Chapter 6
Applications to vary and cancel Part 4A permission and to impose, vary or cancel requirements
6.1 Application, interpretation and purpose

Application

This chapter applies to every firm with a Part 4A permission which wishes to:

(1) vary its Part 4A permission; or
(2) cancel its Part 4A permission and end its authorisation;
(3) have a new requirement imposed on it;
(4) vary a requirement imposed on it; or
(5) cancel a requirement imposed on it.

If appropriate, a firm which is an authorised fund manager should also refer to COLL 7 for guidance on the termination of ICVCs, ACSs and AUTs and on winding up authorised funds that are not commercially viable.

This chapter applies to an incoming firm or a UCITS qualifier only in respect of a top-up permission. An incoming firm or a UCITS qualifier should refer to SUP 14 (Variation of passport rights by incoming EEA firms and ending authorisation) for the procedures for changes to permission granted under Schedules 3, 4 or 5 of the Act.

(1) In SUP 6 the "relevant regulator" is the regulator to which a firm with a Part 4A permission has made or can make (in accordance with SUP 6) an application to vary or cancel its Part 4A permission or to have imposed on it a new requirement or to vary or cancel any existing requirement (see SUP 6.2.3A G to SUP 6.2.3E G).

(2) Where the PRA can only determine an application with the consent of the FCA, the FCA may request further information as if it were the relevant regulator.

(3) In some instances, the Act requires the FCA and the PRA to consult with each other prior to exercising their powers under the Act. Details of where consultation is required have not been set out in SUP 6. Where a provision in SUP 6 makes reference to a power, the exercise of which by the FCA or the PRA (as the case may be) requires consultation under the Act, firms should be aware that the regulator
This chapter explains:

1. how a firm with a Part 4A permission can apply to the relevant regulator to vary that permission;

2. how a firm which has ceased to carry on any of the regulated activities for which it has a Part 4A permission, or which expects to do so in the short term (normally less than six months), should apply to the relevant regulator to cancel that permission completely;

2A. how a firm with a Part 4A permission can apply to the relevant regulator to:
   (a) have a new requirement imposed on it; or
   (b) vary a requirement imposed on it; or
   (c) cancel a requirement imposed on it.

3. the additional procedures that apply to a firm carrying on regulated activities which create long term obligations to customers (for example, effecting contracts of insurance, carrying out contracts of insurance or accepting deposits) that needs to wind down (run off) its business over a long term period (normally more than six months) and the applications it should make with a view to ultimately cancelling its permission; and

4. how the relevant regulator assesses those applications.

This chapter also outlines the relevant regulator's powers to withdraw authorisation from a firm whose Part 4A permission has been cancelled at the firm's request.

This chapter does not cover the FCA's use of its own-initiative variation power to vary or cancel a firm's Part 4A permission or its own-initiative requirement power to impose, vary or cancel a requirement (see SUP 7 (Individual requirements) and EG 8 (Variation and cancellation of permission on the FCA's own initiative and intervention against incoming firms)).
6.2 Introduction

6.2.1 A firm authorised under Part 4A of the Act (Permission to carry on regulated activity) has a single Part 4A permission granted by the FCA or the PRA. A firm’s Part 4A permission specifies all or some of the following elements (see PERG 2 Annex 2 (Regulated activities and the permission regime) and the information online at the FCA and PRA websites):

1. a description of the activities the firm may carry on, including any limitations;
2. the specified investments involved; and
3. if appropriate, requirements.

6.2.2 Under section 20(1) and 20(1A) of the Act (Authorised persons acting without permission), a firm is prohibited from carrying on a regulated activity in the United Kingdom (or purporting to do so) otherwise than in accordance with its permission.

6.2.3 [deleted]

6.2.3A If an FCA-authorised person wishes to change its Part 4A permission to:

1. add a regulated activity, other than a PRA-regulated activity; or
2. remove a regulated activity from those to which the permission relates; or
3. vary the description of a regulated activity to which the permission relates; or
4. cancel the permission;

it can apply to the FCA under section 55H of the Act (Variation by FCA at request of authorised person).

6.2.3B If an FCA-authorised person wishes to change its Part 4A permission, by adding to the regulated activities to which the permission relates one or more regulated activities, which include a PRA-regulated activity, it can apply to the PRA under section 55I of the Act (Variation by PRA at request of authorised person). The PRA can determine such an application only with the consent of the FCA.
**6.2.3C**  
If a *firm* with a *Part 4A permission* wishes the *FCA* to:

1. impose a new *requirement*; or
2. vary a *requirement* imposed by the *FCA*; or
3. cancel such a *requirement*;

it can apply to the *FCA* under **[section 55L(5)]** of the **Act (Imposition of Requirements by FCA)**.

**6.2.4**  
A *firm* intending to expand its business should assess, taking appropriate professional advice where necessary, whether it will need to make an application in accordance with **[SUP 6]** before making any changes to its business.

**6.2.4A**  
If a *firm* intends to transfer its business to a different legal entity it will need to apply to the relevant regulator for cancellation of its *Part 4A permission* and the entity to which the business is to be transferred will need to apply for a *Part 4A permission*.

**6.2.4B**  
**[SUP 6.2.5 G]** sets out the differences between these types of applications and the circumstances in which they should be made.

