of the appointed representative? †

☐

If 'Yes', please provide details below. If you wish to amend a trading name please enter the name to be deleted in the box on the left and add the new one in the box on the right.

Please detail the trading name(s) to be deleted
below: †

Please detail the trading name(s) to be added
below: †

--	--

Yes

- 6 Do you wish to change the telephone number of the appointed representative? †

☐

If 'Yes', please enter the new telephone number: † §

~~Yes~~

- ~~7 Do you wish to change the fax number of the appointed representative? †~~

☐

~~If 'Yes', please enter the new fax number: † §~~

Yes

- ~~8~~ 7 Do you wish to change the E-mail address of the appointed representative? †

☐

If 'Yes', please enter the new e-mail address: † §

Yes

- ~~9~~ 8 Do you wish to change the website address of the appointed representative? †

☐

If 'Yes', please enter the new website address: † §

Yes No

- ~~10~~ 9 Is the appointed representative currently an introducer appointed representative? †

☐
☐

Do you wish to change this? If 'Yes', please provide details below: †

☐

- ~~11~~ 10 Do you wish to change the details of the Main Contact for the Financial Services Register for this appointed representative? †

Yes No
☐ ☐

If 'Yes', please give the new details:

Title †

Forename(s) †

--

Surname†			
		Yes	No
12	Does the appointed representative undertake home finance activities?†	<input type="checkbox"/>	<input type="checkbox"/>
	Do you wish to change this? If 'Yes', please provide details below:†	<input type="checkbox"/>	<input type="checkbox"/>
		Yes	No
12A	Does the appointed representative undertake consumer buy to let mortgage business? †	<input type="checkbox"/>	<input type="checkbox"/>
	Do you wish to change this? If 'Yes', please provide details below: †	<input type="checkbox"/>	<input type="checkbox"/>
		Yes	No
13	Does the appointed representative undertake designated investment business activities? †	<input type="checkbox"/>	<input type="checkbox"/>
	Do you wish to change this? If 'Yes', please provide details below: †	<input type="checkbox"/>	<input type="checkbox"/>
		Yes	No
13A	Does the appointed representative undertake credit related regulated activities?	<input type="checkbox"/>	<input type="checkbox"/>
	Do you wish to change this? If 'Yes', please provide details below:†	<input type="checkbox"/>	<input type="checkbox"/>
		Yes	No
13B	Will the appointed representative undertake structured deposit related regulated activities? †§	<input type="checkbox"/>	<input type="checkbox"/>
	Do you wish to change this? If 'Yes', please provide details below:†	<input type="checkbox"/>	<input type="checkbox"/>
		Yes	No
13C	Does the appointed representative undertake funeral plan distribution? † §	<input type="checkbox"/>	<input type="checkbox"/>
	Do you wish to change this? If 'Yes', please provide details below:†	<input type="checkbox"/>	<input type="checkbox"/>
		Yes	No
14	Is the change in respect of an appointed representative who is carrying on or proposes to carry on insurance distribution activities or a tied agent? †	<input type="checkbox"/>	<input type="checkbox"/>
	If so please provide details below: †		
15	Please enter the date on which these changes take effect: †	§	

