**Application for Authorisation

Supplement for firms selling investments and non-investment insurance contracts - notes**

Please take time to read these notes carefully. They will help you to fill in the supplement correctly.

When completing the application forms you will need to refer to the Handbook: <https://www.handbook.fca.org.uk/>

If after reading these notes you need more help please:

* check our website: [www.fca.org.uk](http://www.fca.org.uk)
* consult the Handbook: <https://www.handbook.fca.org.uk/>
* call the Customer Contact Centre: 0300 500 0597
* email the Customer Contact Centre: Firm.Queries@fca.org.uk

These notes, while aiming to help you, do not replace the rules and guidance in the Handbook.

**Terms in these notes**

These notes use the following terms:

* 'you' refers to the person(s) signing the form on behalf of the applicant firm
* 'the applicant firm' refers to the firm applying for authorisation
* ‘the FCA', 'we', ‘us’ or 'our' refers to the Financial Conduct Authority
* FSMA refers to the Financial Services and Markets Act 2000

**Important information**

At the point of authorisation we expect the applicant firm to be ready, willing and organised to start business.

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|  |  |
| --- | --- |
|  1 | About the Applicant firm |

 1.1 You must provide the following

* a brief description of the disclosure document (eg Initial Disclosure Document, Terms of business, Insurance Product information document (IPID)) that the applicant firm will give to its clients; and
* information on which stage of the sales process the disclosure documents will be provided.

To assess this application fully, we need as much insight as possible into how the applicant firm intends to carry on business.

For more assistance please see our website: <https://www.fca.org.uk/firms/apply-authorisation/retail-intermediaries> .

 **1.2 Is the applicant firm leaving a network?**

We need to know this in case you are subject to a notice period. An applicant firm cannot be authorised by us and be an appointed representative at the same time.

Services

 **1.3 What services will the applicant firm be offering to its customers?**

* Independent – a personal recommendation to a retail client about a retail investment product where the personal recommendation provided meets the requirements of the rule on independent advice (COBS 6.2A.3 R).
* Restricted:

(a) a personal recommendation to a retail client about a retail investment product which is not independent advice; or

(b) basic advice.

* Simplified – a personal recommendation to a retail client about a retail investment product that is a simplified advice process that may be about a specific product recommendation. This would typically be an automated, process-driven advice service because it does not consider all retail investment products that may be suitable for a customer. This may be appropriate for customers who have their priority needs met, have some disposable income or capital to invest, or do not want a holistic assessment of their financial needs.
* Basic – the regulated activity, specified in article 52B of the Regulated Activities Order (Providing basic advice on stakeholder products), which is providing advice on stakeholder products using a process that involves asking a retail client pre-scripted questions.

If a firm is considering not recommending any specific retail investment product type set out in the definition of a ‘retail investment product’ in the Handbook, then it cannot hold itself out as fully Independent.

An applicant firm should, in the course of submitting an application for Part 4A permission, be able to demonstrate that it has sufficient understanding to establish whether the advice it proposes to recommend to a retail investment client is independent, restricted, simplified or basic advice. An applicant firm should be able to demonstrate that its advisers have reached the required professionalism standards through qualifications and CPD. An applicant firm should be able to demonstrate the transparency of its charging structure to comply with RDR standards.

All business activities

 **1.4 You must estimate the percentage and value of total business that will be:**

•**Execution only**

•**Advice without subsequent arranging**

No additional notes

Non-advised sales

 **1.5** **Will the applicant firm be carrying out non-advised sales?**

No additional notes

Non-mainstream pooled investments (NMPIs) including Unregulated Collective Investment Schemes (UCIS)

 **1.6** **Will the applicant firm promote NMPI? This will generally include advertising, advised and non-advised sales.**

No additional notes

**1.6.1 The promotion of NMPI to retail investors is severely restricted. What controls are in place to ensure that NMPI are only promoted to eligible customers?**

