

LEGAL CUTOVER (THRESHOLD CONDITIONS) INSTRUMENT 2013

WHEREAS:

- A. The Authority has, in accordance with Article 5 of the Designation Order, appointed persons to exercise functions referred to in Article 5(1) of the Designation Order, which include the function of the Financial Conduct Authority of designating or modifying a Relevant Instrument and the functions of making rules and issuing guidance.
- B. By virtue of Article 5(3)(a) of the Designation Order the persons appointed may discharge the relevant functions as if they were the governing body of the Financial Conduct Authority.
- C. By virtue of Article 7(1) of the Designation Order this Instrument shall be treated as if it had been made by the Financial Conduct Authority acting through its governing body.
- D. Article 2(1)(c) of the Early Commencement Order commenced certain of the Financial Conduct Authority's rule making and other powers for the purposes specified in Part 3 of the Schedule to that Order.

Interpretation

1 In this Instrument (including the Recitals):

- (1) "Designation Order" means the Financial Services Act 2012 (Transitional Provisions) (Rules and Miscellaneous Provisions) Order 2013 (SI 2013/161);
- (2) "Early Commencement Order" means the Financial Services Act 2012 (Commencement No. 1) Order 2013 (SI 2013/113);
- (3) "the 2000 Act" means the Financial Services and Markets Act 2000;
- (4) "the 2012 Act" means the Financial Services Act 2012;
- (5) "the Authority" means the Financial Services Authority;
- (6) "Financial Conduct Authority" means the body corporate referred to in section 1A of the 2000 Act as amended by section 6 of the 2012 Act;
- (7) "Handbook" means the Authority's Handbook of Rules and Guidance (and including for this purpose the Handbook Guides and Regulatory Guides published by the Authority alongside the Handbook of Rules and Guidance) in each case as published on the Authority's Handbook website at 11h59 pm on 27 February 2013;
- (8) "Relevant Instrument" has the meaning in section 119(6)(b) of the 2012 Act;
- (9) "FSA Instrument" means an instrument published by the Authority, by which the Authority made, issued, gave, imposed or amended a Relevant Instrument; and
- (10) "FCA Relevant Instrument" means a Relevant Instrument designated by the Financial Conduct Authority under paragraph 2.

Designation of rules etc. by the Financial Conduct Authority

2 In accordance with Article 3(1) of the Designation Order, the Financial Conduct Authority designates the rules, guidance, requirements, codes, schemes, statements or directions, set out in each FSA Instrument (or part of such instrument) by which the

Authority made, issued, gave, imposed or amended each part or provision of the Handbook, identified as:

- (1) “Designated” in Column 2 of Annex A to this Instrument; and
 - (2) “FCA” in Column 3 of Annex A to this Instrument.
- 3 As required by Article 3(1)(c) and (d) of the Designation Order, the Financial Conduct Authority specifies that:
- (1) The FCA Relevant Instruments were made, issued, given or imposed by the Authority under the provisions set out in the relevant FSA Instrument;
 - (2) The FCA Relevant Instruments collectively were made, issued, given or imposed by the Authority under the provisions set out in column 1 of Parts 1 to 10 of Schedule A to this Instrument; and
 - (3) The FCA Relevant instruments collectively are treated as made, issued, given or imposed by the Financial Conduct Authority under the corresponding provisions set out in column 2 of Parts 1 to 10 of Schedule A to this Instrument.
- 4 In accordance with Article 2(2)(a) of the Designation Order, each FCA Relevant Instrument is treated as having been made, issued, given or imposed by the Financial Conduct Authority.

Modification of rules etc. by the Financial Conduct Authority

- 5 In accordance with Article 3(1) of the Designation Order, the Financial Conduct Authority modifies each FCA Relevant Instrument (or part of such instrument) as specified in Annex B to this Instrument.

Rules etc. made, given or amended by the Financial Conduct Authority

- 6 In accordance with Article 2(1) of the Early Commencement Order and in the exercise of the powers and related provisions specified in paragraph 9, the Financial Conduct Authority makes, issues, gives, or imposes:
- (1) Each provision in Annex B and Annex C to this Instrument that meets all of the conditions in paragraph 7; and
 - (2) Any amendment that is not a modification made in accordance with paragraph 5 specified in a provision in Annex B to this Instrument that meets all of the conditions in paragraph 8.
- 7 The conditions referred to in paragraph 6(1) are that a provision is:
- (1) Identified as “Made” in Column 2 of Annex A to this Instrument; and
 - (2) Identified as “FCA” in Column 3 of Annex A to this Instrument.
- 8 The conditions referred to in paragraph 6(2) are that a provision is:
- (1) identified as “Designated” in Column 2 of Annex A to this Instrument; and
 - (2) identified as “FCA” in Column 3 of Annex A to this Instrument.
- 9 The Financial Conduct Authority makes, issues, gives or imposes the provisions in paragraph 6 in exercise of the following powers and related provisions of the 2000 Act, as amended by the 2012 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).
- 10 The rule-making powers in paragraph 9 are specified for the purpose of section 138G (Rule-making instruments) of the 2000 Act, as amended by the 2012 Act.

Commencement: Financial Conduct Authority

- 11 As required by Article 3(1) of the Designation Order, the Financial Conduct Authority specifies that the designation (in paragraph 2) and the modification (in paragraph 5) of each FCA Relevant Instrument comes into effect on 1 April 2013.
- 12 The Financial Conduct Authority directs that paragraph 6 of this Instrument comes into force immediately after the coming into force of the designations in paragraph 2 and the modifications in paragraph 5.

Amendments to the Handbook

- 13 The modules of the FCA's Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this Instrument listed in column (2).

(1)	(2)
Threshold Conditions (COND)	Annex B
Insurance: Conduct of Business sourcebook (ICOBS)	Annex C

Citation

- 14 This instrument may be cited as the Legal Cutover (Threshold Conditions) Instrument 2013.

By order of the persons appointed under Article 5 of the Designation Order to discharge specified functions of the Financial Conduct Authority as if they were its governing body

19 March 2013

Annex A

Designation of the Threshold conditions sourcebook (COND) and Insurance conduct of business sourcebook (ICOBS)

In addition to identifying provisions Designated or Made by this Instrument, Column 2 also identifies, for convenience and without operative effect, those provisions of the Handbook that will no longer have effect after “legal cutover”.

(1)	(2)	(3)
Handbook Provision	Made, designated or no longer in force after legal cutover	Relevant regulator
COND 1.1.1	No longer in force after legal cutover	
COND 1.1.2	No longer in force after legal cutover	
COND 1.1.3	No longer in force after legal cutover	
COND 1.1.4	No longer in force after legal cutover	
COND 1.1A.1	Made	FCA
COND 1.1A.2	Made	FCA
COND 1.1A.3	Made	FCA
COND 1.1A.4	Made	FCA
COND 1.1A.5	Made	FCA
COND 1.1A.6	Made	FCA
COND 1.1A.7	Made	FCA
COND 1.2.1	Designated	FCA
COND 1.2.2	Designated	FCA
COND 1.2.3	Designated	FCA
COND 1.2.4	No longer in force after legal cutover	
COND 1.2.5	Made	FCA

COND 1.3.1	Designated	FCA
COND 1.3.2	Designated	FCA
COND 1.3.3	Designated	FCA
COND 1.3.3A	Made	FCA
COND 1.3.3B	Made	FCA
COND 1.3.3C	Made	FCA
COND 1.3.3D	Made	FCA
COND 1.3.3E	Made	FCA
COND 1.3.4	Designated	FCA
COND 1.3.5	Made	FCA
COND 1 Annex 1	No longer in force after legal cutover	
COND 1 Annex 2	No longer in force after legal cutover	
COND 2.1.1	No longer in force after legal cutover	
COND 2.1.2	No longer in force after legal cutover	
COND 2.1.3	No longer in force after legal cutover	
COND 2.2.1	No longer in force after legal cutover	
COND 2.2.1A	Made	FCA
COND 2.2.1B	Made	FCA
COND 2.2.1C	Made	FCA
COND 2.2.2	Designated	FCA
COND 2.2.3	Designated	FCA
COND 2.2A.1	No longer in force after legal cutover	

COND 2.2A.2	No longer in force after legal cutover	
COND 2.2A.3	No longer in force after legal cutover	
COND 2.3.1	No longer in force after legal cutover	
COND 2.3.1A	Made	FCA
COND 2.3.1B	Made	FCA
COND 2.3.1C	Made	FCA
COND 2.3.1D	Made	FCA
COND 2.3.1E	Made	FCA
COND 2.3.1F	Made	FCA
COND 2.3.2	Designated	FCA
COND 2.3.3	Designated	FCA
COND 2.3.4	No longer in force after legal cutover	
COND 2.3.5	No longer in force after legal cutover	
COND 2.3.6	Designated	FCA
COND 2.3.7	Designated	FCA
COND 2.3.8	Designated	FCA
COND 2.3.9	Designated	FCA
COND 2.3.10	Designated	FCA
COND 2.3.11	Designated	FCA
COND 2.3.11A	Designated	FCA
COND 2.3.12	Designated	FCA
COND 2.4.1	No longer in force after legal cutover	
COND 2.4.1A	Made	FCA

COND 2.4.1B	Made	FCA
COND 2.4.1C	Made	FCA
COND 2.4.1D	Made	FCA
COND 2.4.1E	Made	FCA
COND 2.4.1F	Made	FCA
COND 2.4.1G	Made	FCA
COND 2.4.2	Designated	FCA
COND 2.4.3	Designated	FCA
COND 2.4.4	Designated	FCA
COND 2.4.5	No longer in force after legal cutover	
COND 2.4.6	No longer in force after legal cutover	
COND 2.5.1	No longer in force after legal cutover	
COND 2.5.1A	Made	FCA
COND 2.5.1B	Made	FCA
COND 2.5.1C	Made	FCA
COND 2.5.1D	Made	FCA
COND 2.5.1E	Made	FCA
COND 2.5.1F	Made	FCA
COND 2.5.2	Designated	FCA
COND 2.5.3	Designated	FCA
COND 2.5.4	Designated	FCA
COND 2.5.5	No longer in force after legal cutover	
COND 2.5.6	Designated	FCA
COND 2.5.7	No longer in force after	

	legal cutover	
COND 2.6.1	No longer in force after legal cutover	
COND 2.6.2	No longer in force after legal cutover	
COND 2.6.3	No longer in force after legal cutover	
COND 2.6.4	No longer in force after legal cutover	
COND 2.6.5	No longer in force after legal cutover	
COND 2.6.6	No longer in force after legal cutover	
COND 2.7.1	Made	FCA
COND 2.7.2	Made	FCA
COND 2.7.3	Made	FCA
COND 2.7.4	Made	FCA
COND 2.7.5	Made	FCA
COND 2.7.6	Made	FCA
COND 2.7.7	Made	FCA
COND 2.7.8	Made	FCA
COND 2.7.9	Made	FCA
COND 2.7.10	Made	FCA
COND 2.7.11	Made	FCA
COND 2.7.12	Made	FCA
COND 2 Annex 1	No longer in force after legal cutover	
ICOBS 8.2.2	Made (for the purposes of deleting)	[FCA]
ICOBS 8.2.2A	Made	FCA

Annex B

Amendments to the Threshold Conditions sourcebook (COND)

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

COND 1.1 is deleted in its entirety. The deleted text is not shown.

Insert the following new section after the deleted text of COND 1.1. This text is all new and is not underlined.

1.1A Application

To which threshold conditions does COND apply?

- 1.1A.1 G (1) Section 55C of the Financial Services Act 2012 (Power to amend Schedule 6) gave HM Treasury the power to amend Schedule 6 of the *Act*. HM Treasury exercised this power by making The Financial Services and Markets Act 2000 (Threshold Conditions) Order 2013 which entered into force on 1 April 2013 (the “TC Order”). The TC Order’s main result is the creation of four sets of *threshold conditions*, namely:
- [FCA]
- (i) conditions for *firms* authorised and regulated by the *FCA* only (paragraphs 2B to 2F of Schedule 6 to the *Act*)
 - (ii) *FCA* specific conditions for *firms* authorised by the *PRA* and subject to dual regulation (paragraphs 3B to 3E of Schedule 6 to the *Act*);
 - (iii) *PRA*-specific conditions for *insurers* (paragraphs 4A to 4F of Schedule 6 to the *Act*); and
 - (iv) *PRA*-specific conditions for other *PRA-authorised persons* (paragraphs 5A to 5F of Schedule 6 to the *Act*).
- (2) The *guidance* in *COND* is only applicable to the *threshold conditions* listed in *COND* 1.1A.1G(1)(i) and (ii), above. These are the *threshold conditions* stated in paragraphs 2A and 3A of Schedule 6 to the *Act* as being relevant to the discharge by the *FCA* of its functions under the *Act*.
- (3) In respect of a *person* which does not carry on, or seek to carry on, any *PRA-regulated activities*, the *threshold conditions* that are relevant to the discharge by the *FCA* of its functions under the *Act* are those set out in paragraphs 2B to 2F of Schedule 6 to the *Act*, subject to *COND* 1.1A.4G(1), below.