		<u>Yes</u>	<u>No</u>
11	<u>Is the appointed representative currently part of a group?</u> ^{1 † ‡}	<input type="checkbox"/>	<input type="checkbox"/>
11A	<u>Do you wish to change this? If 'Yes', please provide details below. If the appointed representative was not part of a group and will become part of a group following the change, provide the name(s) and FRN(s) of the parent undertaking(s)</u> ^{2: † ‡}		
		<u>Yes</u>	<u>No</u>
12	<u>Do you wish to change the primary market in which the appointed representative will undertake regulated activity?</u> ^{3 †}	<input type="checkbox"/>	<input type="checkbox"/>
12A	<u>If 'Yes', please enter the new primary market in which the appointed representative will undertake regulated activity:</u> [†]		
	<u>Credit related regulated activity; Select all that apply below:</u>	<input type="checkbox"/>	<input type="checkbox"/>
	<u>Credit broking</u>	<input type="checkbox"/>	<input type="checkbox"/>
	<u>Other credit-related regulated activity</u>	<input type="checkbox"/>	<input type="checkbox"/>
	<u>Insurance distribution activity</u>	<input type="checkbox"/>	<input type="checkbox"/>
	<u>Structured deposit regulated activity</u>	<input type="checkbox"/>	<input type="checkbox"/>
	<u>Operating an electronic system in relation to lending</u>	<input type="checkbox"/>	<input type="checkbox"/>
	<u>Funeral plan distribution</u>	<input type="checkbox"/>	<input type="checkbox"/>
	<u>Bidding in emissions auctions</u>	<input type="checkbox"/>	<input type="checkbox"/>
	<u>Home finance mediation activity; Select all that apply below:</u>	<input type="checkbox"/>	<input type="checkbox"/>
	<u>Consumer buy-to-let mortgage business</u>	<input type="checkbox"/>	<input type="checkbox"/>
	<u>(iv) mortgage mediation activity;</u>	<input type="checkbox"/>	<input type="checkbox"/>
	<u>(v) reversion mediation activity;</u>	<input type="checkbox"/>	<input type="checkbox"/>
	<u>(vi) home purchase mediation activity</u>	<input type="checkbox"/>	<input type="checkbox"/>
	<u>Designated investment business; Select all that apply below:</u>	<input type="checkbox"/>	<input type="checkbox"/>
	<u>(iv) in connection with managing investments;</u>	<input type="checkbox"/>	<input type="checkbox"/>
	<u>(v) involves advising on pension transfers and pension opt-outs;</u>	<input type="checkbox"/>	<input type="checkbox"/>
	<u>(vi) other designated investment business</u>	<input type="checkbox"/>	<input type="checkbox"/>
		<u>Yes</u>	<u>No</u>
13	<u>Do you wish to change the additional markets in which the AR will undertake regulated activities?</u> [†]	<input type="checkbox"/>	<input type="checkbox"/>
13A	<u>If 'Yes', please select all the markets (other than the primary market) in which the appointed representative will undertake regulated activity, following the change:</u> [†]		

¹ "Group" has the meaning given in section 421 of the Financial Services and Markets Act 2000 and contained in the Glossary of the FCA Handbook: <https://www.handbook.fca.org.uk/handbook/glossary/G486.html>

² "Parent undertaking" has the meaning given in section 420 of the Financial Services and Markets Act 2000 and contained in the Glossary of the FCA Handbook: <https://www.handbook.fca.org.uk/handbook/glossary/G832.html>

³ The primary market refers to the category of regulated activity from which the largest percentage of the appointed representative's gross income is derived.

<u>Credit related regulated activity; Select all that apply below:</u>	<input type="checkbox"/>	<input type="checkbox"/>
<u>Credit broking</u>	<input type="checkbox"/>	<u>Operating an electronic system in relation to lending</u>
<u>Other credit-related regulated activity</u>	<input type="checkbox"/>	
<u>Insurance distribution activity</u>	<input type="checkbox"/>	<u>Funeral plan distribution</u>
<u>Structured deposit regulated activity</u>	<input type="checkbox"/>	<u>Bidding in emissions auctions</u>
		<u>Home finance mediation activity; Select all that apply below:</u>
<u>Consumer buy-to-let mortgage business</u>	<input type="checkbox"/>	(i) <u>mortgage mediation activity;</u>
		(ii) <u>reversion mediation activity;</u>
		(iii) <u>home purchase mediation activity</u>
<u>Designated investment business; Select all that apply below:</u>	<input type="checkbox"/>	
(i) <u>in connection with managing investments;</u>	<input type="checkbox"/>	
(ii) <u>involves advising on pension transfers and pension opt-outs;</u>	<input type="checkbox"/>	
(iii) <u>other designated investment business</u>	<input type="checkbox"/>	

		<u>Yes</u>	<u>No</u>
13B	<u>Do you wish to change whether the appointed representative is a tied agent? If 'Yes', please respond to the question below. [†] _‡</u>	<input type="checkbox"/>	<input type="checkbox"/>
13C	<u>Will the appointed representative be a tied agent following the change? [†] _‡</u>	<input type="checkbox"/>	<input type="checkbox"/>
		<u>Yes</u>	<u>No</u>
14	<u>Do you wish to change whether the appointed representative provides services to retail clients? If 'Yes', please respond to the question below. [†] _‡</u>	<input type="checkbox"/>	<input type="checkbox"/>
14A	<u>Will the appointed representative provide services to retail clients following the change? [†] _‡</u>	<input type="checkbox"/>	<input type="checkbox"/>
		<u>Yes</u>	<u>No</u>
15	<u>Do you wish to change whether the appointed representative conducts any non-regulated activities? ⁴ [†] _‡</u>	<input type="checkbox"/>	<input type="checkbox"/>
15A	<u>Will the appointed representative conduct any non-regulated activities following the change? [†] _‡</u>	<input type="checkbox"/>	<input type="checkbox"/>
15B	<u>If question 15A is answered "yes", will the non-regulated activity include non-regulated financial services activities? ⁵ [†] _‡</u>	<input type="checkbox"/>	<input type="checkbox"/>

⁴ In this form, 'non-regulated activity' means activity that is not a *regulated activity*.