**6.2.5**  
Variation and cancellation of *Part 4A permission* and imposition, variation and cancellation of *requirements*. See **[SUP 6.2.3A G]** to **[SUP 6.2.3E G]**

<table>
<thead>
<tr>
<th>Question</th>
<th>Variation of <em>Part 4A permission</em></th>
<th>Cancellation of <em>Part 4A permission</em></th>
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<tr>
<td>What does the application apply to?</td>
<td>Individual elements of a <em>firm’s Part 4A permission</em>. Variations may involve adding or removing categories of <em>regulated activity</em> or <em>specified investments</em> or varying or removing any <em>limitations</em> in the <em>firm’s Part 4A permission</em>.</td>
<td>A <em>firm’s entire Part 4A permission</em> and not individual elements within it.</td>
<td>Any <em>requirement</em> imposed on a <em>firm</em> with a <em>Part 4A permission</em>. <em>Requirements</em> may involve requiring the <em>firm</em> concerned to take or refrain from taking a specified action.</td>
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<td>In what circumstances is it usually appropriate to make an application?</td>
<td>If a <em>firm</em>: 1. wishes to change the <em>regulated activities</em> it carries on in the <em>United Kingdom</em> under a <em>Part 4A permission</em> (<strong>SUP 6.3</strong>); or</td>
<td>If a <em>firm</em>: 1. has ceased to carry on all of the <em>regulated activities</em> for which it has <em>Part 4A permission</em> (<strong>SUP 6.4</strong>); or 2. wishes or expects to cease carrying</td>
<td>If a <em>firm</em>: 1. wishes to have a new <em>requirement</em> imposed on it; or 2. wishes to vary or cancel an existing <em>requirement</em> imposed</td>
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A firm which is seeking:

(1) to vary its Part 4A permission substantially; or

(2) to cancel its Part 4A permission; or

(3) the imposition of a new requirement and/or the variation or cancellation of any existing requirement;

should discuss its plans with its supervisory contact at the relevant regulator as early as possible before making an application, in order to comply with Principle 11 (see SUP 15.3.7 G). These discussions will help the relevant regulator and the firm to agree the correct approach for the firm.

If a firm intends to cease carrying on one or more regulated activities permanently, it should give prompt notice to the appropriate regulator to comply with Principle 11 (see SUP 15.3.8 G (1)(d)). A firm should consider whether it needs to notify the appropriate regulator before applying to vary or cancel its Part 4A permission.

Discussions with the appropriate regulator are particularly relevant where the firm has to discharge obligations to its customers or policyholders before it can cease carrying on a regulated activity. This may be the case, for example, where the firm is an insurer, a bank, a dormant account fund operator, or, as is often the case, holding client money or customer assets.
If an insurer, a bank, or a dormant account fund operator wishes to cease carrying on all regulated activities for which it has Part 4A permission, it will usually be necessary to wind down the business over a long term period which is normally more than six months. This may also be the case for a firm holding client money or customer assets. In these circumstances, it will usually be appropriate for the firm to apply for variation of its Part 4A permission and/or imposition of a new requirement, variation of any existing requirement or cancellation of such a requirement before commencing the wind-down. A firm should only make an application for cancellation of permission when it expects to complete its wind-down (run-off) within six months.

A firm which is winding down (running off) its activities should contact its supervisory contact at the appropriate regulator to discuss its circumstances. Discussions will focus on the firm’s winding down plans and the need for the firm to vary or cancel its Part 4A permission and/or the need to impose a new requirement, vary any existing requirement or cancel such a requirement. Following these discussions the firm should usually make the relevant application, as appropriate.

In certain circumstances the FCA and/or the PRA may use their own-initiative powers (see SUP 7 and EG 8) (Variation and cancellation of permission on the FCA’s own initiative and intervention against incoming firms)).

(1) Specific guidance on the additional procedures for a firm winding down (running off) its business in the circumstances discussed in SUP 6.2.8 G is in SUP 6 Annex 4.

(2) The guidance in SUP 6 Annex 4 applies to any firm that is applying for variation of Part 4A permission or for the imposition, variation or cancellation of a requirement before it applies for cancellation of Part 4A permission to enable it to wind down (run off) its business over a long term period of six months of more. It will apply to most insurers and banks and, in some circumstances, to firms holding client money or customer assets.

(3) If a firm wishes to cease carrying on some of its regulated activities, or the specified investments in respect of which the activities are carried on, the appropriate regulator may consider it appropriate for the firm to comply with the additional procedures in SUP 6 Annex 4. This would depend on the scale and nature of the regulated activities concerned. This might be the case, for example, if the firm is ceasing a significant part of its business in respect of which it has outstanding obligations to customers and it is believed that the additional procedures would protect consumers.

UK firms exercising EEA or Treaty rights

A UK firm should assess the effect of any change to its Part 4A permission, or any requirements, on its ability to continue to exercise any EEA right or Treaty right and discuss any concerns with its appropriate supervisory contact(s). This may also change the applicable provisions with which it is required to comply by a Host State.
6.2.13 A UK firm which, as well as applying to vary or cancel its Part 4A permission, wishes to vary or terminate any business which it is carrying on in another EEA State under one of the Single Market Directives, should follow the procedures in SUP 13 (Exercise of passport rights by UK firms) on varying or terminating its branch or cross border services business.

The Lloyd's market

6.2.14 A firm making an application in accordance with SUP 6 which requires any approval from the Society of Lloyd’s should apply to the Society for this at the same time as applying to the relevant regulator. See SUP 6 Annex 4 for additional procedures.
6.3 Applications for variation of permission and/or imposition, variation or cancellation of requirements

What is a variation of permission?

6.3.1 [deleted]

6.3.1A Under section 55H of the Act, an FCA-authorised person may apply to the FCA to vary its Part 4A permission to:

(1) allow it to carry on further regulated activities, other than a PRA-regulated activity; or

(2) reduce the number of regulated activities it is permitted to carry on; or

(3) vary the description of its regulated activities (including by the removal or variation of any limitations).