- (4) In respect of a *firm* which does carry on, or seeks to carry on, a *PRA-regulated activity*, the *threshold conditions* that are relevant to the discharge by the *FCA* of its functions under the *Act* are those set out in paragraphs 3B to 3E of Schedule 6 to the *Act*, subject to *COND* 1.1A.4G(2), below.
- (5) A reference to “*FCA threshold conditions*” in *COND* means a reference to the *threshold conditions* referred to in (3) and (4) that apply to a particular *firm*.

To whom does *COND* apply?

- 1.1A.2 G (1) *COND* applies to all *firms*, except where stated otherwise in this
[FCA] *guidance*.
- (2) In *COND*, ‘*firm*’ includes an applicant for *Part 4A permission* unless the context otherwise requires.

To what extent does *COND* apply to firms authorised by the PRA (PRA-authorised persons) and subject to dual regulation?

- 1.1A.3 G (1) As a result of the new legal framework for *threshold conditions*
[FCA] described in *COND* 1.1A.1G(1), *PRA-authorised persons* and *firms* seeking to become *PRA-authorised persons* are subject to two sets of *threshold conditions*:
- (i) the *FCA-specific conditions* referred to in *COND* 1.1A.1G(1)(ii) and
- (ii) one of the two *PRA-specific conditions* referred to in *COND* 1.1A.1G(1)(iii) or (iv), depending on the *PRA-regulated activities* which the *PRA-authorised person* or *firm* carries on, or is seeking to carry on.

The *FCA threshold conditions* set out in paragraphs 3B to 3E of the *Act* seek to reflect this. In particular, these *threshold conditions* do not contain a condition relating to adequate financial resources. This is a matter that falls to be considered by the *PRA* under its *threshold conditions*.

- (2) The majority of the *guidance* in *COND* is intended to assist all *firms* to understand how the *FCA* will approach its assessment of the applicable *FCA threshold conditions*, regardless of whether or not a *firm* is, or is seeking to become, a *PRA-authorised person*. This is because the *FCA threshold conditions* which apply to *PRA-authorised persons* and those which apply to *firms* authorised by the *FCA* only are, for the most part, the same.
- (3) However, where *guidance* in *COND* refers to an assessment of a *firm's* financial position or its compliance with prudential regulatory requirements, it is not intended to assist *firms* which are, or are seeking

to become, *PRA-authorised persons*. This is because these are matters that are not covered by the *FCA's threshold conditions*, but rather fall to be considered by the *PRA* under its *threshold conditions*.

- (4) Although some of the *PRA threshold conditions* and *FCA threshold conditions* that apply to *firms* which are, or are seeking to become, *PRA-authorised persons* may appear to address similar subject matter, the *FCA* will approach the assessment of its *threshold conditions* with its unique *statutory objectives* in mind and in the light of the functions which the *FCA* is required to discharge in relation to them.
- (5) For the avoidance of doubt, the *guidance* in *COND* is not intended to apply to the *PRA's* assessment of its own *threshold conditions* in respect of a *PRA-authorised person*. This is a matter for the *PRA* alone.

To what extent does *COND* apply to incoming EEA firms and incoming Treaty firms?

1.1A.4 [FCA] G *COND* applies to *incoming EEA firms* and *incoming Treaty firms* as set out below:

- (1) for an *incoming EEA firm* or an *incoming Treaty firm* which does not carry on any *PRA-regulated activities*, *FCA threshold conditions* 2C to 2F apply; and
- (2) for an *incoming EEA firm* or an *incoming Treaty firm* which carries on a *PRA-regulated activity*, *FCA threshold conditions* 3B to 3E apply.

FCA threshold conditions apply to *incoming EEA firms* and *incoming Treaty firms* only in as far as relevant to the discharge by the *FCA* of its relevant functions in relation to an application for, or the exercise of its *own-initiative powers* in relation to, a *top-up permission* or the functions relating to the *FCA's* consent or consultation rights relating to the exercise by the *PRA* of its powers in relation to an application for, or use of its *own-initiative powers* relating to, a *top-up permission*.

To what extent does *COND* apply to Swiss general insurance companies?

1.1A.5 [FCA] G *FCA threshold conditions* 3B, 3C and 3E apply to *Swiss General Insurance Companies*.

To which regulated activities does *COND* apply?

1.1A.6 [FCA] G Subject to the limitations referred to above, *COND* applies in relation to all of the *regulated activities* for which a *firm* has, or will have, *permission*.

Where does *COND* apply?

1.1A.7 [FCA] G *COND* applies in relation to all of the *regulated activities* wherever they are carried on, except as stated in *COND* 1.1A.4G.

Amend the following as shown.

1.2 Purpose

- 1.2.1 G *COND* gives guidance on the FCA threshold conditions ~~set out in or under Schedule 6 to the Act (Threshold conditions)~~. The FCA threshold conditions represent the minimum conditions for which the FCA is responsible, which a firm is required to satisfy, and continue to satisfy, in order to be given and to retain Part IV Part 4A permission. A PRA-authorised person or, as appropriate, a firm seeking to become a PRA-authorised person must also satisfy, and continue to satisfy, the threshold conditions for which the PRA is responsible in order to be given and to retain Part 4A permission (these threshold conditions are not the subject of the guidance in COND).

Applications for ~~Part IV~~ 4A permission or variation of ~~Part IV~~ 4A permission

- 1.2.2 G (1) Under section ~~41(2) of the Act (The threshold conditions)~~ 55B(3) of the Act, in giving or varying a Part IV Part 4A permission, or imposing or varying any requirement or giving consent, the ~~FSA~~ FCA must ensure that the firm concerned will satisfy, and continue to satisfy, the FCA threshold conditions in relation to all of the regulated activities for which it has or will have permission.
- (2) If, however, the applicant for permission is an incoming firm seeking top-up permission, or variation of top-up permission, under ~~Part IV~~ 4A of the Act (Permission to carry on regulated activities), then under paragraphs ~~6A~~ and ~~7A~~ of Schedule 6 to the Act (~~Threshold conditions~~), the ~~FSA~~ FCA will have regard only to satisfaction of the FCA threshold conditions 1, 3, 4 and 5 specified as applicable in COND 1.1A.4G, as relevant to the regulated activities for which the applicant has, or will have, ~~Part IV permission~~ Part 4A permission.

Exercise of the ~~FSA~~ FCA's own-initiative powers

- 1.2.3 G (1) If, among other things, a firm is failing to satisfy any of the FCA threshold conditions, or is likely to fail to do so, ~~section 45 of the Act (Variation etc. on the FSA's own initiative) states that the FSA~~ the FCA may exercise its own-initiative power powers under either section ~~55J~~ 55J (Variation or cancellation on initiative of regulator) or section ~~55L~~ 55L (Imposition of requirements by FCA) of the Act. Use of the ~~FSA~~ FCA's own-initiative power powers is explained in SUP 7 (Individual requirements), and EG 8 (Variation and cancellation of permission on the ~~FSA~~ FCA's own initiative and intervention against incoming firms).
- (2) If, when exercising its own-initiative power powers under section ~~45(1)~~ 55J or section ~~55L~~ 55L of the Act, the ~~FSA~~ FCA varies a firm's permission, or imposes or varies a requirement, then, under section ~~41(2)-55B(3)~~ of the Act, the ~~FSA~~ FCA must ensure that the firm concerned will satisfy, and continue to satisfy, the FCA threshold conditions in relation to all of

the relevant regulated activities for which it has or will have *permission*. However, section 41(3) 55B(4) of the *Act* states that the duty imposed by section 41(2) 55B(3) of the *Act* does not prevent the *FSA FCA* taking such steps as it considers necessary in relation to a particular *firm* in order to ~~secure its regulatory objective of consumer protection~~ advance any of its operational objectives.

- (3) The *FSA FCA* can also exercise its own-initiative powers under section 45(1) 55J or section 55L of the *Act* in relation to the top-up permission of an *incoming firm*. But this is only on the grounds that the *incoming firm* is failing, or likely to fail, to satisfy the FCA threshold conditions 1, 3, 4 or 5 in relation to that permission specified as applying to incoming firms under COND 1.1A.4G.

Approval of acquisitions or increases of control

- 1.2.4 G (1) ~~Under section 186(3) of the Act (Objection to acquisition of control), in deciding whether the approval requirements for a proposed acquisition or increase of control are satisfied, the FSA must have regard, in relation to the control that the acquirer:~~
- (a) ~~has over the firm; or~~
 - (b) ~~will have over the firm if the proposal which has been notified to the FSA is carried out; to its general duty to ensure that the firm will continue to satisfy the threshold conditions. [deleted]~~
- (2) ~~The FSA must also have regard to the threshold conditions in imposing any conditions on its approval of an acquisition or increase of control (section 185(2) of the Act (Conditions attached to approval). See SUP 11.7.3 G (Acquisition or increase of control: procedures). [deleted]~~

Approval of acquisitions or increases of control

- 1.2.5 [FCA] G (1) Under section 185 of the Act (Assessment: general) the FCA may, subject to consultation with the PRA where the conditions in section 187B of the Act are satisfied, object to an acquisition of an FCA-*authorised person* if there are reasonable grounds to do so on the basis of the matters set out in section 186 of the Act (Assessment: criteria) or if the information provided by the section 178 notice giver is incomplete. Section 186(d) of the Act (Assessment: criteria) specifies one such criteria as whether an FCA-*authorised person* will be able to comply with its prudential requirements (including the *threshold conditions* in relation to all of the *regulated activities* for which it has, or will have, *permission*.)
- (2) Under section 191A of the Act (Objection to control), subject to consultation with the PRA in the circumstances specified in that provision, the FCA may object to a *person's* existing control of an FCA-*authorised person* on the grounds specified under section 186 of the Act.

1.3 General

~~An overview of the *threshold conditions* is given in COND 1 Annex 1G.~~

- 1.3.1 [FCA] G The *guidance* in COND 2 explains each *FCA threshold condition* in Part I of Schedule 6 (threshold conditions) to the *Act* and indicates how the FSA FCA will interpret it in practice. ~~An overview of the *threshold conditions* is given in COND 1 Annex 1G.~~ This *guidance* is not, however, exhaustive and is written in very general terms. A *firm* will need to have regard to the obligation placed upon the *FSA FCA* under section 41 ~~(the *threshold conditions*)~~ 55B (The *threshold conditions*) of the *Act*; that is, the *FSA FCA* must ensure that the *firm* will satisfy, and continue to satisfy, the *FCA threshold conditions* in relation to each *regulated activity* for which it has or will have *permission*.
- 1.3.2 [FCA] G (1) The *FSA FCA* will consider whether a *firm* satisfies, and will continue to satisfy, the *FCA threshold conditions* in the context of the size, nature, scale and complexity of the business which the *firm* carries on or will carry on if the relevant application is granted.
- (2) In relation to the *threshold conditions* ~~4 and 5~~ set out in paragraphs 2D to 2F of Schedule 6 to the *Act* in respect of *firms* which are not *PRA-authorised persons* and paragraphs 3C to 3E of Schedule 6 to the *Act* in respect of *firms* which are *PRA-authorised persons*, the *FSA FCA* will consider whether a *firm* is ready, willing and organised to comply, on a continuing basis, with the requirements and standards under the *regulatory system* which apply to the *firm*, or will apply to the *firm*, and for which the *FCA* is responsible, if it is granted a Part IV 4A *permission*, or a variation of its *permission*. These matters will also be considered if the *FSA FCA* is exercising its *own-initiative powers* (see COND 1.2.3G). *Guidance* to *firms* on the implications of this is given under each of those *threshold conditions*.
- 1.3.3 [FCA] G Although the *FSA FCA* may consider that a matter is relevant to its assessment of a *firm*, the fact that a matter is disclosed to the *FSA FCA*, for example in an application, does not necessarily mean that the *firm* will fail to satisfy the *FCA threshold conditions*. The *FSA FCA* will consider each matter in relation to the *regulated activities* for which the *firm* has, or will have, *permission*, having regard to ~~the *regulatory objectives* set out in section 2 of the *Act* (The *FSA's* general duties)~~ its *statutory objectives*. A *firm* should disclose each relevant matter but, if it is appropriate to do so, it is encouraged to discuss it with the *FSA FCA*. This will enable the *FSA FCA* to consider fully how material or significant the matter is and how it affects the ability of the *firm* to satisfy, and continue to satisfy, the *FCA threshold conditions* (see also ~~COND 2.3.5G, COND 2.4.4G(3) and COND 2.5.4G(3).~~
- 1.3.3A [FCA] G In determining the weight to be given to any relevant matter, the *FCA* will consider its significance in relation to the *regulated activities* for which the *firm* has, or will have, *permission*, in the context of its ability to supervise the

firm adequately, having regard to the FCA's statutory objectives. In this context, a series of matters may be significant when taken together, even though each of them in isolation might not give serious cause for concern.