⁵ In this form, 'non-regulated financial services activities' refers to any activity of a financial nature but that does not involve the *person* carrying on *regulated activity*. This includes, but is not limited to, activities relating to investment services; insurance; pensions; banking; lending (including consumer credit, mortgages, factoring, financing of commercial transactions); financial leasing; money transmission; payments; guarantees and commitments; foreign exchange; the issuance of securities and other service of a corporate finance nature; custodial, depositary and trust services; and financial information and data services.

If question 15B is answered “yes”, you must also answer question 16B.

		Yes	No												
16	Do you wish to change the nature of the non-regulated business the appointed representative will conduct following the change? [†] _§	<input type="checkbox"/>	<input type="checkbox"/>												
16A	Does the non-regulated activity include non-regulated financial services activities? ⁵ [†] _§	<input type="checkbox"/>	<input type="checkbox"/>												
16B	If questions 15B or 16A are answered “yes”, what is the non-regulated financial services activity? [†] _§														
		Yes	No												
17	Are any individuals from the appointed representative currently seconded or contracted to the principal firm to carry on portfolio management / dealing activities? [†] _§	<input type="checkbox"/>	<input type="checkbox"/>												
17A	Will any individuals from the appointed representative be seconded or contracted to the principal firm to carry on portfolio management / dealing activities following the change? [†] _§	<input type="checkbox"/>	<input type="checkbox"/>												
		Yes	No												
18	Do you wish to change the primary reason for the principal’s appointment of the appointed representative? [†]	<input type="checkbox"/>	<input type="checkbox"/>												
18A	What is the primary reason for the principal’s appointment of the appointed representative? [†]														
	<table border="0"> <tr> <td><u>Distribution of products/services</u></td> <td><input type="checkbox"/></td> <td><u>Acquisition of an appointed representative / restructuring of business</u></td> <td><input type="checkbox"/></td> </tr> <tr> <td><u>Investment adviser to fund managed by principal/connected firm</u></td> <td><input type="checkbox"/></td> <td><u>Introductions/capital raising for principal’s business</u></td> <td><input type="checkbox"/></td> </tr> <tr> <td><u>Hosting/compliance services/incubation</u></td> <td><input type="checkbox"/></td> <td><u>Other</u></td> <td><input type="checkbox"/></td> </tr> </table>	<u>Distribution of products/services</u>	<input type="checkbox"/>	<u>Acquisition of an appointed representative / restructuring of business</u>	<input type="checkbox"/>	<u>Investment adviser to fund managed by principal/connected firm</u>	<input type="checkbox"/>	<u>Introductions/capital raising for principal’s business</u>	<input type="checkbox"/>	<u>Hosting/compliance services/incubation</u>	<input type="checkbox"/>	<u>Other</u>	<input type="checkbox"/>		
<u>Distribution of products/services</u>	<input type="checkbox"/>	<u>Acquisition of an appointed representative / restructuring of business</u>	<input type="checkbox"/>												
<u>Investment adviser to fund managed by principal/connected firm</u>	<input type="checkbox"/>	<u>Introductions/capital raising for principal’s business</u>	<input type="checkbox"/>												
<u>Hosting/compliance services/incubation</u>	<input type="checkbox"/>	<u>Other</u>	<input type="checkbox"/>												
	<u>If other, provide details</u>														
	<div style="background-color: #cccccc; height: 40px; width: 100%;"></div>														
		Yes	No												
19	Does the appointed representative currently pay the principal firm for services received? [†]	<input type="checkbox"/>	<input type="checkbox"/>												
19A	Do you wish to change this? [†]	<input type="checkbox"/>	<input type="checkbox"/>												
19B	If the appointed representative did not pay the principal for services before and will pay following the change; indicate which services the appointed representative will pay the principal firm for following the change: [†]	<input type="checkbox"/>	<input type="checkbox"/>												
	<table border="0"> <tr> <td><u>Commission</u>⁶</td> <td><input type="checkbox"/></td> <td><u>Compliance services</u>⁷</td> <td><input type="checkbox"/></td> </tr> <tr> <td><u>IT services</u>⁸</td> <td><input type="checkbox"/></td> <td><u>Regulatory hosting services</u></td> <td><input type="checkbox"/></td> </tr> </table>	<u>Commission</u> ⁶	<input type="checkbox"/>	<u>Compliance services</u> ⁷	<input type="checkbox"/>	<u>IT services</u> ⁸	<input type="checkbox"/>	<u>Regulatory hosting services</u>	<input type="checkbox"/>						
<u>Commission</u> ⁶	<input type="checkbox"/>	<u>Compliance services</u> ⁷	<input type="checkbox"/>												
<u>IT services</u> ⁸	<input type="checkbox"/>	<u>Regulatory hosting services</u>	<input type="checkbox"/>												

