

# Chapter 1

## Introduction

1.3 General

- 1.3.1

G

The *guidance* in ■ COND 2 explains each *FCA threshold condition* in Schedule 6 (threshold conditions) to the Act and indicates how the FCA will interpret it in practice. 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 FCA under section 55B (The threshold conditions) of the Act; that is, the 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

G

(1)

The 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 *threshold conditions* 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 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 *Part 4A permission*, or a variation of its *permission*. These matters will also be considered if the FCA is exercising its *own-initiative powers* (see ■ COND 1.2.3 G). Guidance to *firms* on the implications of this is given under each of those *threshold conditions*.
- 1.3.3

G

Although the FCA may consider that a matter is relevant to its assessment of a *firm*, the fact that a matter is disclosed to the FCA, for example in an application, does not necessarily mean that the *firm* will fail to satisfy the *FCA threshold conditions*. The FCA will consider each matter in relation to the *regulated activities* for which the *firm* has, or will have, *permission*, having regard to 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 FCA. This will enable the 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*.
- 1.3.3A

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.

**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*.

**1.3.3D** G In making its assessment, the *FCA* will consider the individual circumstances of each *firm* on a case-by-case basis.

**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.
- (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 1.1A.
- (2) As 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 *FCA*.
- (3) [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 1.3.5 G 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).