- 1.3.3B G In determining whether the firm will satisfy, and continue to satisfy, the FCA threshold conditions, the FCA will have regard to all relevant matters, whether arising in the United Kingdom or elsewhere.
[FCA]
- 1.3.3C G When assessing the FCA threshold conditions, the FCA may have regard to any person appearing to be, or likely to be, in a relevant relationship with the firm, in accordance with section 55R of the Act (Persons connected with an applicant). For example, a firm's controllers, its directors or partners, other persons with close links to the firm (see COND 2.3), and other persons that exert influence on the firm which might pose a risk to the firm's satisfaction of the FCA threshold conditions, would be in a relevant relationship with the firm.
[FCA]
- 1.3.3D G In making its assessment, the FCA will consider the individual circumstances of each firm on a case-by-case basis.
[FCA]
- 1.3.3E G Notes on the contents of a business plan are given in the business plan section of the application pack for Part 4A permission on the FCA's website.

Statutory quotations

- 1.3.4 G (1) For ease of reference, the FCA threshold conditions in or under Schedule 6 to the *Act* have been quoted in full in *COND 2*.
[FCA]
- (1A) Paragraphs 2A and 3A of Schedule 6 of the Act have not been quoted. These set out the application of the FCA threshold conditions to firms which do not carry on, or are not seeking to carry on, a PRA regulated activity and firms which carry on, or are seeking to carry on, a PRA regulated activity respectively. This application is summarised in COND 1.1AG.
- (2) ~~As these provisions~~ the FCA threshold conditions impose obligations, they are printed in bold type. The use of bold type is not intended to indicate that these quotations are *rules* made by the ~~FSA~~ FCA.
- (3) ~~Where words have been substituted for the text of these provisions the substitutions are enclosed in square brackets ([]). However, none of the changes made by the FSA FCA in these quotations for the purpose of the text in COND can supersede or alter the meaning of the statutory provision concerned. [deleted]~~
- (4) Paragraph 1A of Schedule 6 of the Act sets out interpretative provisions that apply to the threshold conditions. These are repeated in COND 1.3.5G below for ease of reference.

1.3.5 UK **Paragraph 1A of Schedule 6 to the Act**

- (1) **“assets” includes contingent assets;**
“consolidated supervision” has the same meaning as in section 3M(a);
consumer” has the meaning given by section 425A(b);
“financial crime” is to be read with section 1H(3)(c);
“functions”, in relation to either the FCA or the PRA, means the functions conferred on that regulator by or under this Act;
“liabilities” includes contingent liabilities;
“relevant directives” has the same meaning as in section 3M;
“Society” means the society incorporated by Lloyd’s Act 1871(d) by the name of Lloyd’s;
“subsidiary undertaking” includes all the instances mentioned in Article 1(1) and (2) of the Seventh Company Law Directive in which an entity may be a subsidiary of an undertaking.
- (2) **For the purposes of this Schedule, the “non-financial resources” of a person include any systems, controls, plans or policies that the person maintains and the human resources that the person has available.**
- (3) **In this Schedule, references to “integrity of the UK financial system” are to be read with section 1D(2)(e).**
- (4) **The reference to the failure of a person is to be read in accordance with section 2J(3) and (4)(f).**

COND 1 Annex 1G and COND 1 Annex 2G are deleted in their entirety. The deleted text is not shown.

2 The threshold conditions

COND 2.1 is deleted in its entirety. The deleted text is not shown.

2.2 ~~Threshold condition 2:~~ Location of offices

2.2.1 UK ~~Paragraph 2, Schedule 6 to the Act.~~

(1)	Subject to sub-paragraphs 1(A) and (3), if the person concerned is a body corporate constituted under the law of any part of the United Kingdom—
-	(a) its head office, and
-	(b) if it has a registered office, that office, must be in the United Kingdom.
(1A)	If—
-	(a) the regulated activity concerned is any of the investment services and activities, and
-	(b) the person concerned is a body corporate with no registered office,
sub-paragraph (1B) applies in place of sub-paragraph (1).	
(1B)	If the person concerned has its head office in the United Kingdom, it must carry on business in the United Kingdom.
(2)	If the person concerned has its head office in the United Kingdom but is not a body corporate, it must carry on business in the United Kingdom.
(3)	If the regulated activity concerned is an insurance mediation activity, sub-paragraph (1) does not apply.
(4)	If the regulated activity concerned is an insurance mediation activity, the person concerned—
-	(a) if he is a body corporate constituted under the law of any part of the United Kingdom, must have its registered office, or if it has no registered office, its head office, in the United Kingdom;
-	(b) if he is a natural person, is to be treated for the purposes of subparagraph (2), as having his head office in the United Kingdom if his residence is situated there.
(5)	"Insurance mediation activity" means any of the following activities—
-	(a) dealing in rights under a contract of insurance as agent;
-	(b) arranging deals in rights under a contract of insurance;

-	(c)	assisting in the administration and performance of a contract of insurance;
-	(d)	advising on buying or selling rights under a contract of insurance;
-	(e)	agreeing to do any of the activities specified in sub-paragraph (a) to (d).
(6)		Paragraph (5) must be read with—
-	(a)	section 22;
-	(b)	any relevant order under that section; and
-	(c)	Schedule 2.
[Note: article 5(4) of MiFID]		

[deleted]

2.2.1A UK **Paragraph 2B of Schedule 6 to the Act**

[FCA]

(1) Unless sub-paragraph (3) or (4)(a) applies, if A is a body corporate incorporated in the United Kingdom-

(a) A's head office, and

(b) if A has a registered office, that office,

must be in the United Kingdom.

(2) If A is not a body corporate but A's head office is in the United Kingdom, A must carry on business in the United Kingdom.

(3) If-

(a) A is seeking to carry on, or is carrying on, a regulated activity which is any of the investment services and activities,

(b) A is a body corporate with no registered office, and

(c) A's head office is in the United Kingdom,

A must carry on business in the United Kingdom.

- (4) If A is seeking to carry on, or is carrying on, an insurance mediation activity-**
- (a) where A is a body corporate incorporated in the United Kingdom, A’s registered office, or if A has no registered office, A’s head office, must be in the United Kingdom;**
- (b) where A is an individual, A is to be treated for the purposes of sub-paragraph (2), as having a head office in the United Kingdom if A’s residence is resident in the United Kingdom.**
- (5) “Insurance mediation activity” means any of the following activities-**
- (a) dealing in rights under a contract of insurance as agent;**
- (b) arranging deals in rights under a contract of insurance;**
- (c) assisting in the administration and performance of a contract of insurance;**
- (d) advising on buying or selling rights under a contract of insurance;**
- (e) agreeing to do any of the activities specified in paragraph (a) to (d).**
- (6) Sub-paragraph (5) must be read with-**
- (a) section 22**
- (b) any relevant order under that section; and**
- (c) Schedule 2.**

- 2.2.1B G Paragraph 2B of Schedule 6 to the *Act* sets out the location of offices
[FCA] threshold condition for firms carrying on, or seeking to carry on, regulated activities which do not include a PRA-regulated activity.
- 2.2.1C G The *FCA* is not responsible for the location of offices threshold condition for
[FCA] firms carrying on, or seeking to carry on, regulated activities which include a PRA-regulated activity.
- 2.2.2 G ~~Threshold condition 2(1) and (2) Location of offices~~ Paragraphs 2B(1) and
[FCA] 2B(2) of Schedule 6 to the Act, implement the requirements of article 6 of the Post BCCI Directive and article 5(4) of MiFID and the threshold condition 2(3) and (4) set out in paragraph 2B(4) of Schedule 6 to the Act implements article 2.9 of the Insurance Mediation Directive, although the Act extends the threshold condition 2 set out in paragraph 2B of Schedule 6 to the Act to firms which are outside the scope of the Single Market Directives and the UCITS Directive.

- 2.2.3 G Neither the *Post BCCI Directive*, *MiFID*, the *Insurance Mediation Directive* nor the *Act* define what is meant by a *firm's* "head office". This is not necessarily the *firm's* place of incorporation or the place where its business is wholly or mainly carried on. Although the ~~FSA~~ FCA will judge each application on a case-by-case basis, the key issue in identifying the head office of a *firm* is the location of its central management and control, that is, the location of:
- [FCA]
- (1) the *directors* and other senior management, who make decisions relating to the *firm's* central direction, and the material management decisions of the *firm* on a day-to-day basis; and
 - (2) the central administrative functions of the *firm* (for example, central compliance, internal audit).

COND 2.2A is deleted in its entirety. The deleted text is not shown.

2.3 ~~Threshold conditions 3: Close links~~ Effective supervision

2.3.1 UK ~~Paragraph 3, Schedule 6 to the Act.~~

(1) If the person concerned ("A") has close links with another person ("CL"), the [FSA] must be satisfied-
(a) that those links are not likely to prevent the [FSA's] effective supervision of A; and
(b) if it appears to the [FSA] that CL is subject to the laws, regulations or administrative provisions of a territory which is not an EEA State ("the foreign provisions"), that neither the foreign provisions, nor any deficiency in their enforcement, would prevent the [FSA's] effective supervision of A.
(2) A has close links with CL if:
(a) CL is a parent undertaking of A;
(b) CL is a subsidiary undertaking of A;
(c) CL is a parent undertaking of a subsidiary undertaking of A;
(d) CL is a subsidiary undertaking of a parent undertaking of A;
(e) CL owns or controls 20% or more of the voting rights or capital of A; or

(f)	A owns or controls 20% or more of the voting rights or capital of CL.
(3)	"Subsidiary undertaking" includes all the instances mentioned in Article 1(1) and (2) of the Seventh Company Law Directive in which an entity may be a subsidiary of an undertaking.

[deleted]

2.3.1A UK Paragraph 2C of Schedule 6 to the Act

[FCA]

- (1) A must be capable of being effectively supervised by the FCA having regard to all the circumstances including—
- (a) the nature (including the complexity) of the regulated activities that A carries on or seeks to carry on;
 - (b) the complexity of any products that A provides or will provide in carrying on those activities;
 - (c) the way in which A’s business is organised;
 - (d) if A is a member of a group, whether membership of the group is likely to prevent the FCA’s effective supervision of A;
 - (e) whether A is subject to consolidated supervision required under any of the relevant directives;
 - (f) if A has close links with another person (“CL”)-
 - (i) the nature of the relationship between A and CL;
 - (ii) whether those links are or that relationship is likely to prevent the FCA’s effective supervision of A; and
 - (iii) if CL is subject to the laws, regulations or administrative provisions of a territory which is not an EEA State (“the foreign provisions”), whether those foreign provisions, or any deficiency in their enforcement, would prevent the FCA’s effective supervision of A.
- (2) A has close links with CL if-
- (a) CL is a parent undertaking of A;
 - (b) CL is a subsidiary undertaking of A;
 - (c) CL is a parent undertaking of a subsidiary undertaking of

A;

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

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

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

2.3.1B G Paragraph 2C of Schedule 6 to the *Act* sets out the effective supervision
[FCA] *threshold condition* for firms carrying on, or seeking to carry on, *regulated activities* which do not include a *PRA-regulated activity*.

2.3.1C UK **Paragraph 3B of Schedule 6 to the Act**
[FCA]

- (1) B must be capable of being effectively supervised by the FCA having regard to all the circumstances including-**
- (a) the nature (including the complexity) of the regulated activities that B carries on or seeks to carry on;**
 - (b) the complexity of any products that B provides or will provide in carrying on those activities;**
 - (c) the way in which B’s business is organised;**
 - (d) if B is a member of a group, whether membership of the group is likely to prevent the FCA’s effective supervision of B;**
 - (e) whether B is subject to consolidated supervision required under any of the relevant directives;**
 - (f) if B has close links with another person (“CL”)-**
 - (i) the nature of the relationship between B and CL;**
 - (ii) whether those links are or that relationship is likely to prevent the FCA’s effective supervision of B; and**
 - (iii) if CL is subject to the laws, regulations or administrative provisions of a territory which is not an EEA State (“the foreign provisions”), whether those foreign provisions, or any deficiency in their enforcement, would prevent the FCA’s effective supervision of B.**

(2) B has close links with CL if-

- (a) CL is a parent undertaking of B;**
- (b) CL is a subsidiary undertaking of B;**
- (c) CL is a parent undertaking of a subsidiary undertaking of B;**
- (d) CL is a subsidiary undertaking of a parent undertaking of B;**
- (e) CL owns or controls 20% or more of the voting rights or capital of B; or**
- (f) B owns or controls 20% or more of the voting rights or capital of CL.**