⁶ Most commission is paid by the principal firm to appointed representatives. This question asks about payments the appointed representative makes to the principal firm. Select this option if the appointed representative will make commission payments to the principal.

⁷ Fees the appointed representative will pay the principal for providing them or assisting them with compliance.

⁸ Payments the appointed representative will make to the principal for use of IT systems, including licences.

Any other fees

☐ If other, provide details

19C Please provide any additional information about the financial relationship between the appointed representative and the principal considered relevant (including if the appointed representative did pay the principal for services before and will not pay following the change):⁹ †

20 Please enter the date on which these changes take effect. † §

⁹ Principals can use this text box to explain the nature of the financial relationship between themselves and the appointed representative. This could include, for example, explanations of payments made by the appointed representative to the principal, or by the principal to the appointed representative. It can also be used to explain the financial arrangement if no money is paid.

Supplementary information

Section 3

3.01 Is there any other information the approved person or the firm considers to be relevant to the application? [†]

Yes

☐

No

☐

If so, please provide full details[†]

3.02 Please indicate clearly which question the supplementary information relates to. [†]

Question	Information

3.03 How many additional sheets are being submitted? [†]

Supporting Documents

Indicate the required supporting documents to accompany this form[†].

Documents	Mode (Send by email, Post, or Fax)

Other information (please specify)[†]:

--

Declaration and signature

Section C

Warning[†]

Knowingly or recklessly giving the FCA information, which is false or misleading in a material particular, may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). SUP 15.6.4R requires an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FCA and to notify the FCA immediately if materially inaccurate information has been provided. Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the FCA. It should not be assumed that information is known to the FCA merely because it is in the public domain or has previously been disclosed to the FCA or another regulatory body. If you are not sure whether a piece of information is relevant, please include it anyway.

Data Protection[†]

For the purposes of complying with the Data Protection Act, the personal information in this form will be used by the FCA to discharge its statutory functions under the Financial Services and Markets Act 2000 and other relevant legislation. It will not be disclosed for any other purposes without the permission of the applicant.

Some questions do not require supporting evidence. However, the records, which demonstrate the applicant firm's compliance with the rules in relation to the questions, must be available to the FCA on request.

Declaration[†]

By submitting this notification:

- **I/we confirm that this information is accurate and complete to the best of my knowledge and belief and that I have taken all reasonable steps to ensure that this is the case.**
- **I am/we are aware that it is a criminal offence knowingly or recklessly to give the FCA information that is false or misleading in a material particular.**
- **I/we will notify the FCA immediately if there is a significant change to the information given in the form. If I/we fail to do so, this may result in a delay in the application process or enforcement action.**

Signature^{*}

--

Name of signatory[†].

--

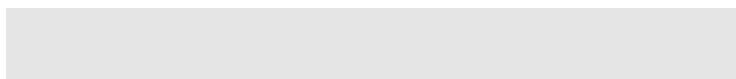
Date[†]

--

Position in *firm*[†]

--

Individual Reference Number (if applicable)[†]



☐ Tick here to confirm you have read and understood this declaration:

After SUP 12 Annex 5 (Appointed representative termination form), insert the following new annexes. All the text is new and not underlined.