No additional notes

**1.6.2 The promotion of NMPI may cause a firm to lose its Article 3 exemption under MiFID. If the applicant firm is an ‘Article 3 exempt’ MiFID firm, how will the applicant firm ensure it does not carry out activities which take it outside the scope of the exemption?**

No additional notes

Platforms

**Platform charges**

Where an applicant firm is a platform service provider, it needs to comply with rules set out in COBS 6.1E and 6.1F, including disclosure of total platform charges to retail clients in a durable medium before services are provided. Platform charges are fees set by the platform itself for its services and agreed with clients. Platforms cannot accept payments from providers, with limited exceptions. The inducements rules in COBS 2.3 are also relevant.

**Movement of customer portfolios between platform service providers**

Where an applicant firm is a platform service provider, it needs to ensure it can comply with COBS 6.1, on re-registration of clients’ assets to another platform ‘within a reasonable time and in an efficient manner’.

**1.7** **Will the applicant firm be using a platform(s) to administer its client’s investment portfolios?**

No additional notes

**1.7.1 How has the applicant firm assessed the risks posed to it and to its clients by the use of platforms? What risks have been identified, and how will the applicant firm manage those risks?**

No additional notes

**1.7.2 What conflicts of interest have been identified and how will they be managed?**

No additional notes

**1.7.3 What Management Information (MI) will be collected in relation to these clients?**

No additional notes

**1.7.4 How will client investment reviews be managed and carried out forthese clients?**

No additional notes

**1.7.5 How will the applicant firm deal with clients for whom the platform used may not be suitable, or who would not benefit from the use of platforms?**

No additional notes

**1.7.6 Please provide details of any ongoing training need identified for advisers and how it will be met.**

No additional notes

Insurance distribution business

 **1.8 Please provide a brief outline of the firm’s CPD (implementation) plans for relevant staff involved in insurance distribution. This should include:**

* the number of hours of CPD
* the types of CPD
* how it is recorded.

All staff involved in insurance and reinsurance distribution must possess appropriate knowledge and ability to perform their duties. This is backed up by a requirement that staff undertake a minimum of 15 hours of continuing professional development (CPD) per year.

**1.9 For non-investment insurance business, what types of general insurance products does the applicant firm intend to advise on or arrange (select all that apply)?**

No additional notes

**1.9.1 Please describe below how the applicant firm will ensure that a PPI policy meets a client’s demands and needs. This should include the following points:**

No additional notes

**1.9.2 What steps will the applicant firm take to ensure eligibility is assessed for all its PPI sales?**

No additional notes

|  |  |
| --- | --- |
|  2 | Scope of Permission required |

Clients

**2.1 What type of clients will the applicant firm carry on business with?**

[ ] You need to tell us this so we can continue building up a picture of the type of business the applicant firm will be carrying on. We will use this information, among other things, to assess the applicant firm's risk.

If the applicant firm wishes to limit one or more of its activities to a certain type or types of client, it can do so by selecting the relevant client type, and in doing so apply for an appropriate limitation.

The table below gives a list of the available client types for designated investment business:

|  |  |  |
| --- | --- | --- |
| **Regulated business category** | **Client type** | **Link to full Glossary definition** |
| Designated Investment business | Retail | The scope of the term retail client is different for MiFID and non-MiFID business. You can access the definition in the Handbook Glossary, see link below:<https://www.handbook.fca.org.uk/handbook/glossary/G1980.html>  |
| Professional | The scope of the term professional client is different for MiFID and non-MiFID business. You can access the definition in the Handbook Glossary, see link below:<https://www.handbook.fca.org.uk/handbook/glossary/G1979.html>  |

The table below gives a list of the available customer types relating to non-investment insurance distribution. That is distribution activities in relation to general insurance contracts or pure protection contracts.