- 2.3.1D [FCA] G Paragraph 3B of Schedule 6 to the Act sets out the effective supervision threshold condition which is relevant to the discharge by the FCA of its functions under the Act in relation to firms carrying on, or seeking to carry on, regulated activities which include a PRA-regulated activity.
- 2.3.1E [FCA] G The guidance in COND 2.3 should be read as applying to both paragraph 2C of Schedule 6 of the Act and, as far as relevant to the discharge by the FCA of its functions under the Act in respect of firms carrying on, or seeking to carry on, a PRA-regulated activity, paragraph 3B of Schedule 6 of the Act.
- 2.3.1F [FCA] G Firms carrying on, or seeking to carry on, a PRA-regulated activity, should note that the PRA is also responsible for assessing effective supervision under its own threshold conditions. Paragraphs 4F and 5F of Schedule 6 to the Act set out the effective supervision threshold conditions which are relevant to the discharge by the PRA of its functions under the Act in relation to firms carrying on, or seeking to carry on, a PRA-regulated activity. For the avoidance of doubt, this guidance does not apply to the threshold conditions set out in paragraphs 4F and 5F of Schedule 6 to the Act.
- 2.3.2 [FCA] G Threshold conditions 3 (Close links) Paragraphs 2C and 3B of Schedule 6 to the Act implements requirements of the Post BCCI Directive, but the Act extends this condition to firms from outside the EEA and other firms which are outside the scope of the Single Market Directives and the UCITS Directive.
- 2.3.3 [FCA] G In assessing ~~this threshold condition~~ the threshold conditions set out in paragraphs 2C and 3B of Schedule 6 to the Act, factors which the ~~FSA~~ FCA will take into consideration include, among other things, whether:
- (1) it is likely that the ~~FSA~~ FCA will receive adequate information from the firm, and those persons with whom the firm has close links, to enable it to determine whether the firm is complying with the requirements and standards under the regulatory system for which the FCA is responsible and to identify and assess the impact on ~~the regulatory objective in section 2 of the Act (The FSA's general duties)~~ its statutory objectives;

this will include consideration of whether the *firm* is ready, willing and organised to comply with *Principle 11* (Relations with regulators) and the *rules* in *SUP* on the provision of information to the ~~FSA~~ FCA;

- (2) the structure and geographical spread of the *firm*, the *group* to which it belongs and other *persons* with whom the *firm* has *close links*, might hinder the provision of adequate and reliable flows of information to the ~~FSA~~ FCA; factors which may hinder these flows include the fact there may be branches or connected *companies* in territories which supervise *companies* to a different standard or territories with laws which restrict the free flow of information, although the ~~FSA~~ FCA will consider the totality of information available from all sources; and
- (3) ~~the *firm* and the *group* to which it belongs are, or will be, subject to supervision on a consolidated basis (consolidated supervision) (for example, if a financial resources requirement is determined for the *group* as a whole); and [deleted]~~
- (4) in respect of a *firm* not carrying on, or seeking to carry on, a *PRA-regulated activity*, it is possible to assess with confidence the overall financial position of the *group* at any particular time; factors which may make this difficult include lack of audited consolidated accounts for a *group*, if companies in the same *group* as the *firm* have different financial years and accounting dates and if they do not share common auditors.

2.3.4 G When assessing whether the *firm* will satisfy and continue to satisfy this [FCA] ~~threshold condition~~, the ~~FSA~~ will have regard to all relevant matters, whether arising in the *United Kingdom* or elsewhere. [deleted]

2.3.5 G The ~~FSA~~ will take into account relevant matters only in so far as they are [FCA] significant (see *COND 1.3.3G*). In determining the weight to be given to any relevant matter, the ~~FSA~~ will consider its significance in the context of its ability to supervise the *firm* adequately, having regard to the *regulatory objectives* in section 2 of the *Act*. In this context, a series of matters may be significant when taken together, even though each of them in isolation might not give serious cause for concern. [deleted]

Meaning of "parent undertaking" and "subsidiary undertaking"

2.3.6 G ... [FCA]

- (3) Paragraph ~~3(3)~~ 1A of Schedule 6 to the *Act* extends the meaning of "*subsidiary undertaking*" for the purposes of ~~this threshold condition 3 (Close links)~~ the threshold conditions to all the cases in articles 1(1) and (2) of the *Seventh Company Law Directive* in which one *undertaking* may be a *subsidiary* of another *undertaking* (see *COND 2.3.11G*).

- 2.3.7 G (1) For the purposes of ~~this threshold conditions 3 (Close links)~~ the threshold conditions set out in paragraphs 2C and 3B of Schedule 6 to the Act, and except in relation to an *incorporated friendly society*, an undertaking is a *parent undertaking* of another *undertaking* (a *subsidiary undertaking*) if any of the following apply to it:
- [FCA]
- ...
- (2) ~~A flowchart of COND 2.3.7 G(1) is set out in COND 2 Annex 1G.~~
[deleted]
- ...
- 2.3.10 G Section 420(3) of the *Act* (Parent and subsidiary undertaking) ~~(supplemented by paragraph 3 (Close links) of Schedule 6 to the Act)~~ states that an *incorporated friendly society* is a *parent undertaking* of another *body corporate* (a *subsidiary undertaking*) if it has the following relationship to it:
- [FCA]
- ...
- 2.3.11 G For the purposes of ~~this threshold condition~~ the threshold conditions set out in paragraphs 2C and 3B of Schedule 6 to the Act, an *undertaking* is a *subsidiary undertaking* of another *undertaking* if:
- [FCA]
- ...
- 2.3.11 G Paragraphs ~~3(2)(e) to (f)~~ 2C(2)(e) and (f) and 3B(2)(e) and (f) of Schedule 6 to the *Act* reflect legislation initially introduced in the *Post-BCCI Directive*, which defines close links, in part, by reference to participation. Recital 5 of the *Post-BCCI Directive* gives further guidance on what is meant by “participation” for the purposes of the directive. It states that the sole fact of having acquired a significant proportion of a company's capital does not constitute participation for the purposes of the directive if that holding has been acquired solely as a temporary investment which does not make it possible to exercise influence over the structure or financial policy of the undertaking.
- A
- [FCA]
- 2.3.12 G ...
- [FCA]
- COND ~~Threshold condition 4: Adequate~~ Appropriate resources
- 2.4

2.4.1 UK **Paragraph 4, Schedule 6 to the Act**

(1)	The resources of the person concerned must, in the opinion of the [FSA], be adequate in relation to the regulated activities that he seeks to carry on, or carries on.
(2)	In reaching that opinion, the [FSA] may-
(a)	take into account the person's membership of a group and any effect which that membership may have; and
(b)	have regard to-
(i)	the provision he makes and, if he is a member of a group, which other members of the group make in respect of liabilities (including contingent and future liabilities); and
(ii)	the means by which he manages and, if he is a member of a group, which other members of the group manage the incidence of risk in connection with his business.

[deleted]

2.4.1A UK **Paragraph 2D of Schedule 6 to the Act**

[FCA]

- (1) The resources of A must be appropriate in relation to the regulated activities that A carries on or seeks to carry on.**
- (2) The matters which are relevant in determining whether A has appropriate resources include-**
 - (a) the nature and scale of the business carried on, or to be carried on, by A;**
 - (b) the risks to the continuity of the services provided by, or to be provided by, A; and**
 - (c) A's membership of a group and any effect which that membership may have.**
- (3) The matters which are relevant in determining whether A has appropriate financial resources include-**
 - (a) the provision A makes and, if A is a member of a group, which other members of the group make, in respect of liabilities; and**
 - (b) the means by which A manages and, if A is a member of a group, by which other members of the group manage, the**

incidence of risk in connection with A's business.

- (4) The matters which are relevant in determining whether A has appropriate non-financial resources include-**
- (a) the skills and experience of those who manage A's affairs;**
 - (b) whether A's non-financial resources are sufficient to enable A to comply with -**
 - (i) requirements imposed or likely to be imposed on A by the FCA in the course of the exercise of its functions;**
 - (ii) any other requirement in relation to whose contravention the FCA would be the appropriate regulator for the purposes of any provision of Part 14 of this Act.**

2.4.1B **G** Paragraph 2D of Schedule 6 to the *Act* sets out the appropriate resources *threshold condition* for firms carrying on, or seeking to carry on, *regulated activities* which do not include a *PRA-regulated activity*.
[FCA]

2.4.1C **UK** **Paragraph 3C of Schedule 6 to the Act**
[FCA]

- (1) The non-financial resources of B must be appropriate in relation to the regulated activities that B carries on or seeks to carry on, having regard to the operational objectives of the FCA.**
- (2) The matters which are relevant in determining whether the condition in sub-paragraph (1) is met include-**
 - (a) the nature and scale of the business carried on, or to be carried on, by B;**
 - (b) the risks to the continuity of the services provided by, or to be provided by, B;**
 - (c) B's a member of a group and any effect which that membership may have;**
 - (d) the skills and experience of those who manage B's affairs;**
 - (e) whether B's non-financial resources are sufficient to enable B to comply with-**
 - (i) requirements imposed or likely to be imposed on B by the FCA in the exercise of its functions; or**
 - (ii) any other requirement in relation to whose contravention the FCA would be the appropriate**

regulator for the purpose of any provision of Part 14 of this Act.

- 2.4.1D [FCA] G Paragraph 3C of Schedule 6 to the Act sets out the appropriate non-financial resources *threshold condition* which is relevant to the discharge by the FCA of its functions under the Act in relation to *firms* carrying on, or seeking to carry on, *regulated activities* which include a *PRA-regulated activity*.
- 2.4.1E [FCA] G The *guidance* in COND 2.4 should be read as applying to both paragraph 2D of Schedule 6 of the Act and, as far as relevant to the discharge by the FCA of its functions in respect of *firms* carrying on, or seeking to carry on, a *PRA-regulated activity* under the Act, paragraph 3C of Schedule 6 of the Act.
- 2.4.1F [FCA] G As the *threshold condition* set out in paragraph 3C of Schedule 6 to the Act does not relate to financial resources, the *guidance* in COND 2.4 relating to appropriate financial resources only applies to the FCA's assessment of the *threshold condition* set out in paragraph 2D of Schedule 6 of the Act.
- 2.4.1G [FCA] G *Firms* carrying on, or seeking to carry on, a *PRA-regulated activity*, should note that the PRA is responsible for assessing their financial resources. Paragraphs 4D and 5D of Schedule 6 to the Act contain the *threshold conditions* relating to financial resources which are relevant to the discharge by the PRA of its functions under the Act in relation to *firms* carrying on, or seeking to carry on, a *PRA-regulated activity* (in addition to additional non-financial resources *threshold conditions* which are also relevant to the discharge by the PRA of its functions). For the avoidance of doubt, this *guidance* does not apply to *threshold conditions* set out in paragraphs 4D and 5D of Schedule 6 to the Act.
- 2.4.2 [FCA] G (1) ~~*Threshold condition 4* (Adequate resources), requires the FSA to ensure that a *firm* has adequate resources in relation to the specific *regulated activity* or *regulated activities* which it seeks to carry on, or carries on. [deleted]~~
- (2) The FSA-FCA will interpret the term “adequate” “appropriate” as meaning sufficient in terms of quantity, quality and availability, and “resources” as including all financial resources (though only in the case of *firms* not carrying on, or seeking to carry on, a *PRA-regulated activity*), non-financial resources and means of managing its resources; for example, capital, provisions against liabilities, holdings of or access to cash and other liquid assets, human resources and effective means by which to manage risks.
- (2A) Paragraph 1A(2) of Schedule 6 to the Act provides that “non-financial resources” of a *firm* for the purposes of the *threshold conditions* include any systems, controls, plans or policies that the *firm* maintains and the human resources that the *firm* has available.
- (3) ~~High level systems and control requirements are in SYSC. Detailed financial resources and systems requirements are in the relevant section of the Prudential Standards part of the *Handbook*, including~~

~~specific provisions for particular types of *regulated activity*. The *FSA FCA* will consider whether the *firm* is ready, willing and organised to comply with these and other applicable systems and controls requirements when assessing if it has appropriate non-financial resources for the purposes of ~~this *threshold condition*~~ the *threshold conditions* set out in paragraphs 2D and 3C to Schedule 6 of the *Act*.~~

- (4) Detailed financial resources requirements are in the relevant section of the Prudential Standards part of the *FCA Handbook*, including specific provisions for particular types of *regulated activity*. The *FCA* will consider whether *firms* (other than *firms* carrying on, or seeking to carry on, *PRA regulated activities*) are ready, willing and organised to comply with these requirements when assessing if they have appropriate financial resources for the purposes of ~~this~~ the *threshold condition* set out in paragraph 2D of Schedule 6 to the *Act*.

2.4.3 G (1) ~~When assessing this *threshold condition*, the *FSA* may have regard to any *person* appearing to it to be, or likely to be, in a relevant relationship with the *firm*, in accordance with section 49 of the *Act* (Persons connected with an applicant); for example, a *firm's* controllers, its directors or partners, other persons with close links to the *firm* (see *COND 2.3*), and other persons that exert influence on the *firm* which might pose a risk to the *firm's* satisfaction of the *threshold conditions* and would, therefore, be in a relevant relationship with the *firm*. [deleted]~~

[FCA]

- (2) ~~In particular, although~~ Although it is the *firm* that is being assessed, the ~~*FSA FCA*~~ *FSA FCA* may take into consideration the impact of other members of the *firm's group* on the adequacy of its resources, where relevant to the discharge of the *FCA's* functions. For example, in relation to a *firm* other than a *firm* carrying on, or seeking to carry on, a *PRA-regulated activity*, the *FSA FCA* may assess the consolidated solvency of the *group*. The *FSA FCA's* approach to the consolidated supervision of a *firm* such a *firm*, and its *group*, is in the relevant part of the Prudential Standards part of the *FCA Handbook*.