12 Annex 6R On-going reporting by principal firms on their appointed representatives

*[Editor's note: the form can be found at this address:
[https://www.fca.org.uk/publication/forms/\[xxx\]](https://www.fca.org.uk/publication/forms/[xxx])]*



On-going reporting by principal firms on their appointed representatives

Reporting under *SUP* 12.7.9DR (i.e. the form in *SUP* 12 Ann 6)

Firm name (i.e. the principal firm) [†]

("The firm")

Firm reference number^{§*}

Address^{§*}

Please return the form to:
 Financial Conduct Authority
 12 Endeavour Square
 London, E20 1JN
 United Kingdom
 Telephone +44 (0) 300 500 0597
 Facsimile +44 (0) 207 066 0017
 E-mail iva@fca.org.uk
 Website <http://www.fca.org.uk>

Registered as a Limited Company in England and Wales No 1920623. Registered Office as above.

[†] These questions should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

^{*} These questions should only be completed if the form is being submitted in one of the ways set out in SUP 15.7 other than online submission. It should not be completed if the submission of this form is online

[§] Denotes a mandatory field

NOTES

This form should be used by a principal firm to report to the FCA on complaints made against its appointed representatives, and on the revenue of its appointed representatives. It should also be used to report on funds exchanged between the principal and the appointed representative. Principals should use this form to report these data for all of their appointed representatives. The relevant reporting period is the 12 months immediately following a firm’s accounting reference date. This report is in addition to any other reporting requirements for firms. It is the form required by SUP 12.7.9DR which is set out in SUP 12 Ann 6.

For the purposes of this form, references to ‘appointed representative’ include ‘tied agent’ unless the context otherwise requires.

Contact Details

Section A

1

Contact name for this form (this is not necessarily the same person making the declaration at the end of the form) †

§ Title

§ First name

§ Last name

2

Contact's details:

a

Job title†

b

daytime telephone number†

§

c

e-mail address†

§

d

business address†

e

post code†

Complaints made against appointed representatives**Section B**

Complete the table below for each of your appointed representatives, including introducer appointed representatives.

If there have been no complaints against an appointed representative in the relevant period, there is no need to include that appointed representative in the report.

#	Name of the appointed representative §†	Appointed representative FRN §†	Number of complaints opened against the appointed representative in the relevant period §†	Total number of complaints closed in the relevant period §†	Total number of complaints upheld in the relevant period §†	Total redress paid (single units) in the relevant period §†

Appointed representatives' revenue**Section C**

Complete the table below for each of your appointed representatives, including introducer appointed representatives, for the relevant period.

#	Name of the appointed representative §†	Appointed representative FRN §†	Total regulated business revenue ¹ §†	Revenue generated by financial non-regulated activities ¹²³⁴ §†	Revenue generated by non-financial non-regulated activities ²⁴ §†	If no regulated business revenue is reported for the appointed representative, provide a brief explanation §†	Total remuneration or financial benefit the principal firm received from the appointed representative §†	Total remuneration or financial benefit the appointed representative received from the principal §†

					<input type="checkbox"/> >£0 and <£100k <input type="checkbox"/> >£100k and <£250k <input type="checkbox"/> >£250k and <£1m <input type="checkbox"/> >£1m and <£10m <input type="checkbox"/> >£10m and <£50m <input type="checkbox"/> >£50m and <£100m <input type="checkbox"/> >£100m and <£500m <input type="checkbox"/> >£500m			
					<input type="checkbox"/> >£0 and <£100k <input type="checkbox"/> >£100k and <£250k <input type="checkbox"/> >£250k and <£1m <input type="checkbox"/> >£1m and			

¹ Figure to be provided to the nearest £5,000.

² In this form, ‘non-regulated activity’ means activity that is not a *regulated activity*.

³ In this form, ‘non-regulated financial services activities’ refers to any activity of a financial nature but that does not involve the *person* carrying on *regulated activity*. This includes, but is not limited to, activities relating to investment services; insurance; pensions; banking; lending (including consumer credit, mortgages, factoring, financing of commercial transactions); financial leasing; money transmission; payments; guarantees and commitments; foreign exchange; the issuance of securities and other service of a corporate finance nature; custodial, depositary and trust services; and financial information and data services.

⁴ Where the appointed representative has more than one principal, to be completed by the ‘lead-principal’ (see SUP 12.4.5DG).