6.3.1B Under section 55I of the Act, an FCA-authorised person may apply to the PRA to vary its Part 4A permission to add regulated activities which include a PRA-regulated activity.

6.3.2 [deleted]

Applications to impose, vary or cancel requirements

6.3.2A Under section 55L(5) of the Act a firm with a Part 4A permission may apply to the FCA for the imposition of a new requirement and/or the variation or cancellation of any requirement previously imposed by the FCA.

The scope of applications

6.3.2C An application may relate to one or more of ■ SUP 6.3.1A G and ■ SUP 6.3.2A G. For example, a firm may apply to vary its Part 4A permission to add a new regulated activity and at the same time remove a regulated activity for which it currently has permission.
In applying for a variation of Part 4A permission, a branch of a firm from outside the EEA should be mindful of any continuing requirements referred to in the rest of the Handbook.

Applications to add additional regulated activities

In determining the activities and specified investments for which a Part 4A permission is required, and whether to apply for a variation of that permission, a firm may need to take professional advice and may also wish to discuss this with its appropriate supervisory contact.

Before applying to vary its permission, a firm should determine whether there are any statutory restrictions that do not allow combinations of certain types of regulated activity, particularly for insurance business or UCITS managers. For example, the PRA will not grant a variation of Part 4A permission to allow a friendly society to carry on reinsurance business as this is not permitted under the Friendly Societies Acts 1974 and 1992. A firm should discuss its plans with its appropriate supervisory contact.

If a firm is seeking a variation of Part 4A permission to add categories of regulated activities, it should be mindful of the directive requirements referred to at for a firm that is not an SMCR firm; or

(ii) SUP 10C.10 (for an SMCR firm); or

(iii) the corresponding PRA requirements;

(b) notify the FCA or PRA of any approved person who has ceased to perform a controlled function specified by that regulator, Form C (Notice of ceasing to perform controlled functions (including senior management functions)); see:
A variation of a firm’s Part 4A permission may mean that it becomes an SMCR firm or that it changes from one type of SMCR firm to another. This would have a number of significant consequences, which include:

1. the application of the special powers in relation to misconduct by approved persons (see DEPP 6.2.9-AG);

2. the approved persons regime switches from SUP 10A to SUP 10C;

3. COCON applies in place of APER; and

4. the other elements of the regime for SMCR firms described in SYSC 23.4 (Overview of the senior managers and certification regime) apply (which differ depending on the type of SMCR firm).

5. [deleted]

6. [deleted]

### Variation of permission involving insurance business

A firm with Part 4A permission to carry on insurance business, which is applying for a variation of its Part 4A permission to add further insurance activities or specified investments, will be required to submit particular information on its existing activities as part of its application. This includes the scheme of operations which is required to be submitted as part of the application pack (for further details on the scheme of operations, see SUP App 2 (Insurers: scheme of operations)).

In applying to vary its Part 4A permission to add categories of specified investments, in relation to insurance business, a firm carrying on insurance business will need to determine the classes of specified investments relating to effecting and carrying out contracts of insurance for which variation of Part 4A permission will be necessary, having regard to whether certain classes of contract may qualify to be effected or carried out on an ancillary or supplementary basis.
The application for variation of Part 4A permission will need to provide information about the classes of contract of insurance for which variation of Part 4A permission is requested and also those classes qualifying to be carried on, on an ancillary or supplementary basis. For example, an insurer applying to vary its permission to include class 10 (motor vehicle liability, other than carrier’s liability) must satisfy the FCA that it will meet, and continue to meet, threshold condition 3F (Appointment of claims representatives). Firms should note that, although the relevant regulator is able in principle to use its power to give Part 4A permission for an applicant to carry on a regulated activity for which it did not originally apply, this is not possible under the Solvency II Directive, which sets out minimum information requirements for an application for authorisation including information on the specified investments the applicant proposes to deal in.

The application for variation of permission and/or imposition, variation or cancellation of requirements

(1) Subject to (1A), a firm other than a credit union wishing to make an application under § SUP 6 must apply online using the forms specified on the online notification and application system.

(1A) A firm wishing to make an application under § SUP 6 which covers only credit-related regulated activities must submit any form, notice or application by using the form in § SUP 6 Annex 5 and submitting it in the way set out in § SUP 15.7.4 R to § SUP 15.7.9 G (Form and method of notification).

(2) [deleted]

(3) Until the application has been determined, a firm which submits an application must inform the relevant regulator of any significant change to the information given in the application immediately it becomes aware of the change.

(3A) Where an application requires the consent of the FCA, a firm which submits an application must inform the FCA of any significant change to the information given in the application immediately it becomes aware of the change.

(4) Where a firm is obliged to submit any form, notice or application online under (1), if the online notification and application system information technology systems fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored a firm must submit any form, notice or application by using the form in § SUP 6 Ann 5D and submitting it in the way set out in § SUP 15.7.4 R to § SUP 15.7.9 G (Form and method of notification).

(1) If the online notification and application system fails and online submission is unavailable for 24 hours or more, the relevant regulator will endeavour to publish a notice on its website confirming that online submission is unavailable.
and that the alternative methods of submission set out in SUP 6.3.15 D (4) and SUP 15.7.4 R to SUP 15.7.9 G (Form and method of notification) should be used.

(2) Where SUP 6.3.15 D (4) applies to a firm, GEN 1.3.2 R (Emergency) does not apply.

6.3.16

(1) Section 55(U)(2) of the Act (Applications under this Part) requires that the application for variation of Part 4A permission must contain a statement:
(a) of the desired variation; and
(b) of the regulated activity or regulated activities which the firm proposes to carry on if its permission is varied.