2.4.4 G (1) ~~When assessing whether a *firm* will satisfy and continue to satisfy *threshold condition 4*, the *FSA* will have regard to all relevant matters, whether arising in the *United Kingdom* or elsewhere. [deleted]~~

[FCA]

- (2) Relevant matters to which the *FCA* may have regard when assessing whether a *firm* will satisfy, and continue to satisfy, this *threshold condition* may include but are not limited to:
- (a) (in relation to a *firm* other than a *firm* carrying on, or seeking to carry on, a *PRA-regulated activity*), whether there are any indications that the *firm* may have difficulties if the application is granted (see *COND 2.4.6G*), at the time of the grant or in the future, in complying with any of the *FSA FCA's* prudential rules (see the relevant part of the Prudential Standards part of the

FCA Handbook);

- (b) (in relation to a firm other than a firm carrying on, or seeking to carry on, a PRA-regulated activity, whether there are any indications that the firm will not be able to meet its debts as they fall due;

...

- (d) whether the firm has taken reasonable steps to identify and measure any risks of regulatory concern that it may encounter in conducting its business (~~see COND 2.4.6G~~) and has installed appropriate systems and controls and appointed appropriate human resources to measure them prudently at all times; ~~see SYSC 3.1 (Systems and Controls), SYSC 3.2 (Areas covered by systems and controls) and SYSC 4.1.1R (Organisational requirements); and~~

- (e) whether the firm has conducted enquiries into the financial services sector in which it intends to conduct business (~~see COND 2.4.6G~~) that are sufficient to satisfy itself that:

- (i) it has access to adequate capital, by reference to the ~~FSA's~~ FCA's prudential requirements, to support the business including any losses which may be expected during its start-up period (in relation to a firm other than a firm carrying on, or seeking to carry on, a PRA-regulated activity); and

- (ii) Client money, deposits, custody assets and policyholders' rights will not be placed at risk if the business fails; and

- (f) whether the resources of the firm are commensurate with the likely risks it will face.

- (3) ~~In the context of threshold condition 4 (Adequate resources), the FSA will only take into account relevant matters which are material (see COND 1.3.3G). The FSA will consider the materiality of each relevant matter in relation to the regulated activities for which the firm has, or will have, permission, having regard to the regulatory objectives in section 2 of the Act (The FSA's general duties). It should be noted that a series of matters may be significant when taken together, even if each of them in isolation might not be significant. [deleted]~~

- (4) ~~In making its assessment, the FSA will consider the individual circumstances of each firm on a case by case basis. [deleted]~~

- 2.4.5 G ~~In complying with SYSC (Systems and controls), a firm should plan its business appropriately so that it is able to identify, measure and manage the likely risks of regulatory concern it will face (SYSC 3.2.17G (Business strategy) and SYSC 7 (Risk Control)). [deleted]~~

- 2.4.6 G (1) Any newly formed *firm* can be susceptible to early difficulties. These difficulties could arise from a lack of relevant expertise and judgment, or from ill-constructed and insufficiently tested business strategies. A *firm* may also be susceptible to difficulties where it substantially changes its business activities. ~~[deleted]~~
- [FCA]
- (2) As a result, the *FSA* would expect a *firm* which is applying for *Part IV permission*, or a substantial variation of that *permission*, to take adequate steps to satisfy itself and, if relevant, the *FSA* that:
- (a) it has a well-constructed business plan or strategy plan for its product or service which demonstrates that it is ready, willing and organised to comply with the relevant requirements in the Prudential Standards part of the *Handbook* and *SYSC* that apply to the *regulated activity* it is seeking to carry on;
 - (b) its business plan or strategy plan has been sufficiently tested; and
 - (c) the financial and other resources of the *firm* are commensurate with the likely risks it will face. ~~[deleted]~~
- (3) The *FSA* would expect the level of detail in a *firm's* business plan or strategy plan in (2) to be appropriate to the complexity of the *firm's* proposed *regulated activities* and *unregulated activities* and the risks of regulatory concern it is likely to face (see *SYSC* 3.2.11G (Management information) and *SYSC* 7 (Risk control)). Notes on the contents of a business plan are given in the business plan section of the application pack for *Part IV* permission. A *firm* requiring specific *guidance* on the contents and level of detail of its business plan should contact the Firm Contact Centre (020 7066 3954), or, if relevant, its usual supervisory contact at the *FSA*, or seek professional assistance. ~~[deleted]~~

2.5 ~~Threshold condition 5: Suitability~~

2.5.1 UK ~~Paragraph 5, Schedule 6 to the Act~~

The person concerned must satisfy the [FSA] that he is a fit and proper person having regard to all the circumstances, including-	
(a)	his connection with any person;
(b)	the nature of any regulated activity that he carries on or seeks to carry on; and
(c)	the need to ensure that his affairs are conducted soundly and prudently.

~~[deleted]~~

2.5.1A UK Paragraph 2E to Schedule 6 of the Act

[FCA]

- (1) A must be a fit and proper person having regard to all the circumstances, including-
- (a) A's connection with any person;
 - (b) the nature (including the complexity) of any regulated activity that A carries on or seeks to carry on;
 - (c) the need to ensure that A's affairs are conducted in an appropriate manner, having regard in particular to the interests of consumers and the integrity of the UK financial system;
 - (d) whether A has complied and is complying with requirements imposed by the FCA in the exercise of its functions, or requests made by the FCA, relating to the provision of information to the FCA and, where A has so complied or is so complying, the manner of that compliance;
 - (e) whether those who manage A's affairs have adequate skills and experience and act with probity;
 - (f) whether A's business is being, or is to be, managed in such a way as to ensure that its affairs will be conducted in a sound and prudent manner; and
 - (g) the need to minimise the extent to which it is possible for the business carried on by A, or to be carried on by A, to be used for a purpose connected with financial crime.

2.5.1B G Paragraph 2E of Schedule 6 to the Act sets out the suitability *threshold condition* for firms carrying on, or seeking to carry on, *regulated activities* which do not consist of or include a *PRA-regulated activity*.
[FCA]

2.5.1C UK Paragraph 3D to Schedule 6 of the Act

[FCA]

- (1) B must be a fit and proper person, having regard to the operational objectives of the FCA.
- (2) The matters which are relevant in determining whether B satisfies the condition in sub-paragraph (1) include-
- (a) B's connection with any person;
 - (b) the nature (including the complexity) of any regulated activity that B carries on or seeks to carry on;

- (c) the need to ensure that B's affairs are conducted in an appropriate manner, having regard in particular to the interests of consumers and the integrity of the UK financial system;
- (d) whether B has complied and is complying with requirements imposed by the FCA in the exercise its functions, or requests made by the FCA, relating to the provision of information to the FCA and, where B has so complied or is so complying, the manner of that compliance;
- (e) whether those who manage B's affairs have adequate skills and experience and act with probity; and
- (f) the need to minimise the extent to which it is possible for the business carried on by B, or to be carried on by B, to be used for a purpose connected with financial crime.

- 2.5.1D G Paragraph 3D of Schedule 6 to the *Act* sets out the *suitability threshold condition* which is relevant to the discharge by the *FCA* of its functions under the *Act* in relation to *firms* carrying on, or seeking to carry on, *regulated activities* which include a *PRA-regulated activity*.
[FCA]
- 2.5.1E G The *guidance* in *COND 2.5* should be read as applying to both paragraph 2E of Schedule 6 to the *Act* and, as far as relevant to the discharge by the *FCA* of its functions under the *Act* in respect of *firms* carrying on, or seeking to carry on, a *PRA-regulated activity*, paragraph 3D of Schedule 6 of the *Act*.
[FCA]
- 2.5.1F G *Firms* carrying on, or seeking to carry on, a *PRA-regulated activity*, should note that the *PRA* is also responsible for assessing suitability under its own *threshold conditions*. Paragraphs 4E and 5E of Schedule 6 to the *Act* set out the *suitability threshold conditions* which are relevant to the discharge by the *PRA* of its functions under the *Act* in relation to *firms* carrying on, or seeking to carry on, a *PRA-regulated activity*. For the avoidance of doubt, this *guidance* does not apply to the *threshold conditions* set out in paragraph 4E and 5E of Schedule 6 to the *Act*.
[FCA]
- 2.5.2 G (1) ~~*Threshold condition 5* (Suitability), requires the *firm* to satisfy the *FSA* that it is 'fit and proper' to have *Part IV permission* having regard to all the circumstances, including its connections with other *persons*, the range and nature of its proposed (or current) *regulated activities* and the overall need to be satisfied that its affairs are and will be conducted soundly and prudently (see also *PRIN* and *SYSC*). [deleted]~~
[FCA]
- (2) The ~~*FSA*~~ *FCA* will also take into consideration anything that could influence a *firm's* continuing ability to satisfy ~~this threshold condition~~ the *threshold conditions* set out in paragraphs 2E and 3D of Schedule 6 to the *Act*. Examples include the *firm's* position within a *UK* or international *group*, information provided by *overseas regulators* about the *firm*, and the *firm's* plans to seek to vary its ~~*Part IV 4A permission*~~ to carry on additional *regulated activities* once it has been granted that

permission by the FSA.

- 2.5.3 [FCA] G (1) The emphasis of ~~this *threshold condition*~~ the *threshold conditions* set out in paragraphs 2E and 3D of Schedule 6 of the Act is on the suitability of the *firm* itself. The suitability of each *person* who performs a *controlled function* will be assessed by the ~~FSA FCA~~ and/or the PRA, as appropriate, under the *approved persons* regime (see SUP 10A (Approved persons) and FIT). In certain circumstances, however, the ~~FSA FCA~~ may consider that the *firm* is not suitable because of doubts over the individual or collective suitability of *persons* connected with the *firm*.
- (2) ~~When assessing this *threshold condition* in relation to a *firm*, the FSA may have regard to any *person* appearing to it to be, or likely to be, in a relevant relationship with the *firm*, as permitted by section 49 of the Act (Persons connected with an applicant) (see COND 2.4.3G).~~
- (3) ~~In relation to a *firm* which is an EEA regulated entity, the Financial Groups Directive provides that the FSA should consult other competent authorities when assessing the suitability of the shareholders and the reputation and experience of directors involved in the management of another entity in the same group. [deleted]~~
- 2.5.4 [FCA] G (1) ~~When determining whether the *firm* will satisfy and continue to satisfy *threshold condition 5*, the FSA will have regard to all relevant matters, whether arising in the United Kingdom or elsewhere. [deleted]~~
- (2) ~~Relevant matters which the FCA may have regard when assessing whether a *firm* will satisfy, and continue to satisfy, this *threshold condition* include, but are not limited to, whether a *firm*: Examples of the kind of general considerations to which the FCA may have regard when assessing whether a *firm* will satisfy, and continue to satisfy, the *threshold conditions* set out in paragraphs 2E and 3D of Schedule 6 to the Act include, but are not limited to, whether the *firm*:~~
- (a) ...
- (3) ~~The FSA will take into account relevant matters only to the extent that they are significant (see COND 1.3.3G). In determining whether relevant matters are significant to the *firm*, the FSA will consider significance in the context of the suitability of the *firm*, having regard to the *regulatory objectives* in section 2 of the Act (The FSA's general duties); a series of matters may be significant when taken together, even if each of them in isolation may not be significant. [deleted]~~
- (4) ~~In making its assessment, the FSA will, therefore, consider the individual circumstances of each *firm* on a case-by-case basis. [deleted]~~
- 2.5.5 G Where ~~a *firm* is applying for Part IV permission or a substantial variation of that permission~~, the guidance in COND 2.4.6G is relevant. For the purpose of

~~threshold condition 5, however, the FSA would expect the firm's business plan or strategy plan to take into account the interests of consumers and demonstrate that it is ready, willing and organised to comply with the relevant requirements in the Handbook that apply to the regulated activity it is seeking to carry on. [deleted]~~