					<input type="checkbox"/> <£10m <input type="checkbox"/> ≥£10m and <£50m <input type="checkbox"/> ≥£50m and <£100m <input type="checkbox"/> ≥£100m and <£500m <input type="checkbox"/> ≥£500m			
					<input type="checkbox"/> ≥£0 and <£100k <input type="checkbox"/> ≥£100k and <£250k <input type="checkbox"/> ≥£250k and <£1m <input type="checkbox"/> ≥£1m and <£10m <input type="checkbox"/> ≥£10m and <£50m <input type="checkbox"/> ≥£50m and <£100m <input type="checkbox"/> ≥£100m and <£500m <input type="checkbox"/> ≥£500m			

Declaration and signatures**Section D****Warning[†]**

Knowingly or recklessly giving the FCA information, which is false or misleading in a material particular, may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000).

SUP 15.6.4R requires an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FCA and to notify the FCA immediately if materially inaccurate information has been provided.

Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the Appropriate Regulator.

It should not be assumed that information is known to the FCA merely because it is in the public domain or has previously been disclosed to the FCA or another regulatory body. If you are not sure whether a piece of information is relevant, please include it anyway.

Data Protection[†]

For the purposes of complying with the Data Protection Act, the personal information in this form will be used by the FCA to discharge its statutory functions under the Financial Services and Markets Act 2000 and other relevant legislation. It will not be disclosed for any other purposes without the permission of the applicant.

Review and submission[†]

The ability to submit this form is given to an appropriate user or users by the firm's principal compliance contact.

Some questions do not require supporting evidence. However, the records, which demonstrate the applicant firm's compliance with the rules in relation to the questions, must be available to the FCA on request.

Declaration[†]**By submitting this notification:**

- **I/we confirm that this information is accurate and complete to the best of my knowledge and belief and that I have taken all reasonable steps to ensure that this is the case.**
- **I/we confirm that I/we have complied with all of my/our regulatory obligations as a principal, including those contained in the Financial Services and Markets Act 2000 and SUP 12.**
- **I am/we are aware that it is a criminal offence knowingly or recklessly to give the FCA information that is false or misleading in a material particular.**
- **I/we will notify the FCA immediately if there is a significant change to the information given in the form. If I/we fail to do so, this may result in a delay in the application process or enforcement action.**

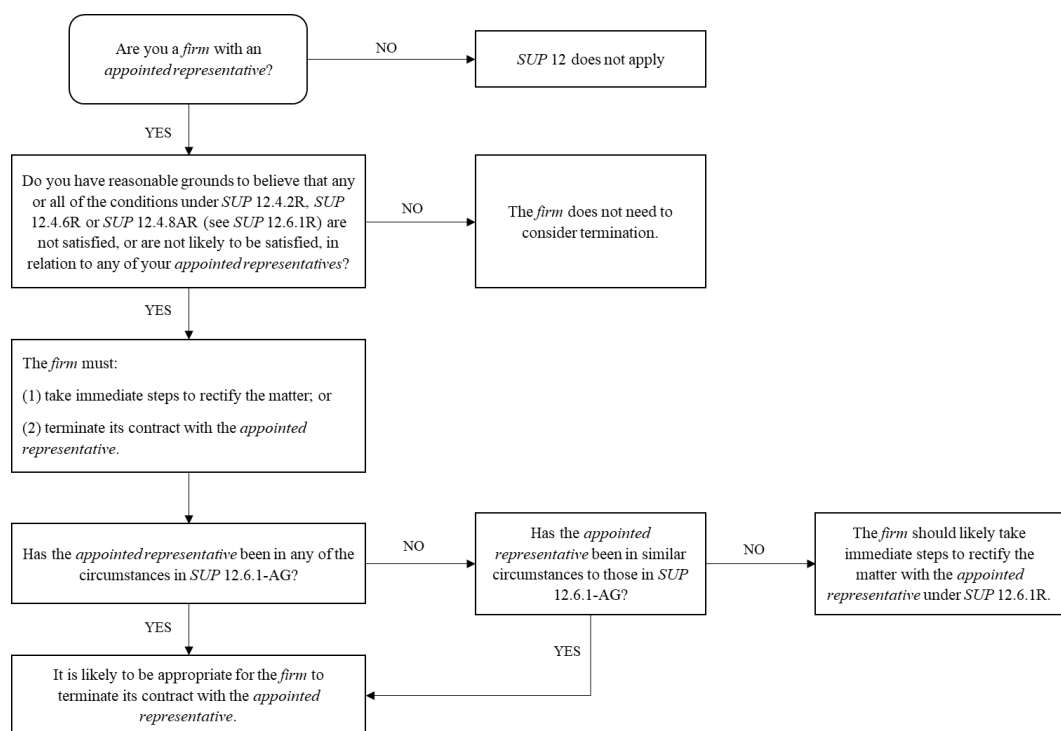
☐ [In the online form] Tick here to confirm that the person submitting this Form on behalf of the Firm and (if applicable) the individual named below – have read and understood the declaration.

