

**Threshold Conditions**

# Chapter 1

## Introduction

## 1.2 Purpose

- 1.2.1 **G** *COND* gives guidance on the *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 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 4A permission or variation of Part 4A permission

- 1.2.2 **G**
- (1) Under section 55B(3) of the *Act*, in giving or varying a *Part 4A permission*, imposing or varying any *requirement* or giving consent, the *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 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 *FCA* will have regard only to satisfaction of the *FCA threshold conditions* specified as applicable in ■ COND 1.1A.4 G, as relevant to the *regulated activities* for which the applicant has, or will have, *Part 4A permission*.

### Exercise of the 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, the *FCA* may exercise its *own-initiative powers* under either section 55J (Variation or cancellation on initiative of regulator) or section 55L (Imposition of requirements by FCA) of the *Act*. Use of the *FCA's own-initiative powers* is explained in ■ SUP 7 (Individual requirements), and ■ EG 8 (Variation and cancellation of permission on the *FCA's* own initiative and intervention against incoming firms).
  - (2) If, when exercising its *own-initiative powers* under section 55J or section 55L of the *Act*, the *FCA* varies a *firm's permission*, or imposes or varies a *requirement*, then, under section 55B(3) of the *Act*, the *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 55B(4) of the *Act* states that the duty imposed by section 55B(3) of the *Act* does not prevent the *FCA* taking such steps as it considers necessary in relation to a particular *firm* in order to advance any of its operational objectives.

- (3) The *FCA* can also exercise its *own-initiative powers* under section 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* specified as applying to *incoming firms* under ■ COND 1.1A.4 G.

1.2.4

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(1) [deleted]

(2) [deleted]

### Approval of acquisitions or increases of control

1.2.5

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- (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*.