Conducting business with integrity and in compliance with proper standards

- 2.5.6 [FCA] G ~~In determining whether a firm will satisfy, and continue to satisfy, threshold condition 5 in respect of conducting its business with integrity and in compliance with proper standards, the relevant matters, as referred to in COND 2.5.4G(2), may include, but are not limited to whether: Examples of the kind of particular considerations to which the FCA may have regard when assessing whether a firm will satisfy, and continue to satisfy, this threshold condition include, but are not limited to, whether:~~
- ~~(1) the firm has been open and co-operative in all its dealings with the FSA FCA and any other regulatory body (see Principle 11 (Relations with regulators)) and is ready, willing and organised to comply with the requirements and standards under the regulatory system (such as the detailed requirements of SYSC and, in relation to a firm not carrying on, or seeking to carry on, a PRA-regulated activity only, the Prudential Standards part of the FCA Handbook), and in addition to other legal, regulatory and professional obligations; the relevant requirements and standards will depend on the circumstances of each case, including the regulated activities which the firm has permission, or is seeking permission, to carry on;~~
 - ~~(1A) the firm has made arrangements to put in place an adequate system of internal control to comply with the requirements and standards for which the FCA is responsible under the regulatory system;~~
 - ~~(2) the firm has been convicted, or is connected with a person who has been convicted, of any criminal offence; this must include, where provided for by the Rehabilitation Exceptions Orders to the Rehabilitation of Offenders Act 1974 or the Rehabilitation of Offenders (Northern Ireland) Order 1978 (as applicable), any spent convictions; particular consideration will be given to offences of dishonesty, fraud, financial crime or an offence under legislation relating to companies, building societies, industrial and provident societies, credit unions, friendly societies, banking, other financial services, insolvency, consumer credit companies, insurance, consumer protection, money laundering, market manipulation and insider dealing, whether or not in the United Kingdom United Kingdom;~~
 - ~~(3) the firm has been the subject of, or connected to the subject of, any existing or previous investigation or enforcement proceedings by the FSA FCA, the Society of Lloyd's or by other regulatory authorities (including the FSA FCA's predecessors), clearing houses or exchanges, professional bodies or government bodies or agencies; the FSA FCA will, however, take both the nature of the firm's~~

involvement in, and the outcome of, any investigation or enforcement proceedings into account in determining whether it is a relevant matter;

- (4) the *firm* has contravened, or is connected with a *person* who has contravened, any provisions of the *Act* or any preceding financial services legislation, the *regulatory system* or the rules, regulations, statements of principles or codes of practice (for example the *Society of Lloyd's Codes*) of other regulatory authorities (including the *FSA FCA's* predecessors), *clearing houses* or *exchanges*, *professional bodies*, or government bodies or agencies or relevant industry standards (such as the Non-Investment Products Code); the *FSA FCA* will, however, take into account both the status of codes of practice or relevant industry standards and the nature of the contravention (for example, whether a *firm* has flouted or ignored a particular code);
- (5) the *firm*, or a *person* connected with the *firm*, has been refused registration, authorisation, membership or licence to carry out a trade, business or profession or has had that registration, authorisation, membership or licence revoked, withdrawn or terminated, or has been expelled by a regulatory or government body; whether the *FSA FCA* considers such a refusal relevant will depend on the circumstances;
- (6) ~~the *firm* has taken reasonable care to establish and maintain effective systems and controls for compliance with applicable requirements and standards under the regulatory system that apply to the *firm* and the regulated activities for which it has, or will have, permission (see SYSC 3.2.6R to SYSC 3.2.8R (Compliance) and SYSC 6.1.1R to SYSC 6.1.5R and SYSC 6.3); [deleted]~~
- (7) the *firm* has put in place procedures which are reasonably designed to:
 - (a) ensure that it has made its *employees* aware of, and compliant with, those requirements and standards under the *regulatory system* that apply to the *firm* for which the *FCA* is responsible and the *regulated activities* for which it has, or will have *permission*;
 - (b) ensure that its *approved persons* (whether or not employed by the *firm*) are aware of those requirements and standards under the *regulatory system* applicable to them;
 - (c) determine that its *employees* are acting in a way compatible with the *firm* adhering to those requirements and standards; and
 - (d) determine that its *approved persons* are adhering to those requirements and standards;
- (8) the *firm* or a *person* connected with the *firm* has been dismissed from employment or a position of trust, fiduciary relationship or similar or has ever been asked to resign from employment in such a position;

whether the ~~FSA~~ FCA considers a resignation to be relevant will depend on the circumstances, for example if a *firm* is asked to resign in circumstance that cast doubt over its honesty or integrity; ~~and~~

- (9) the *firm* or a *person* connected with the *firm* has ever been disqualified from acting as a *director*;
- (10) the *governing body* of the *firm* is made up of individuals with an appropriate range of skills and experience to understand, operate and manage the *firm's regulated activities*;
- (11) where appropriate, the *governing body* of the *firm* includes non-executive representation, at a level which is appropriate for the control of the *regulated activities* proposed, for example, as members of an audit committee;
- (12) those *persons* who perform *controlled functions* under certain arrangements entered into by the *firm* or its contractors (including appointed representatives or, where applicable, tied agents) act with due skill, care and diligence in carrying out their *controlled function* (see *APER 4.2* (Statement of Principle 2) or managing the business for which they are responsible (see *APER 4.7* (Statement of Principle 7));
- (13) the *firm*, or a *person* connected with the *firm*, has been a *director*, *partner* or otherwise concerned in the management of a *company*, *partnership* or other organisation or business that has gone into insolvency, liquidation or administration while having been connected with that organisation or within one year of such a connection;
- (14) the *governing body* of the *firm* is organised in a way that enables it to address and control the *regulated activities* of the *firm*, including those carried on by *managers* to whom particular functions have been delegated;
- (15) the *firm* has developed human resources policies and procedures that are reasonably designed to ensure that it employs only individuals who are honest and committed to high standards of integrity in the conduct of their activities;
- (16) the *firm* has taken reasonable care to ensure that robust information and reporting systems have been developed, tested and properly installed;
- (17) the *firm* has in place appropriate systems and controls against financial crime, including, for example, *money laundering*;
- (18) in the case of a *firm* that carries on *insurance mediation activity*:
 - (a) a reasonable proportion of the *persons* within its management structure who are responsible for the *insurance mediation activity*; and

(b) all other persons directly involved in its insurance mediation activity;

demonstrate the knowledge and ability necessary for the performance of their duties; and

(c) all the persons in the firm's management structure and any staff directly involved in insurance mediation activity are of good repute (see MIPRU 2.3.1R (Knowledge, ability and good repute)); and

(19) where appropriate, the firm has appointed auditors and actuaries, who have sufficient experience in the areas of business to be conducted.

~~Competent and prudent management and exercise of due skill, care and diligence~~

2.5.7 [FCA] G ~~In determining whether a firm will satisfy and continue to satisfy threshold condition 5 in respect of having competent and prudent management and exercising due skill, care and diligence, relevant matters, as referred to in COND 2.5.4G(2), may include, but are not limited to whether:~~

- ~~(1) the governing body of the firm is made up of individuals with an appropriate range of skills and experience to understand, operate and manage the firm's regulated activities;~~
- ~~(2) if appropriate, the governing body of the firm includes non executive representation, at a level which is appropriate for the control of the regulated activities proposed, for example, as members of an audit committee;~~
- ~~(3) the governing body of the firm is organised in a way that enables it to address and control the regulated activities of the firm, including those carried on by managers to whom particular functions have been delegated (see SYSC 2.1 (Apportionment of responsibilities) and SYSC 3.2 (Areas covered by systems and controls) and SYSC 4.1.1R (General organisational requirements));~~
- ~~(4) those persons who perform controlled functions under certain arrangements entered into by the firm or its contractors (including appointed representatives or, where applicable, tied agents) act with due skill, care and diligence in carrying out their controlled function (see APER 4.2 (Statement of Principle 2) or managing the business for which they are responsible (see APER 4.7 (Statement of Principle 7));~~
- ~~(5) the firm has made arrangements to put in place an adequate system of internal control to comply with the requirements and standards under the regulatory system (see SYSC 3.1 (Systems and Controls) and SYSC 4.1 (General organisational requirements));~~
- ~~(6) the firm has approached the control of financial and other risk in a prudent manner (for example, by not assuming risks without taking due account of the possible consequences) and has taken reasonable~~

~~care to ensure that robust information and reporting systems have been developed, tested and properly installed (see SYSC 3.2.10 G (Risk assessment) and SYSC 7.1 (Risk control));~~

- ~~(7) the *firm*, or a *person* connected with the *firm*, has been a *director*, *partner* or otherwise concerned in the management of a *company*, *partnership* or other organisation or business that has gone into insolvency, liquidation or administration while having been connected with that organisation or within one year of such a connection;~~
- ~~(8) the *firm* has developed human resources policies and procedures that are reasonably designed to ensure that it employs only individuals who are honest and committed to high standards of integrity in the conduct of their activities (see, for example, SYSC 3.2.13G (Employees and agents) and SYSC 5.1 (Employees, agents and other relevant persons));~~
- ~~(9) the *firm* has conducted enquiries (for example, through market research or the previous activities of the *firm*) that are sufficient to give it reasonable assurance that it will not be posing unacceptable risks to *consumers* or the *UK financial system*;~~
- ~~(10) the *firm* has in place systems and controls against *money laundering* of the sort described in SYSC 3.2.6R to SYSC 3.2.6JG and SYSC 6.3 (Financial crime);~~
- ~~(11) where appropriate, the *firm* has appointed auditors and actuaries, who have sufficient experience in the areas of business to be conducted (see SUP 3.4 (Auditors' qualifications) and SUP 4.3.8G to SUP 4.3.10G (Actuary's qualifications)); and~~
- ~~(12) in the case of a *firm* that carries on *insurance mediation activity*:

 - ~~(a) a reasonable proportion of the *persons* within its management structure who are responsible for the *insurance mediation activity*; and~~
 - ~~(b) all other *persons* directly involved in its *insurance mediation activity*;~~~~

~~demonstrate the knowledge and ability necessary for the performance of their duties; and~~

- ~~(c) all the persons in its management structure and any staff directly involved in *insurance mediation activity* are of good repute (see MIPRU 2.3.1 R (Knowledge, ability and good repute)).~~
~~[deleted]~~

...

COND 2.6 is deleted in its entirety. The deleted text is not shown.

Insert the following new sections after COND 2.6. This text is all new and is not underlined.

2.7 Business model

2.7.1 UK Paragraph 2F to Schedule 6 of the Act

[FCA]

- (1) **A's business model (that is, A's strategy for doing business) must be suitable for a person carrying on the regulated activities that A carries on or seeks to carry on.**
- (2) **The matters which are relevant in determining whether A satisfies the condition in sub-paragraph (1) include-**
 - (a) **whether the business model is compatible with A's affairs being conducted, and continuing to be conducted, in a sound and prudent manner;**
 - (b) **the interests of consumers;**
 - (c) **the integrity of the UK financial system.**

2.7.2 G Paragraph 2F of Schedule 6 to the *Act* sets out the business model *threshold condition* for *firms* carrying on, or seeking to carry on, *regulated activities* which do not include a *PRA-regulated activity*.
[FCA]

2.7.3 UK Paragraph 3E to Schedule 6 of the Act

[FCA]

B's business model (that is, B's strategy for doing business) must be suitable for a person carrying on the regulated activities that B carries on or seeks to carry on, having regard to the FCA's operational objectives.

2.7.4 G Paragraph 3E of Schedule 6 to the *Act* sets out the business model *threshold condition* which is relevant to the discharge by the *FCA* of its functions under the *Act* in relation to *firms* carrying on, or seeking to carry on, *regulated activities* which include a *PRA-regulated activity*.
[FCA]

2.7.5 G The *guidance* in *COND 2.7* should be read as applying to both paragraph 2F of Schedule 6 to the *Act* and, as far as relevant to the discharge by the *FCA* of its functions under the *Act* in respect of *firms* carrying on, or seeking to carry on, a *PRA-regulated activity*, paragraph 3E of Schedule 6 of the *Act*.
[FCA]

2.7.6 G *Firms* carrying on, or seeking to carry on, a *PRA-regulated activity*, should note that the *PRA* states in its Approach Documents that analysis of such *firms'* business models will form an important part of the *PRA's* supervisory
[FCA]

approach. For the avoidance of doubt, this guidance does not apply to the *PRA's* own assessment of the *firms'* business models.

- 2.7.7 [FCA] G In assessing whether the *threshold conditions* set out in paragraphs 2F and 3E of Schedule 6 to the *Act* are satisfied, the *FCA* may consider all matters that might affect the design and execution of a *firm's* business model, taking into account the nature, scale and complexity of a *firm's* business.
- 2.7.8 [FCA] G In deciding how they will satisfy and continue to satisfy the *threshold conditions* set out in paragraphs 2F and 3E of Schedule 6 to the *Act*, *firms* should consider matters including (but not limited to) the following:
- (1) the assumptions underlying the *firm's* business model and justification for it;
 - (2) the rationale for the business the *firm* proposes to do or continues to do, its competitive advantage, viability and the longer-term profitability of the business;
 - (3) the needs of and risks to *consumers*;
 - (4) the expectations of stakeholders, for example, shareholders and regulators;
 - (5) the products and services being offered and product strategy;
 - (6) the governance and controls of the *firm* and of any member of its *group* (if appropriate);
 - (7) the growth strategy and any risks arising from it;
 - (8) any diversification strategies; and
 - (9) the impact of the external macroeconomic and business environment.
- 2.7.9 [FCA] G *Firms* should consider the manner in which they intend to bring their business model into operation. This plan could, for example, include matters such as procurement, outsourcing, and recruitment.
- 2.7.10 [FCA] G *Firms* should consider scenarios which may negatively impact on the *firm's* business model with a view to ensuring the sustainability of the *firm* and, further, to consider the vulnerability of the business model to specific events and the risks and consequences that might arise. Where appropriate, this might include reverse stress-testing (see SYSC 20 '*Reverse stress testing*'). A *firm* should put in place a credible plan to minimise the risks that it identifies from, or in relation to, its business model and a contingency plan for dealing with risks that have crystallised.
- 2.7.11 [FCA] G *Firms* should ensure that any adjustments to its business model:

- (1) are approved at an appropriate level in the business;
- (2) are considered in the light of any potential risks, impacts and consequences of the proposed changes; and
- (3) appropriately take into account the needs of and risks to *clients* and relevant *consumers*.