Signature

☐ I confirm that a permanent copy of this Form, signed by myself and the signatories, will be retained for an appropriate period, for inspection at the FCA/PRA's request.

Signature *	
Name of authorised signatory †	
Date†	
Position in firm †	
Individual Registration Number (if applicable)	

12 Annex 7G Guidance on steps to be taken where relevant conditions are not satisfied



* These questions should only be completed if the form is being submitted in one of the ways set out in *SUP* 15.7 other than online submission. It should not be completed if the submission of this form is online.

Amend the following text as shown.

15 Notifications to the FCA

...

15.3 General notification requirements

...

Communication with the appropriate regulator in accordance with Principle 11

- 15.3.7 G *Principle 11* requires a *firm* to deal with its regulators in an open and cooperative way and to disclose to the *FCA* appropriately anything relating to the *firm* of which the *FCA* would reasonably expect notice. *Principle 11* applies to *unregulated activities* as well as *regulated activities* and takes into account the activities of other members of a *group* as well as any appointed representatives.

...

- 15.3.8 G Compliance with *Principle 11* includes, but is not limited to, giving the *FCA* notice of:

...

- (2) any significant failure in the *firm's* systems or controls, including, but not limited to:

(a) those reported to the *firm* by the *firm's* auditor;

(b) those relating to the *firm's* oversight of its appointed representatives;

...

...

16 Reporting requirements

16.1 Application

...

Application of different sections of SUP 16 (excluding SUP 16.13, SUP 16.15, SUP 16.22 and SUP 16.26)

16.1.3	R	(1) Section(s)	(2) Categories of firm to which section applies	(3) Applicable rules and guidance
		...		

<i>SUP 16.9</i>	<i>Firm with permission to advise on investments; arrange (bring about) deals in investments; make arrangements with a view to transactions in investments; or arrange safeguarding and administration of assets</i>	Entire section
...		

...

16.3 General provisions on reporting

...

Structure of the chapter

16.3.2 G This chapter has been split into the following sections, covering:

...

(6) ~~annual appointed representatives reports (SUP 16.9)~~ [deleted];

...

16.3.3 G The annual controllers, annual close links, and persistency ~~and annual appointed representatives reports~~ sections are the same for all categories of *firm* to which they apply.

...

16.10 Verification of firm details

...

Requirement to check the accuracy of firm details and to report changes to the FCA

16.10.4 R ...

(3) If any *firm details* are incorrect, the *firm* must submit the corrected *firm details* to the *FCA* using:

- (a) the appropriate form set out in *SUP 15 Ann 3* and in accordance with *SUP 16.10.4AR*; or
 - (b) where the relevant details relate to an appointed representative of the firm:
 - (i) the form in *SUP 12 Ann 3* (Appointed representative appointment) if the appointed representative is not included on the *Financial Services Register*;
 - (ii) the form in *SUP 12 Ann 4* (Appointed representative or tied agent – change details) if the details about an appointed representative on the *Financial Services Register* are incorrect; or
 - (iii) the form in *SUP 12 Ann 5* (Appointed representative termination) if a relationship with an appointed representative has been terminated but this is not reflected on the *Financial Services Register*,
- in accordance with the applicable rules in *SUP 12.7* (Notification and reporting requirements) or *SUP 12.8* (Termination of a relationship with an appointed representative or FCA registered tied agent).

...

16 Annex Firm details (See SUP 16.10.4R)
16A

16 Annex R ...
 16A.1

B: Information about a *firm* and its *appointed representatives* on the *Financial Services Register*

8A. Information about any appointed representative of the firm

...

...

16 Annex Notes for Completion of the Retail Mediation Activities Return
18B

...

Section H Conduct of Business ('COBS') Data

...