|  |  |  |
| --- | --- | --- |
| **Regulated business category** | **Client type** | **Description & link to full Glossary definition** |
| Insurance Non-investment distribution | Retail (non- investment insurance) customer | An individual who is acting for purposes outside his usual trade, business or profession. <https://www.handbook.fca.org.uk/handbook/glossary/G2605.html>  |
| Commercial customer | A [customer](http://fsahandbook.info/FSA/glossary-html/handbook/Glossary/C?definition=G252) who is not a [retail customer](http://fsahandbook.info/FSA/glossary-html/handbook/Glossary/R?definition=G1327)<https://www.handbook.fca.org.uk/handbook/glossary/G1343.html>  |

Additional Activities and investment types

**2.2 You must confirm that the applicant firm requires the following regulated activities and investment type for its non-investment insurance contracts business.**

**2.3-2.8Tick the boxes of the additional regulated activities the applicant firm requires**

To complete this section you will need to indicate in Questions 2.3 -2.8 of the permission profile section whether or not you require any other regulated activities (these additional regulated activities can be found on pages 7-11).

## Table AAdvising on pension transfers/opt-outs

## Table A – Advising on Pension transfers/opt-outs – relates to the additional regulated activities of advising on or arranging pension transfers/opt-outs.

|  |  |  |
| --- | --- | --- |
| **Investment type** |  | **Regulated activity** |
|  |  | Advising on pension transfers/opt-outs | Providing basic advice on stakeholder products | Arranging (bringing about deals) | Making arrangements | Agreeing to carry on a regulated activity |
|  |  |  |  |  |  | **✓** |
| Unit |  | **✓** |  | **✓** | **✓** |  |
| Stakeholder pension scheme |  | **✓** |  | **✓** | **✓** |  |
| Personal pension schemes |  | **✓** |  | **✓** | **✓** |
| Rights to or interests in investments (security) |  | **✓** |  | **✓** | **✓** |  |
| Life Policy  |  | **✓** |  | **✓** | **✓** |  |
| Rights to or interests in investments (contractually based investment) |  | **✓** |  | **✓** | **✓** |  |
| Limitations | Investment activity in rights to or interests in investments (security) and rights to or interests in investments (contractually based investment) is limited to the other investment types granted for this activity. | The firm can agree to carry on only the regulated activities specified in this notice. |

## Table BFuneral plan contracts

## Table B – Funeral plan contracts – relates to the additional investment type of advising on and arranging funeral plan contracts.

|  |  |
| --- | --- |
| **Investment type** | **Regulated activity** |
|  | Advising (excluding pension transfers/opt-outs) | Advising on pension transfers/opt-outs | Providing basic advice on stakeholder products | Arranging (bringing about deals) | Making arrangements | Agreeing to carry on a regulated activity |
|  |  |  |  |  |  | **✓** |
| Funeral plan contract | **✓** |  |  | **✓** | **✓** |  |
| Rights to or interests in investments (contractually based investments) | **✓** |  |  | **✓** | **✓** |  |
| Limitations | Investment activity in rights to or interests in investments (contractually based investment) is limited to the other investment types granted for this activity. | The firm can agree to carry on only the regulated activities specified in this notice. |

## Table CProviding basic advice on stakeholder products

## Table C – Providing basic advice on stakeholder products – relates to the additional regulated activity of advising on or arranging basic advice on stakeholder products.

|  |  |
| --- | --- |
| **Investment type** | **Regulated activity** |
|  | Advising (excluding pension transfers/opt-outs) | Advising on pension transfers/opt-outs | Providing basic advice on stakeholder products | Arranging (bringing about deals) | Making arrangements | Agreeing to carry on a regulated activity |
|  |  |  |  |  |  | **✓** |
| Stakeholder products |  |  | **✓** |  |  |  |
| Limitations |  | The firm can agree to carry on only the regulated activities specified in this notice. |

## Table DAssisting in the administration and performance of a non-investment insurance contract

## Table D – Assisting in the administration and performance of a non-investment insurance contract – relates to the additional regulated activity which includes notifying an insurance claim to the insurer and negotiating settlement on the customer's behalf.