2.7.12 G The *FCA*'s assessment of a *firm*'s satisfaction of this *threshold conditions* set out in paragraphs 2F and 3E of Schedule 6 to the *Act* will not necessarily be limited to a *firm's regulated activities* if the *FCA* believes the *firm's* other business activities, if any, may impact on a *firm's regulated activities*.

[FCA]

COND 2 Annex 1G is deleted in its entirety. The deleted text is not shown.

Annex C

Amendments to the Insurance: Conduct of Business sourcebook (ICOBS)

8 Claims handling

...

8.2 Motor vehicle liability insurers

...

Requirement to appoint claims representatives

~~8.2.2 G A firm must have a claims representative in each EEA State other than the United Kingdom (see threshold condition 2A)~~

8.2.2A R A person carrying on, or seeking to carry on, motor vehicle liability insurance business must have a claims representative in each EEA state other than the United Kingdom.

SCHEDULE A

Part 1

Column 1	Column 2	Column 3
Provisions of the 2000 Act under which the Authority made rules	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
Section 59 (Approval for particular arrangements)	Section 59	Section 59
Section 72 (The competent authority)	Part VI	None
Section 73A (Part 6 Rules)	Section 73A	None
Section 74 (The official list)	Section 74	None
Section 75 (Applications for listing)	Section 75	None
Section 77 (Discontinuance and suspension of listing)	Section 77	None
Section 79 (Listing particulars and other documents)	Section 79	None
Section 80 (General duty of disclosure in listing particulars)	Section 80	None
Section 81 (Supplementary listing particulars)	Section 81	None
Section 84 (Matters which may be dealt with by prospectus rules)	Section 84	None
Section 85 (Prohibition of dealing etc in transferable securities without approved prospectus)	Section 85	None
Section 87 (Election to have prospectus)	Section 87	None
Section 87A (Criteria for approval of prospectus by competent authority)	Section 87A	None

Column 1	Column 2	Column 3
Provisions of the 2000 Act under which the Authority made rules	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
Section 87B (Exemptions from disclosure)	Section 87B	None
Section 87G (Supplementary prospectus)	Section 87G	None
Section 88 (Sponsors)	Section 88	None
Section 89 (Public censure of sponsor)	Sections 88A-88F	None
Section 89A (Transparency rules)	Section 89A	None
Section 89B (Provision of voteholder information)	Section 89B	None
Section 89C (Provision of information by issuers of transferable securities)	Section 89C	None
Section 89D (Notification of voting rights held by issuer)	Section 89D	None
Section 89E (Notification of proposed amendment of issuer's constitution)	Section 89E	None
Section 89F (Transparency rules: interpretation etc)	Section 89F	None
Section 89G (Transparency rules: other supplementary provisions)	Section 89G	None
Section 89O (Corporate governance rules)	Section 89O	None
Section 96 (Obligations of issuers of listed securities)	Section 96	None
Section 96A (Disclosure of information requirements)	Section 96A	None

Column 1	Column 2	Column 3
Provisions of the 2000 Act under which the Authority made rules	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
Section 96C (Suspension of trading)	Section 96C	None
Section 99 (Fees)	Schedule 1ZA, Paragraph 23.	Schedule 1ZB, Paragraph 31.
Section 99(1) and (2) (Fees)	Schedule 1ZA, Paragraph 23.	Schedule 1ZB, Paragraph 31
Section 100 (Penalties)	Sections 312J and 312K, and schedule 1ZA, Part 2.	None
Section 101 (Part 6 rules: general provisions)	Sections 101 and 137T.	None.
Section 118(8) (Market abuse)	Section 118(8)	None
Section 136(2) (Funding of the legal assistance scheme)	Section 136(2)	None
Section 138 (General rule-making power)	Section 137A	Section 137G
Section 138(1) (General rule-making power)	Section 137A(1)	Section 137G(1)
Section 139 (Miscellaneous ancillary matters)	Section 137B	None
Section 139(4) (Miscellaneous ancillary matters)	Section 137B(3)	None
Section 139A (General rules about remuneration)	Sections 137H and 137I	Sections 137H and 137I
Section 140 (Restrictions on managers of certain collective investment schemes)	Section 137A(1)	Section 137G(1)
Section 141 (Insurance business rules)	Section 137A(1)	Section 137G(1)
Section 142(2) (Insurance	Section 137A(1)	Section 137G(1)

Column 1	Column 2	Column 3
Provisions of the 2000 Act under which the Authority made rules	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
business: regulations supplementing Authority's rules)		
Section 144 (Price stabilising rules)	Section 137Q	None
Section 145 (Financial promotion rules)	Section 137R	None
Section 146 (Money laundering rules)	Section 137A(1)	None
Section 147 (Control of information rules)	Section 137P	Section 137P
Section 148(3) (Modification or waiver of rules)	Section 138A(3)	Section 138A(3)
Section 149 (Evidential provisions)	Section 138C	Section 138C
Section 150(2) (Actions for damages)	Section 138D(3)	Section 138D(1)
Section 156 (General supplementary powers)	Section 137T	Section 137T
Section 213 (The compensation scheme) (including as referred to in section 216(5) (Continuity of long-term insurance policies) and section 217(7) (Insurers in financial difficulties)	Section 213	Section 213
Section 214 (General)	Section 214	Section 214
Section 215 (Rights of the scheme in relevant person's insolvency)	Section 215	Section 215
Section 216 (Continuity of long-term insurance policies)	Section 216	Section 216

Column 1	Column 2	Column 3
Provisions of the 2000 Act under which the Authority made rules	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
Section 217 (Insurers in financial difficulties)	Section 217	Section 217
Section 218(2)(b) (Annual report)	Section 218(2)(b)	Section 218(2)(b)
Section 223 (Management expenses)	Section 223	Section 223
Section 223C (Payments in error)	Section 223C	Section 223C
Section 224F (Rules about relevant schemes)	Section 224F	Section 224F
Section 226 (Compulsory jurisdiction) (including as applied by regulation 125 of the Payment Services Regulations 2009 (SI 2009/209))	Section 226	None
Section 226A(7) (Consumer credit jurisdiction)	Section 226A(7)	None
Section 229 (Awards)	Section 229	None
Section 234 (Industry funding)	Section 234	None
Section 238(5) (Restrictions on promotion)	Section 238(5)	None
Section 239 (Single property schemes)	Section 239	None
Section 242 (Applications for authorisation of unit trust schemes)	Section 242	None
Section 247 (Trust scheme rules)	Section 247	None
Section 248 (Scheme particulars rules)	Section 248	None

Column 1	Column 2	Column 3
Provisions of the 2000 Act under which the Authority made rules	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
Section 278 (Rules as to scheme particulars)	Section 278	None
Section 283(1) (Facilities and information in UK)	Section 283(1)	None
Section 293 (Notification requirements)	Section 293	Section 293
Section 293(1) (Notification requirements)	Section 293(1)	Section 293(1)
Section 295 (Notification: overseas investment exchanges and overseas clearing houses)	Section 295	Section 295
Section 300B (Duty to notify proposal to make regulatory provision)	Section 300B	Section 300B
Section 322 (Rules applicable to former underwriting members)	None	Section 322
Section 332(1) (Rules in relation to persons to whom the general prohibition does not apply)	Section 332(1)	None
Section 340 (Appointment)	Section 340	Section 340
Paragraph 17 (Fees) of Schedule 1 (The Financial Services Authority)	Schedule 1ZA, Paragraph 23.	Schedule 1ZB, Paragraph 31.
Paragraph 17(1) (Fees) of Schedule 1 (The Financial Services Authority)	Schedule 1ZA, Paragraph 23(1).	Schedule 1ZB, Paragraph 31(1).
Paragraph 12 of Part 2 (Funding) of Schedule 1A (Further provision about the Consumer Financial	Paragraph 12 of Part 2 (Funding) of Schedule 1A (Further provision about the Consumer Financial	None

Column 1	Column 2	Column 3
Provisions of the 2000 Act under which the Authority made rules	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
Education Body)	Education Body)	
Paragraph 12(1) (Funding of the relevant costs by authorised persons or payment service providers) of Part 2 of Schedule 1A (Further provision about the Consumer Financial Education Body)	Paragraph 12(1) (Funding of the relevant costs by authorised persons or payment service providers) of Part 2 of Schedule 1A (Further provision about the Consumer Financial Education Body)	None
Paragraphs 19 (Establishment) and 20 (Services) of Schedule 3 (EEA Passport Rights)	Paragraphs 19 (Establishment) and 20 (Services) of Schedule 3 (EEA Passport Rights)	Paragraphs 19 (Establishment) and 20 (Services) of Schedule 3 (EEA Passport Rights)
Schedule 7 (The Authority as Competent Authority for Part VI)	Part VI	None
Paragraphs 1 (General), 4 (Rules), and 7 (Fees) of Schedule 7 (The Authority as Competent Authority for Part VI)	Part VI and Schedule 1ZA Paragraph 23	None
Paragraphs 7(3) (Annual reports), 13 (Authority's procedural rules), 16B (Procedure for complaints etc) and 16D (Enforcement of money awards) of Schedule 17 (The Ombudsman Scheme)	Paragraphs 7(3) (Annual reports), 13 (Authority's procedural rules), 16B (Procedure for complaints etc) and 16D (Enforcement of money awards) of Schedule 17 (The Ombudsman Scheme)	None
Paragraph 13(4) (Authority's procedural rules) of Schedule 17 (The Ombudsman Scheme) to the Act	Paragraph 13(4) of Schedule 17	None

SCHEDULE A

Part 2

Column 1	Column 2	Column 3
Provisions of other enactments under which the Authority made rules	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
Regulation 6(1) (FSA rules) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228)	Regulation 6(1) (FCA rules) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228).	None
Article 4(1) (Designation of pre-commencement provisions) of the Financial Services and Markets Act 2000 (Transitional Provisions and Savings) (Rules) Order 2001 (SI 2001/1534)	Section 137A(1)	Section 137G(1)
Article 15 (Record-keeping and reporting requirements relating to relevant complaints) of the Financial Services and Markets Act 2000 (Transitional Provisions) (Ombudsman and Complaints Scheme) Order 2001 (SI 2001/2326)	Article 15 (Record-keeping and reporting requirements relating to relevant complaints) of the Financial Services and Markets Act 2000 (Transitional Provisions) (Ombudsman and Complaints Scheme) Order 2001 (SI 2001/2326)	None
The Financial Services and Markets Act 2000 (Variation of Threshold Conditions) Order 2001 (SI 2001/2507)	None	The Financial Services and Markets Act 2000 (Variation of Threshold Conditions) Order 2001 (SI 2001/2507)
Articles 4 (Pending applications), 6 (Post-commencement applications), 9 (Article 9 defaults occurring before commencement), 9A	Articles 4 (Pending applications), 6 (Post-commencement applications), 9 (Article 9 defaults occurring before commencement), 9A	Articles 4 (Pending applications), 6 (Post-commencement applications), 9 (Article 9 defaults occurring before commencement), 9A

Column 1	Column 2	Column 3
Provisions of other enactments under which the Authority made rules	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
(Contributions in relation to mesothelioma claims), 10 (Applications in respect of compulsory liability insurance), 12 (Applications under the new scheme) and 23 (Record-keeping and reporting requirements relating to pre-commencement) of the Financial Services and Markets Act 2000 (Transitional Provisions, Repeals and Savings) (Financial Services Compensation Scheme) Order 2001 (SI 2001/2967).	(Contributions in relation to mesothelioma claims), 10 (Applications in respect of compulsory liability insurance), 12 (Applications under the new scheme) and 23 (Record-keeping and reporting requirements relating to pre-commencement) of the Financial Services and Markets Act 2000 (Transitional Provisions, Repeals and Savings) (Financial Services Compensation Scheme) Order 2001 (SI 2001/2967).	(Contributions in relation to mesothelioma claims), 10 (Applications in respect of compulsory liability insurance), 12 (Applications under the new scheme) and 23 (Record-keeping and reporting requirements relating to pre-commencement) of the Financial Services and Markets Act 2000 (Transitional Provisions, Repeals and Savings) (Financial Services Compensation Scheme) Order 2001 (SI 2001/2967).
Articles 9 (Designation of existing provisions to take effect as rules) and 10 (Modifications of existing provisions) of the Financial Services and Markets Act 2000 (Consequential Amendments and Transitional Provisions) (Credit Unions) Order 2002 (SI 2002/1501)	Section 137A(1)	Section 137G(1)
Regulation 3 (Consumer contract requirements: modification of rule-making powers) of the Electronic Commerce Directive (Financial Services and Markets) Regulations 2002 (SI 2002/1775)	Regulation 3 (Consumer contract requirements: modification of rule-making powers) of the Electronic Commerce Directive (Financial Services and Markets) Regulations 2002 (SI 2002/1775)	None
Regulation 2 (Power of the Authority to make rules under section 138 of the Financial Services and Markets Act 2000) of the	Regulation 2 (Power of the Authority to make rules under section 138 of the Financial Services and Markets Act 2000) of the	None.