(1A) Section 55(U)(3) of the Act requires that an application for variation of a requirement imposed under section 55L or 55M or the imposition of a new requirement must contain a statement of the desired variation or requirement.

(2) The full form and content of the application for variation of Part 4A permission or for the imposition or variation of a requirement is a matter for direction by the relevant regulator, who will determine the additional information and documentation required on a case by case basis.

6.3.17

(1) [deleted]

(2) A firm is advised to discuss its application with the relevant regulator before submission, particularly if it is seeking a variation of Part 4A permission or imposition, variation or cancellation of a requirement within a short timescale. A firm is also advised to include as much detail as possible (including any additional information identified by its supervisors at this stage) with its application.

6.3.18

The relevant regulator, as soon as possible after receipt of an application, will advise the firm of any additional information which is required as part of its application (see SUP 6.3.23 G to SUP 6.3.27 G). The amount of information required will vary depending on the scale of the variation in the context of the firm as a whole, and the nature, risk profile and complexity of the variation.

Applications from firms winding down (running off) business over the long term

6.3.19

A firm which is making an application for variation of Part 4A permission to wind down (run off) its business before applying for a cancellation of that permission (see SUP 6.2.9 G) should read SUP 6 Annex 4 for details of the additional procedures that apply.

Applications involving significant changes

6.3.20

In certain cases, the relevant regulator may consider that granting an application for imposition, variation or cancellation of any requirement or
for variation of Part 4A permission which includes adding further regulated activities or changing a limitation would cause a significant change in the firm’s business or risk profile. In these circumstances, the relevant regulator may require the firm to complete appropriate parts of the full application pack (see the relevant regulator’s website), as directed by the relevant regulator. Applications for variation involving significant changes may be processed by the firm’s appropriate supervisory contact in conjunction with the Authorisations Team. Examples of an application for imposition, variation or cancellation of a requirement and for variation of Part 4A permission which may represent a significant change include, but are not limited to, an application:

1. to carry on new regulated activities such as accepting deposits;
2. to extend the insurance business of a firm which already has Part IV permission which includes carrying out or effecting contracts of insurance (or both), to new classes of specified investment; or
3. to remove a requirement preventing a firm from holding or controlling client money.

(4) [deleted]

6.3.21 A firm that wishes to make a significant change to its business, or is unsure whether the changes it is proposing would be considered to be significant, should contact the relevant regulator. The relevant regulator will discuss with the firm whether it will be required to submit parts of the application pack and whether any reports from third parties may be required.

6.3.22 The fees payable for a firm applying for the imposition, variation or cancellation of any requirements and/or a variation of its Part 4A permission are set out in FEES 3.

Information to be supplied to the relevant regulator as part of the application

6.3.23 (1) The relevant regulator may ask for any information it reasonably requires before determining the application. The information required will be determined on a case by case basis, taking into account the relevant regulator’s existing knowledge of the firm and the change requested. The relevant regulator will advise the firm of the information required at an early stage in the application process.

(2) The nature of the information and documents requested will be related to the risks posed to the relevant regulator’s statutory objectives by the regulated activities and any unregulated activities that the firm is carrying on or is seeking to carry on. This information will be proportional to the nature of the business which the firm intends to carry on or the risks posed by the firm.

6.3.24 (1) The information the relevant regulator may require includes, but is not limited to, the examples given in SUP 6.3.25 G:
Information which may be required. See SUP 6.3.24 G

<table>
<thead>
<tr>
<th>Type of business</th>
<th>Information which may be required</th>
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<tbody>
<tr>
<td>All</td>
<td>1. Details of how the firm plans to comply with the relevant regulator's regulatory requirements relating to any additional regulated activities it is seeking to carry on.</td>
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<td></td>
<td>2. Descriptions of the firm's key controls, senior management arrangements and audit and proposed compliance arrangements in respect of any new regulated activity (see SYSC).</td>
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<td></td>
<td>3. Organisation charts and details of individuals transferring or being recruited to perform new controlled functions (see SUP 10A and SUP 10C, and the corresponding PRA requirements for details of the application or transfer procedures under the approved persons or senior managers regime).</td>
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<td>Insurance business</td>
<td>1. A scheme of operations in accordance with SUP App 2.</td>
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<td></td>
<td>2. (If the application seeks to vary a permission to include motor vehicle liability insurance business) details of the claims representatives required by threshold condition 3F (Appointment of claims representatives), if applicable.</td>
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<td>Accepting deposits and designated investment business</td>
<td>1. A business plan which includes the impact of the variation on the firm's existing or continuing business financial projections for the firm, including the impact of the requested change on the firm's financial resources and capital adequacy requirements.</td>
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Specific information may also be required by the relevant regulator on the activities the firm intends to cease, or cease carrying on in relation to any specified investments (see SUP 6 Annex 4).

When determining whether to grant an application, the relevant regulator may request further information, including reports from third parties such as the firm's auditors, and may require meetings with, and visits to, the firm. The relevant regulator may also require a statement from members of the firm's governing body confirming, to the best of their knowledge, the completeness and accuracy of the information supplied. The relevant regulator may also discuss the application with other regulators or exchanges.

When will an application for variation of permission and/or imposition or variation of requirements be granted?

(1) The relevant regulator is required by section 55B(3) of the Act to ensure that a firm applying to gain or vary a Part 4A permission or to impose or vary a requirement satisfies and will continue to satisfy the threshold conditions in relation to all the regulated activities for which the firm has or will have a Part 4A permission.