Before a *firm* appoints a *person* as an *appointed representative*, and afterwards **on a continuing basis**, it should take reasonable care to ensure that:

- (1) the appointment does not prevent the *firm* from satisfying and continuing to satisfy the *threshold conditions*;
- (2) the *person*:
 - (a) is solvent;
 - (b) is suitable to act for the *firm* in that capacity; and
 - (c) has no *close links* which would be likely to prevent the effective supervision of the *person* by the *firm*; ~~and~~
- (3) the *firm* has adequate:
 - (a) controls over the *person's regulated activities* for which the *firm* has responsibility (see SYSC 3.1); and
 - (b) resources to monitor and enforce compliance by the *person* with the relevant requirements applying to the *regulated activities* for which the *firm* is responsible and with which the *person* is required to comply under its contract with the *firm*. Accordingly, *firms* are required to monitor and oversee the activities of their ARs. It is the *firm's* responsibility to be able to demonstrate that it has adequate procedures and resources in place to monitor these activities;
- (4) the *firm* is ready and organised to comply with the other applicable requirements contained or referred to in SUP 12; and
- (5) the *person's* activities do not, or would not, result in undue risk of harm to consumers or market integrity.

...

Insert the following new TP 13 after SUP TP 12 (Transitional provisions relating to tied agents). The text is not underlined.

TP 13 Transitional provisions relating to appointed representatives

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
			Contract terms enabling		

			termination		
1	<i>SUP</i> 12.5.5R(4)	R	<p>(1) This transitional provision applies to a <i>firm</i> in respect of those contracts with <i>appointed representatives</i> which are in effect on 8 December 2022.</p> <p>(2) <i>SUP</i> 12.5.5R(4) does not apply to a written contract in (1).</p> <p>(3) A <i>firm</i> must amend a contract in (1) to comply with <i>SUP</i> 12.5.5R(4) at the first point at which the contract is subject to renewal or revision following 8 December 2022.</p>	From 8 December 2022	8 December 2022
			Annual reviews		
2	<i>SUP</i> 12.6A.2R	R	<p>(1) This transitional provision applies to a <i>firm</i> with one or more <i>appointed representatives</i> on 8 December 2022.</p> <p>(2) The <i>firm</i> must complete its first review of the <i>appointed representatives</i> in (1) for the purposes of <i>SUP</i> 12.6A.2R on or before 30 November 2023.</p>	From 8 December 2022 to 30 November 2023	8 December 2022
			Self-assessments		
3	<i>SUP</i> 12.6A.6R	R	<p>(1) This transitional provision applies to a <i>firm</i> with one or more <i>appointed representatives</i> on 8 December 2022.</p> <p>(2) The <i>governing body</i> of the <i>firm</i> must approve the <i>firm's</i> first self-assessment <i>document</i> on</p>	From 8 December 2022 to 30 November 2023	8 December 2022

			or before 30 November 2023.		
			Appointed representative reporting		
4	SUP 12.7.9DR	R	<p>(1) This transitional provision applies to a <i>firm</i> with one or more <i>appointed representatives</i>.</p> <p>(2) A <i>firm</i> is not required to submit the form in SUP 12 Annex 6 in respect of its <i>accounting reference date</i> falling before 1 December 2023.</p>	From 8 December 2022 to 30 November 2023	8 December 2022
			Verification of firm details		
5	SUP 16.10.4R	R	<p>(1) This transitional provision applies to a <i>firm</i> with one or more <i>appointed representatives</i> on 8 December 2022.</p> <p>(2) A <i>firm</i> must undertake its first check of the accuracy of information about its <i>appointed representatives</i> when complying with SUP 16.10.4R in respect of its first <i>accounting reference date</i> falling on or after 1 December 2023.</p>	From 8 December 2022 to 30 November 2023	1 April 2005

Amend the following text as shown.

Schedule Record keeping requirements

1

...

Sch 1.2G

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
<i>SUP</i> 4.3.17R(3)
<i>SUP</i> <u>12.6A.4R</u>	<u><i>Appointed representatives</i></u>	<u>Written record of each review</u>	<u>Following each review undertaken for the purposes of <i>SUP</i> 12.6A.2R or <i>SUP</i> 12.6A.3R</u>	<u>6 years from date of review</u>
<i>SUP</i> <u>12.6A.8R</u>	<u><i>Appointed representatives</i></u>	<u>Copy of each approved self-assessment document</u>	<u>Following approval by the <i>firm's</i> governing body</u>	<u>6 years from date of approval</u>
<i>SUP</i> 12.9.1R, <i>SUP</i> 12.9.2R