Column 1	Column 2	Column 3
Provisions of other enactments under which the Authority made rules	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
Financial Services and Markets Act 2000 (Fourth Motor Insurance Directive) Regulations 2002 (SI 2002/2706)	Financial Services and Markets Act 2000 (Fourth Motor Insurance Directive) Regulations 2002 (SI 2002/2706).	
Article 9 (Record-keeping and reporting requirements relating to relevant transitional complaints) of the Financial Services and Markets Act 2000 (Transitional Provisions) (Complaints Relating to General Insurance and Mortgages) Order (SI 2004/454)	Article 9 (Record-keeping and reporting requirements relating to relevant transitional complaints) of the Financial Services and Markets Act 2000 (Transitional Provisions) (Complaints Relating to General Insurance and Mortgages) Order (SI 2004/454).	None
Regulation 2(3) (Application for permission) of the Capital Requirements Regulations 2006 (SI 2006/3221)	Regulation 2(3) (Application for permission) of the Capital Requirements Regulations 2006 (SI 2006/3221)	Regulation 2(3) (Application for permission) of the Capital Requirements Regulations 2006 (SI 2006/3221)
Regulation 82 (Reporting requirements) of the Payment Services Regulations 2009 (SI 2009/209)	Regulation 82 (Reporting requirements) of the Payment Services Regulations 2009 (SI 2009/209).	None
Regulations 86 (Proposal to take disciplinary measures) and 93 (Guidance) of and paragraph 1 of Schedule 5 (Disciplinary powers) to the Payments Services Regulations 2009 (SI 2009/209)	Regulations 86 (Proposal to take disciplinary measures) and 93 (Guidance) of and paragraph 1 of Schedule 5 (Disciplinary powers) to the Payments Services Regulations 2009 (SI 2009/209).	None
Regulation 92 (Costs of supervision) of the Payment Services Regulations 2009 (SI 2009/209)	Regulation 92 (Costs of supervision) of the Payment Services Regulations 2009 (SI 2009/209).	None

Column 1	Column 2	Column 3
Provisions of other enactments under which the Authority made rules	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
Regulation 49 (Reporting requirements) of the Electronic Money Regulations 2011 (SI 2011/99).	Regulation 49 (Reporting requirements) of the Electronic Money Regulations 2011 (SI 2011/99).	None
Regulation 59 (Costs of supervision) of the Electronic Money Regulations 2011 (SI 2011/99).	Regulation 59 (Costs of supervision) of the Electronic Money Regulations 2011 (SI 2011/99).	None
Articles 3 (Further power for Authority to make rules concerning mesothelioma claims) and 4 (Modification of FSMA in relation to FSA rules for mesothelioma claims) of the Compensation Act 2006 (Contribution for Mesothelioma Claims) Regulations 2006 (SI 2006/3259)	None	Article 3 (Further power for PRA to make rules concerning mesothelioma claims) and 4 (Modification of FSMA in relation to FSA rules for mesothelioma claims) of the Compensation Act 2006 (Contribution for Mesothelioma Claims) Regulations 2006 (SI 2006/3259).
Regulations 8 (Applications for registration), 9 (Applications for admission to the register of issuers), 18 (Notification requirements), 20 (Material changes to the regulated covered bond), 24 (Requirements relating to the asset pool), 25 (Change of owner), 36 (financial penalties policy statement), 46 (Modifications of primary and secondary legislation) of, and paragraph 5 (fees) to the Schedule (Modifications to primary and secondary legislation) to, the Regulated Covered Bonds Regulations 2008 (SI 2008/346)	Regulations 8 (Applications for registration), 9 (Applications for admission to the register of issuers), 18 (Notification requirements), 20 (Material changes to the regulated covered bond), 24 (Requirements relating to the asset pool), 25 (Change of owner), 36 (financial penalties policy statement), 46 (Modifications of primary and secondary legislation) of, and paragraph 5 (fees) to the Schedule (Modifications to primary and secondary legislation) to, the	None

Column 1	Column 2	Column 3
Provisions of other enactments under which the Authority made rules	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
	Regulated Covered Bonds Regulations 2008 (SI 2008/346).	

SCHEDULE A**Part 3**

Column 1	Column 2	Column 3
Provisions of the 2000 Act under which the Authority issued codes	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
Section 64(2) (Conduct: statements and codes)	Section 64(2)	Section 64(2)
Section 119 (The code)	Section 119	None
Section 120 (Provisions included in the Authority's code by reference to the City Code)	Section 120	None
Section 121 (Codes: procedure)	Section 121	None

SCHEDULE A

Part 4

Column 1	Column 2	Column 3
Provisions of the 2000 Act under which the Authority issued statements	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
Section 63C(1) (Statement of policy)	Section 63C(1)	Section 63C(1)
Section 64 (Conduct: statements and codes)	Section 64	Section 64
Section 64(1) (Conduct: statements and codes)	Section 64(1)	Section 64(1A)
Section 69 (Statement of policy) (including as applied by paragraph 1 of Schedule 5 to the Payment Services Regulations 2009 (SI 2009/209) and paragraph 1 of Schedule 3 to the Electronic Money Regulations 2011 (SI 2011/99).)	Section 69	Section 69
Section 69(1) (Statement of policy)	Section 69(1)	Section 69(1)
Section 93 (Statement of policy)	Section 93	None
Section 93(1) (Statement of policy)	Section 93(1)	None
Section 124 (Statement of policy)	Section 124	None
Section 124(1) (Statement of policy)	Section 124(1)	None
Section 131J(1) (Statement of policy)	Section 131J(1)	None
Section 165B(6) (Safeguards etc in relation to exercise of power under section 165A)	None	Section 165B(6)

Column 1	Column 2	Column 3
Provisions of the 2000 Act under which the Authority issued statements	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
Section 169(9) (Investigations etc in support of overseas regulator) (including as applied by paragraph 3 of Schedule 5 to the Payment Services Regulations 2009 (SI 2009/209) and paragraph 3 of Schedule 3 to the Electronic Money Regulations 2011 (SI 2011/99).)	Section 169(9)	Section 169(9)
Section 210 (Statements of policy) (including as applied by regulation 86(6) of the Payment Services Regulations 2009 (SI 2009/209) and regulation 53 (6) of the Electronic Money Regulations 2011 (SI 2011/99).)	Section 210	Section 210
Section 210(1) (Statements of policy)	Section 210(1)	Section 210(1)
Section 395 (The Authority's procedures) (including as applied by paragraph 7 of Schedule 5 to the Payment Services Regulations 2009 (SI 2009/209) and paragraph 8 of Schedule 3 to the Electronic Money Regulations 2011 (SI 2011/99).)	Section 395	Section 395
Section 395(5) (The Authority's procedures)	Section 395(5)	Section 395(5)
Section 404(3) (Consumer redress schemes)	Section 404(3)	None
Section 404A (Rules under s404: supplementary)	Section 404A	None

SCHEDULE A

Part 5

Column 1	Column 2	Column 3
Provisions of other enactments under which the Authority issued statements	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
Regulation 42 (Guidance) of the Regulated Covered Bonds Regulations 2008 (SI 2008/346)	Regulation 42 (Guidance) of the Regulated Covered Bonds Regulations 2008 (SI 2008/346).	None
Regulation 44 (Warning notices and decision notices) of the Regulated Covered Bonds Regulations 2008 (SI 2008/346)	Regulation 44 (Warning notices and decision notices) of the Regulated Covered Bonds Regulations 2008 (SI 2008/346).	None
Regulation 93 (Guidance) of the Payment Services Regulations 2009 (SI 2009/209)	Regulation 93 (Guidance) of the Payment Services Regulations 2009 (SI 2009/209).	None
Regulation 60 (Guidance) of the Electronic Money Regulations 2011 (SI 2011/99).	Regulation 60 (Guidance) of the Electronic Money Regulations 2011 (SI 2011/99).	None

SCHEDULE A

Part 6

Column 1	Column 2	Column 3
Provisions of the 2000 Act under which the Authority directed, required or specified:	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
Section 51 (Applications under this Part)	Section 55U	Section 55U
Section 60 (Applications for approval)	Section 60	Section 60
Section 148(3) (Modification or waiver of rules)	Section 138A(3)	Section 138A(3)
Section 182 (Notification)	Section 179	None
Section 218A (Authority's power to require information)	Section 218A	Section 218A
Section 242 (Applications for authorisation of unit trust schemes)	Section 242	None
Section 250 (Modification or waiver of rules)	Section 250	None
Sections 250(4) and (5) (Modification or waiver of rules)	Sections 250(4) and (5)	None
Section 270(6)(b) (Schemes authorised in designated countries or territories)	Section 270(6)(b)	None
Section 274 (Applications for recognition of individual schemes)	Section 274	None
Section 287 (Application by an investment exchange)	Section 287	None
Section 294 (Modification or waiver of rules)	Section 294	Section 294
Section 294(2) (Modification or waiver of rules)	Section 294(2)	Section 294(2)

Column 1	Column 2	Column 3
Provisions of the 2000 Act under which the Authority directed, required or specified:	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
Section 316 (Direction by Authority)	Section 316	Section 316
Section 317 (The core provisions)	Section 317	Section 317
Section 318 (Exercise of powers through Council)	Section 318	Section 318
Paragraph 5(4) (Notice to Authority) of Schedule 4 (Treaty Rights)	Paragraph 5(4) (Notice to UK Regulator) of Schedule 4 (Treaty Rights)	Paragraph 5(4) (Notice to UK Regulator) of Schedule 4 (Treaty Rights)

SCHEDULE A

Part 7

Column 1	Column 2	Column 3
Provisions of other enactments under which the Authority directed, required or specified	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
Regulations 7(3) and (4) (Modification or waiver of FSA rules) and 12 (Application for authorisation) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228)	Regulations 7(3) and (4) (Modification or waiver of FSA rules) and 12 (Application for authorisation) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228).	None
Regulation 49 (Reporting requirements) of the Electronic Money Regulations 2011 (SI 2011/99).	Regulation 49 (Reporting requirements) of the Electronic Money Regulations 2011 (SI 2011/99).	None

SCHEDULE A**Part 8**

Column 1	Column 2	Column 3
Provisions of the 2000 Act under which the Authority made complaints schemes	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
Paragraph 7 (Arrangements for the investigation of complaints) of Schedule 1 (The Financial Services Authority)	Part 6 of the Financial Services Act 2012	Part 6 of the Financial Services Act 2012

SCHEDULE A**Part 9**

Column 1	Column 2	Column 3
Provisions of the 2000 Act under which the Authority gave guidance	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
Section 157 (Guidance)	Section 139A	None
Section 157(1) (Guidance)	Section 139A(1)	None
Section 158A (Guidance on outsourcing by investment firms and credit institutions)	None	None

SCHEDULE A**Part 10**

Column 1	Column 2	Column 3
Provisions of other enactments under which the Authority gave guidance	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
Article 11(1) (Guidance) of the Financial Services and Markets Act 2000 (Transitional Provisions and Savings) (Rules) Order 2001 (SI 2001/1534)	Section 139A(1)	None
Article 14 (Guidance on continued provisions) of the Financial Services and Markets Act 2000 (Consequential Amendments and Transitional Provisions) (Credit Unions) Order 2002 (SI 2002/1501)	Article 14 (Guidance on continued provisions) of the Financial Services and Markets Act 2000 (Consequential Amendments and Transitional Provisions) (Credit Unions) Order 2002 (SI 2002/1501)	None
Articles 9D (Applications for certificates) and 9F (Revocation of certificate on request) of the Regulated Activities Order	Articles 9D (Applications for certificates) and 9F (Revocation of certificate on request) of the Regulated Activities Order	None
Articles 9G (Obtaining information from certified persons etc) and 9H (Rules prohibiting the issue of electronic money at a discount) of the Regulated Activities Order	Articles 9G (Obtaining information from certified persons etc) and 9H (Rules prohibiting the issue of electronic money at a discount) of the Regulated Activities Order	None
Section 123 of the Banking Act 2009	Section 123 of the Banking Act 2009	Section 123 of the Banking Act 2009

Column 1	Column 2	Column 3
Provisions of other enactments under which the Authority gave guidance	Corresponding provisions: Financial Conduct Authority	Corresponding provisions: Prudential Regulation Authority
Regulation 14 (Guidance) of the Cross-Border Payments in Euro Regulations 2010 (SI 2010/89)	Regulation 15 of the Payments in Euro (Credit Transfers and Direct Debits) Regulations 2012 (SI 2012/3122)	None
Regulation 60 (Guidance) of the Electronic Money Regulations 2011 (SI 2011/99).	Regulation 60 (Guidance) of the Electronic Money Regulations 2011 (SI 2011/99).	None