(2) [deleted]
Where a firm applies to the PRA for the variation of its Part 4A permission, the FCA, in giving consent to such an application or imposing any requirements on the firm, is required by section 55B(3) of the Act to ensure that the firm satisfies and will continue to satisfy the threshold conditions for which the FCA is responsible in relation to all the regulated activities for which the firm has or will have Part 4A permission after the variation.

(1) The FCA's duty under section 55B(3) of the Act does not prevent it, having regard to that duty, from taking such steps as it considers necessary in relation to a particular firm, to meet any of its operational objectives. This may include granting or consenting to (as the case may be) a firm's application for variation of Part 4A permission when it wishes to wind down (run off) its business activities and cease to carry on new business as a result of no longer being able to satisfy the threshold conditions.

(2) The FCA may refuse an application, or refuse to give its consent to an application, under section 55B(3) of the Act if it considers that it is desirable to do so in order to advance any of its operational objectives.

In determining whether the firm satisfies and continues to satisfy the threshold conditions, the regulator concerned will consider whether the firm is ready, willing and organised to comply with the regulatory requirements it will be subject to if the application is granted.

The specific requirements that apply to certain types of activity will also need to be considered as these may not allow certain combinations of activity.

In considering whether to grant (or consent to, as the case may be) a firm's application to vary its Part 4A permission or impose or vary a requirement, the regulator concerned will also have regard, under section 55R(1) of the Act (Persons connected with an applicant), to any person appearing to be, or likely to be, in a relationship with the firm which is relevant. The Financial Groups Directive Regulations make special consultation provisions where the regulator is exercising its functions under Part 4A of the Act (Permission to carry on regulated activities) for the purposes of carrying on supplementary supervision. Broadly, where a regulator, in the course of carrying on supplementary supervision, is considering varying the Part 4A permission of a person who is a member of a group which is a financial conglomerate, the consultation provisions in section 55R(2) of the Act are disapplied. In their place, the regulations impose special obligations, linked to the Financial Groups Directive, to obtain the consent of the relevant competent authorities, to consult those authorities and to consult with the group itself.

The regulator's powers in respect of application for variation of Part IV permission

The FCA's power to vary a Part 4A permission after it receives an application from a firm extends to including in the Part 4A permission as varied any...
provision that could be included as though a fresh permission was being given in response to an application under section 55A of the Act (Application for permission). Under section 55E of the Act (Giving permission: the FCA) the FCA may:

1. incorporate in the description of a regulated activity such limitations (for example, as to the circumstance in which a regulated activity may or may not be carried on) as it considers appropriate; or

2. specify a narrower or wider description of regulated activity than that to which the application relates; or

3. give permission for the carrying on of a regulated activity which is not included among those to which the application relates and is not a PRA-regulated activity.

Thus, when determining an application for variation of Part 4A permission, the FCA can, include new limitations and vary existing limitations, either on application from the firm (for example, the customer categories with which a firm may carry on a specified activity) or, if considered appropriate, by the FCA under section 55E(5) of the Act.

If a firm has applied (whether to the FCA or the PRA) for the variation of a Part 4A permission, the FCA has the power to impose on that person such requirements, taking effect on or after the variation of permission, as the FCA considers appropriate.

If limitations are varied or imposed or requirements are imposed by the relevant regulator which were not included in the firm's application for variation of Part 4A permission, the relevant regulator will be required to issue the firm with a warning notice and decision notice (see SUP 6.3.39 G).

Where a firm has made an application to the PRA for the variation of its Part 4A permission and requirements are imposed by the FCA which were not included in the firm's application, the FCA will be required to issue the firm with a warning notice and decision notice (see SUP 6.3.39 G).

How long will an application take?

Under section 55V(1) of the Act (Determination of applications), the relevant regulator has six months to consider a completed application from the date of receipt.

If the relevant regulator receives an application which is incomplete (that is, if information or a document required as part of the application is not provided), section 55V(2) of the Act requires the relevant regulator to determine that incomplete application within 12 months of the initial receipt of the application.
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Section 6.3 : Applications for variation of permission and/or imposition, variation or cancellation of requirements

6.3.36A G Where the application cannot be determined by the PRA without the consent of the FCA, section 55V(3) of the Act requires that the FCA’s decision must also be made within the period required in SUP 6.3.35 G or SUP 6.3.36 G as appropriate.

6.3.37 G Within these time limits, however, the length of the process will relate directly to the complexity of the application.

6.3.37A G The FCA publishes standard times on its website setting out how long the application process is expected to take. From time to time, the FCA also publishes its performance against these times.

6.3.38 G At any time after receiving an application and before determining it, the relevant regulator may require the applicant to provide additional information or documents. The circumstances of each application will dictate what additional information or procedures are appropriate.

6.3.38A G If the relevant regulator fails to determine an application within the time period specified in section 55V of the Act, this does not mean that the application is deemed to be granted.

How will the relevant regulator make the decision?

6.3.39 G A decision to grant an application will be taken by appropriately experienced staff at the relevant regulator. However, if the staff dealing with the application recommend that a firm’s application for variation of Part 4A permission be either refused or granted subject to limitations or requirements or a narrower description of regulated activities than applied for, the decision will be subject to the regulator’s formal decision making process.

6.3.40 G DEPP gives guidance on the FCA’s decision making procedures including the procedures it will follow if it proposes to refuse an application for variation of Part 4A permission or for imposition or variation of a requirement either in whole or in part (for example, an application granted by the FCA but subject to limitations or requirements not applied for).