|  |  |
| --- | --- |
| **Investment type** | **Regulated activity** |
|  | Advising (excluding pension transfers/opt-outs) | Advising on pension transfers/opt-outs | Providing basic advice on stakeholder products | Assisting in the administration and performance of a non-investment insurance contract | Arranging (bringing about deals) | Making arrangements | Agreeing to carry on a regulated activity |
|  |  |  |  |  |  |  | **✓** |
| Non-investment insurance contract |  |  |  | **✓** |  |  |  |
| Limitations |  | The firm can agree to carry on only the regulated activities specified in this notice. |

## Table EDealing as an agent in non-investment insurance contracts

## Table E – Dealing as an agent in non-investment insurance contracts relates – to the additional regulated activity which includes entering into a contract of insurance with a customer on the insurer's behalf.

|  |  |
| --- | --- |
| **Investment type** | **Regulated activity** |
|  | Advising (excluding pension transfers/opt-outs) | Advising on pension transfers/opt-outs | Providing basic advice on stakeholder products | Dealing as agent in non-investment insurance contracts | Arranging (bringing about deals) | Making arrangements | Agreeing to carry on a regulated activity |
|  |  |  |  |  |  |  | **✓** |
| Non-investment insurance contract |  |  |  | **✓** |  |  |  |
| Limitations |  | The firm can agree to carry on only the regulated activities specified in this notice. |

|  |  |
| --- | --- |
| 3 | Financial Resources |

Client money

The rules and guidance about how applicant firms hold client money are designed to provide an adequate level of protection for consumers.

In relation to investment business, these rules are in CASS 7: <https://www.handbook.fca.org.uk/handbook/CASS/7/>

In relation to non-investment insurance contracts business these rules are in CASS 5: <https://www.handbook.fca.org.uk/handbook/CASS/5/>. Specifically, the applicant firm must comply with our minimum requirements for:

• risk transfer – broadly speaking, where there are arrangements in writing that mean clients’ premiums held by the insurance intermediary are to be treated in law as having been paid to the insurance company (see CASS 5.2). Where you have such an agreement you may still be able to apply for a requirement not to hold client money to be placed on your permission;

• segregating client money into a statutory trust (CASS 5.3); or

• segregating client money into a non-statutory trust (CASS 5.4).

**3.1 Does the applicant firm intend to hold client money?**

[ ] The rules and guidance about how applicant firms hold client money are designed to provide an adequate level of protection for consumers.

 **3.1.1 You must tick the appropriate box to confirm how the applicant firm intends to deal with the segregation of client money or assets for its non-investment insurance contracts business:**

No additional notes

Professional indemnity insurance (PII) self-certification

PII is liability insurance that covers businesses if a third party claims to have suffered a loss because of professional negligence.

Unless an exemption applies, you must have compliant PII cover in place before we can authorise your application. An authorised firm must have PII that is at least equal to the requirements of the Handbook MIPRU 3.

You can find guidance on the requirements and the relevant exemptions in MIPRU 3.

For more information on PII see our website.

 3.2 Will the applicant firm have PII cover that complies with the minimum standards as set out in the Handbook from the date of authorisation?

You should answer 'yes' to this Question if all excesses and exclusions identified in the PII policy have been satisfactorily covered. For example, your firm has adequate capital resources, or has made sufficient arrangements to mitigate high excess(es), or increased excess(es) for specific business types.