Commencing new regulated activities

6.3.41 G If the variation of Part 4A permission is given, the relevant regulator will expect a firm to commence a new regulated activity in accordance with its business plan (revised as necessary to take account of changes during the application process) or scheme of operations for an insurer. Firms should take this into consideration when determining when to make an application to the relevant regulator.

6.3.42 G (1) Firms should be aware that the appropriate regulator may exercise its own-initiative variation power to vary or cancel their Part 4A permission if they do not (see section 55J of the Act (Variation or cancellation on initiative of regulator)):

(a) commence a regulated activity for which they have Part 4A permission within a period of at least 12 months from the date of being given; or
(b) carry on a regulated activity for which they have Part 4A permission for a period of at least 12 months (irrespective of the date of grant).

(1A) The appropriate regulator may exercise its own-initiative variation power to cancel an investment firm’s Part 4A permission if the investment firm has provided or performed no investment services and activities at any time during the period of six months ending with the day on which the warning notice under section 55Z(1) of the Act is given (see ■ EG 8).

[Note: article 8(a) of MiFID]

(2) If the appropriate regulator considers that such a variation or cancellation of the firm’s Part 4A permission is appropriate, it will discuss the proposed action with the firm and its reasons for not commencing or carrying on the regulated activities concerned.

6.3.43 When a firm commences new regulated activities following a variation of a Part 4A permission, it should have particular regard to the requirements of Principle 11 (Relations with regulators) (see ■ SUP 15.3.8 G (1)(c)).
6.4 Applications for cancellation of permission

6.4.1 [deleted]

6.4.1A Under section 55H(3) of the Act (Variation by FCA at request of authorised person), if an FCA-authorised person applies to the FCA, the FCA may cancel its Part 4A permission. Cancellation applies to a firm's entire Part 4A permission, that is to every activity and every specified investment and not to the individual elements such as specified investments. Changes to the individual elements of a permission would require a variation.

6.4.2 [deleted]

6.4.2A Under section 55H(4) of the Act, the FCA may refuse an application from a firm to cancel its Part 4A permission if it considers that it is desirable to do so in order to advance any of its operational objectives.

6.4.3 (1) A firm may apply to the relevant regulator to cancel its Part 4A permission before it has ceased carrying on all regulated activities. However, where a firm makes a formal application for cancellation of its permission when it has not yet ceased carrying on regulated activities, the relevant regulator will expect the firm:

   (a) to cease those regulated activities within the short term (normally no more than six months from the date of application for cancellation); and
   
   (b) to have formal plans to cease its regulated activities in an orderly manner.

(2) Firms should note, however, that the relevant regulator will not grant an application for cancellation of Part 4A permission until the firm can demonstrate that it has ceased carrying on all regulated activities (SUP 6.4.19 G).

(3) The relevant regulator may apply additional procedures or require additional information, as if the firm had entered into a long term wind down of business (see SUP 6 Annex 4), if it considers it appropriate to the circumstances of the firm.

6.4.4 Additional guidance for a firm carrying on insurance business, accepting deposits, operating a dormant account fund or which holds client money or
customer’s assets is given in SUP 6 Annex 4. As noted in SUP 6.2.9 G, it will usually be appropriate for a firm to apply for variation of its Part 4A permission and/or the imposition, variation or cancellation of a requirement while winding down (running off) its regulated activities and before applying to cancel its Part 4A permission.

### The application for cancellation of permission

**6.4.5**

(1) Subject to (1A), a firm other than a credit union wishing to cancel its Part 4A permission, must apply online at the appropriate regulator website using the form specified on the online notification and application system.

(1A) An FCA-authorised person wishing to cancel its Part 4A permission which covers only credit-related regulated activities must submit any form, notice or application by using the form in SUP 6 Annex 6 and submitting it in the way set out in SUP 15.7.4 R to SUP 15.7.9 G (Form and method of notification).

(2) [deleted]

(3) [deleted]

(4) Until the application has been determined, a firm which submits an application for cancellation of Part 4A permission must inform the relevant regulator of any significant change to the information given in the application immediately it becomes aware of the change.

(5) Where a firm is obliged to submit any form, notice or application online under (1), if the online notification and application system fails and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored a firm must submit any form, notice or application by using the form in SUP 6 Annex 6D and submitting it in the way set out in SUP 15.7.4 R to SUP 15.7.9 G (Form and method of notification).

**6.4.5A**

(1) If the online notification and application system fails and online submission is unavailable for 24 hours or more, the relevant regulator will endeavour to publish a notice on its website confirming that online submission is unavailable and that the alternative methods of submission set out in SUP 6.4.5 D (5) and SUP 15.7.4 R to SUP 15.7.9 G (Form and method of notification) should be used.

(2) Where SUP 6.4.5 D (5) applies to a firm, GEN 1.3.2 R (Emergency) does not apply.

**6.4.6**

(1) In addition to applying for cancellation of Part 4A permission in accordance with SUP 6.4.5 D, a firm may discuss prospective cancellations with its supervisory contact at the appropriate regulator. Alternatively a firm can contact the Contact Centre on 0300 500 0597.

(2) To contact the Cancellations Team:

(a) write to: Cancellations Team, The Financial Conduct Authority, 12 Endeavour Square, London, E20 1JN; or; or
(b) email cancellation.team@fca.org.uk

(3) If a firm which has applied for cancellation decides to remain authorised it should inform the relevant regulator immediately using one of the methods in SUP 6.4.6 G (2).

6.4.7 When an application is received, the relevant regulator will send the firm a written acknowledgement. The firm will be required to provide information which, in the opinion of the relevant regulator, is necessary for it to determine whether to grant or refuse the application for cancellation of Part 4A permission.

Information to be supplied to the relevant regulator as part of the application for cancellation of permission

6.4.8 The information which the relevant regulator may request on the circumstances of the application for cancellation and the confirmations which the relevant regulator may require a firm to provide will differ according to the nature of the firm and the activities it has Part 4A permission to carry on.

6.4.9 A firm will be expected to demonstrate to the relevant regulator that it has ceased carrying on regulated activities. The relevant regulator may require, as part of the application, a report from the firm that includes, but is not limited to, the confirmations referred to in SUP 6.4.12 G (as appropriate to the firm’s business). The relevant regulator may also require additional information to be submitted with the report including, in some cases, confirmation or verification from a professional adviser on certain matters to supplement the report (see SUP 6.4.15 G).

6.4.10 (1) If a firm is subject to the complaints rules in DISP, the FCA may request confirmation from the firm that there are no unresolved, unsatisfied or undischarged complaints against the firm from a customer of the firm.

(2) If there are unresolved or undischarged complaints against a firm from a customer of the firm, the FCA may request confirmation, as appropriate, of the steps (if any) which have been taken under the firm’s complaints procedures and the amount of compensation claimed. The FCA may also request an explanation of the arrangements made for the future consideration of such complaints.

6.4.11 If the firm is carrying on designated investment business with retail clients, the FCA may request confirmation that the firm has written, or intends to write, to all retail clients with, or for whom, the firm has conducted regulated activities within a certain period.

Confirmations and resolutions

6.4.12 The relevant regulator will usually require the report in SUP 6.4.9 G to be signed by a director or other officer with authority to bind the firm. It may include confirmations from the firm that, in relation to business carried on under its Part 4A permission, it has:

(1) ceased carrying on all regulated activities;
(2) properly disbursed funds in its client bank accounts and closed those accounts;

(3) discharged all insurance or deposit liabilities; and

(4) properly transferred all investments, title documents and other property that it held on behalf of clients.

The relevant regulator may also require a resolution from the firm’s governing body, for example to support the application for cancellation of permission, expressed to be irrevocable, and to give the signatory the authority to sign the formal report to the relevant regulator.

Under section 398 of the Act (Misleading the FCA or PRA: residual cases), it is an offence, in purported compliance with a requirement imposed by or under the Act (including the directions in SUP 6.4.5 D), for a person to knowingly or recklessly give the regulator information that is false or misleading. If necessary, a firm should take appropriate professional advice when supplying information required by the regulator(s). An insurer, for example, may ask an actuary to check assumptions in respect of future claims made under contracts of insurance.

Reports from professionals

The relevant regulator may require additional information, including professional advice, to supplement or support the report in SUP 6.4.9 G where it considers this appropriate. Examples of reports that may be requested by the relevant regulator include, but are not limited to those detailed in SUP 6.4.16 G.

Types of reports. See SUP 6.4.15 G

<table>
<thead>
<tr>
<th>Category of firm</th>
<th>Type of report</th>
</tr>
</thead>
<tbody>
<tr>
<td>a bank or building society</td>
<td>• an audited balance sheet which confirms that, in the auditor’s opinion, the firm has no remaining deposit liabilities to customers;</td>
</tr>
<tr>
<td></td>
<td>• a report from auditors or reporting accountants;</td>
</tr>
<tr>
<td>a securities and futures firm</td>
<td>• a report from auditors or reporting accountants</td>
</tr>
<tr>
<td>an insurer</td>
<td>• an audited closing balance sheet which demonstrates that the firm has no insurance liabilities to policyholders;</td>
</tr>
<tr>
<td></td>
<td>• a report from the auditors or reporting accountants; and</td>
</tr>
<tr>
<td></td>
<td>• in some cases, an actuarial opinion as to the likelihood of any remaining liabilities to policyholders.</td>
</tr>
</tbody>
</table>
If a firm is transferring its business, the relevant regulator may require a professional opinion in respect of certain aspects of the transfer. For example, the relevant regulator may require a legal opinion on the validity of arrangements to transfer regulated activities, client money, client deposits, custody assets or any other property belonging to clients, to another authorised person. Alternatively, an auditor or reporting accountant may be requested to verify that a transfer has been properly accounted for in the firm's books and records. Transfers of insurance and banking business are subject to statutory requirements (see SUP 18).

**Approved persons**

(1) A firm which is applying for cancellation of Part 4A permission and which is not otherwise authorised by, or under, the Act should, at the same time:

(a) comply with:

(i) SUP 10A.14.8R (for a firm that is not an SMCR firm);
(ii) SUP 10C.14.5R (for an SMCR firm); or
(iii) the corresponding PRA requirements; and

(b) notify the the FCA or PRA of persons ceasing to perform controlled functions specified by that regulator.

These forms should give the effective date of withdrawal, if known (see SUP 10A and SUP 10C (FCA's regimes for approved persons)).

**When will the relevant regulator grant an application for cancellation of permission?**

The relevant regulator will usually not cancel a firm's Part 4A permission until the firm can demonstrate that, in relation to business carried on under that permission, it has, as appropriate:

1. ceased carrying on regulated activities or fully run off or transferred all insurance liabilities;
2. repaid all client money and client deposits;
3. discharged custody assets and any other property belonging to clients; and
4. discharged, satisfied or resolved complaints against the firm.

If it is not possible for a firm to demonstrate a relevant matter referred to in SUP 6.4.19 G, for example, depositors are uncontactable, the firm will be expected to have satisfied the relevant regulator that it has made adequate provisions for discharging any liabilities to clients which do not involve the firm carrying on regulated activities.