 3.3 You must provide the details of the applicant firm’s PII cover\*

|  |  |
| --- | --- |
| **Limits of Indemnity** | General notesFor applicant firms applying for authorisation for designated investment regulated activities and general insurance distribution regulated activities) * MIPRU 3.2.7R applies which outlines the specific PII rules the firm needs to comply with
 |
|  | The minimum limit of indemnity is:* Single claim:

subject to minimum limit of €1,250,200 single claim.AND* Aggregate:

subject to a minimum of €1,850,000 in the aggregate. |
| **Policy Excesses** | For investment business, the excess per claim is not to exceed £5,000 unless readily available funds are held in accordance with IPRU(INV) 13.1.27 R.For insurance distribution business, the excess per claim is not to exceed £2,500 (£5,000 if holding client money or assets) unless readily available funds are held in accordance with MIPRU 3.2.14R. |
| **Increased Excess(es)** | If the excess limit exceeds the prescribed limit as per above for any specific business type, please state the increased level of excess relating to each business type(s).For example, the applicant firm can hold an excess that is higher than the limits in the table provided above if you hold additional capital as required by our rules in IPRU (INV)13.1.27R and MIPRU 3.2.14R. |
| **Amount of additional capital required for increased excess(es)** | If the policy has exceeded the prescribed limit you must calculate the amount of additional capital required. Please refer to the table in IPRU (INV) 13.1.27R and MIPRU 3.2.14R. You must ensure that any requirement to hold additional capital is taken into account when calculating your firm's financial resources requirement. |
| **Amount of additional capital required for excluded business or liabilities.** | If the policy excludes past or future business or liabilities resulting from regulatory action you must calculate the amount of additional capital required.You must ensure that any requirement to hold additional capital is taken into account when calculating your firm's financial resources requirement. |

[ ]

|  |  |
| --- | --- |
| 4 | Personnel |

Non-investment insurance contracts business

 **4.1 You must give the name of the individual who will be responsible for insurance distribution activities.**

No additional notes.

|  |  |
| --- | --- |
| 5 | Shareholders |

**5.1 You must provide the following information for any individual(s) who have a shareholding in the intermediary (shares and voting rights) exceeding 10% and is not a controller.**

No additional notes.

**5.2 You must provide the following information for any firm(s) who have a shareholding in the intermediary (shares and voting rights) exceeding 10% and is not a controller.**

No additional notes.

 5.3 Is the applicant completing the Owners and Influencers Appendix?

You must notify us about any other firms or individuals that an applicant firm may have close links with – whether directly, or through a parent or a subsidiary – so we can be sure that we can supervise you effectively. You will find below:

* a diagram (1) which sets out the types of relationships between firms and individuals that we consider to be close links; and
* a flowchart (2) which will help you in deciding if you have close links.

**(1)**

**(2)**



For further guidance on close links please see:

* SUP 11 <https://www.handbook.fca.org.uk/handbook/SUP/11/> and
* Handbook Glossary <https://www.handbook.fca.org.uk/handbook/glossary/> .

**Overlap between controllers and close links (this applies to applicant firms completing both Owners & Influencers and Controllers appendices)**

There is often an overlap between an applicant firm's controllers and its close links. For example, an organisation that owns 20% of the voting power or capital of the applicant firm is both a controller and a close link. If you are asked to provide a structure chart for controllers and for close links, you can provide a single structure chart showing both.

 5.4 You must provide a structure chart to show the nature of the relationship between the applicant firm and each close link (please include the business type of the close link).

The structure chart should show clearly:

(i) the close link(s)'s name(s);

(ii) the close link(s)'s address(es);

(iii) the category of each close link – a, b, c, d, e or f (please see diagram (1) above); and

(iv) the details of any regulatory body that regulates each close link. Please include the address, telephone number, email address and a contact name at the regulator. (If a close link is regulated by us, please provide the firm’s reference number wherever possible).

Please note you will need to complete the appropriate Controller Appendix for any close links falling into category e (please see diagram (1)).

 5.5 Are you aware of any information to suggest that any close link is likely to prevent our effective supervision of the applicant firm?

Possible examples of the kind of issues that might impinge on our effective supervision include anything that might:

* affect your ability to provide adequate information to us at any time;
* hinder the flow of information from the applicant firm or the applicant firm's close link(s) to us at any time; or
* prevent us from being able to assess the overall financial position of the applicant firm or your close link(s) at any time.

Please consider in particular if such issues may arise because the close link is subject to the laws of a state outside the UK.