Before the relevant regulator cancels a firm's Part 4A permission, the firm will be expected to be able to demonstrate that it has ceased or transferred all regulated activities under that permission. For example, the firm may be...
asked to provide evidence that a transfer of business (including, where relevant, any client money, customer assets or deposits or insurance liabilities) is complete. As noted in 

6.4.22

■ SUP 6.4.9 G, the relevant regulator may require the firm to confirm this by providing a report, in a form specified by the relevant regulator:

(1) as part of the application for cancellation of permission, if the firm has ceased carrying on all regulated activities under its Part 4A permission at the time of application (see ■ SUP 6.4.9 G); or

(2) after the application but before its determination, if the firm has not ceased carrying on regulated activities under its Part 4A permission at the time of application.

In deciding whether to cancel a firm’s Part 4A permission, the relevant regulator will take into account all relevant factors in relation to business carried on under that permission, including whether:

(1) there are unresolved, unsatisfied or undischarged complaints against the firm from any of its customers;

(2) the firm has complied with ■ CASS 5.5.80 R and CASS 7.11.34 R (Client money: discharge of fiduciary duty) and ■ CASS 7.11.50 R (Client money: allocated but unclaimed client money) if it has ceased to hold client money; these rules apply to both repayment and transfer to a third party;

(3) the firm has ceased to hold or control custody assets in accordance with instructions received from clients and ■ COBS 6.1.7 R or article 49 of the MiFID Org Regulation (see ■ COBS 6.1ZA.9EU) (Information concerning safeguarding of designated investments belonging to clients and client money);

(4) the firm has repaid all client deposits, if it is ceasing to carry on regulated activities including accepting deposits;

(5) the relevant regulator or another regulator has commenced an investigation against the firm or continuing enforcement action against the firm;

(6) there are any matters affecting the firm which should be investigated before a decision on whether the firm should have its Part 4A permission cancelled by the relevant regulator or be disciplined;

(7) the firm has unsettled or unexpired liabilities to consumers, for example, outstanding contracts (such as deposits or insurance liabilities);

(8) the firm has settled all its debts to the appropriate regulator; and

(9) the factors set out in ■ SUP 6.4.19 G apply.
The FCA and the PRA enforcement and investigation powers against a former authorised person

6.4.23 If an application for cancellation of a firm’s Part 4A permission has been granted and a firm’s status as an authorised person has been withdrawn (see ▼SUP 6.5) it will remain subject to certain investigative and enforcement powers as a former authorised person. These include:

1. Information gathering and investigation powers in [Part XI] of the Act (Investigation gathering and investigations) (see ▼EG 3 (Use of information gathering and investigation powers));

2. Powers to apply to court for injunctions and restitution orders in [Part XXV] of the Act (Injunctions and restitution) (see ▼EG 10 (Injunctions) and ▼EG 11 (Restitution and redress));

3. Powers in [Part XXIV] of the Act (Insolvency) to petition for administration orders or winding up orders against companies or insolvent partnerships, or bankruptcy orders (or in Scotland sequestration awards) against individuals (see ▼EG 13 (Insolvency));

4. Powers in [Part XXVII] of the Act (Offences) to prosecute offences under the Act and other specified provisions (see ▼EG 12 (Prosecution of criminal offences)).

6.4.24 However, the following powers may not be used against former authorised persons:

1. Powers to take disciplinary action against firms by publishing statements of misconduct under section 205 of the Act (Public censure) or imposing financial penalties under section 206(1) of the Act (Financial penalties); and

2. The power to require firms to make restitution under section 384 of the Act (Power of FCA or PRA to require restitution).

6.4.25 Consequently, the relevant regulator considers that it will have good reason not to grant a firm’s application for cancellation of permission where:

1. The FCA and/or the PRA proposes to exercise any of the powers described in ▼SUP 6.4.24 G; or

2. The FCA and/or the PRA has already begun disciplinary and/or restitution proceedings against the firm by exercising either or both of these powers against the firm.

6.4.26 The FCA’s use of those powers is outlined in ▼DEPP 6 (Penalties).

How long will an application take?

6.4.27 (1) Under section 55V(1) of the Act (Determination of applications), the relevant regulator has six months to consider a completed application.

(2) If the relevant regulator receives an application which is incomplete, that is, where information or a document required as part of the application is not provided, section 55V(2) of the Act requires the relevant regulator to determine the incomplete application within 12 months of the initial receipt of the application.
(3) Within these time limits, however, the length of the process will relate directly to the complexity of cancellation requested and whether the firm has fully wound down (run off) its activities at the time it applies.

6.4.27A The FCA publishes standard response times on its website setting out how long the application process is expected to take in practice. From time to time, the FCA also publishes its performance against these times.

How will the relevant regulator make the decision?

6.4.28 A decision to grant an application for cancellation of permission will be taken by appropriately experienced staff at the relevant regulator. Where, however, the staff dealing with the application recommend that a firm’s application for cancellation of Part 4A permission be refused, the decision will be subject to the regulator’s formal decision making process.

6.4.29 See DEPP for guidance on the FCA’s decision making procedures, including the procedures it will follow if it proposes to refuse an application for cancellation of Part 4A permission.
6.5  Ending authorisation

6.5.1  Under section 33(2) of the Act (Withdrawal of authorisation), if the appropriate regulator cancels a firm's Part 4A permission, and as a result there is no regulated activity for which the firm has permission, the regulator authorising that firm is required to give a direction withdrawing the firm's status as an authorised person.

6.5.2  [deleted]

6.5.2A  (3) If the FCA concludes that it should grant an FCA-authorised person's application for cancellation of permission and end its authorisation, the FCA will:

(1) cancel the firm's Part 4A permission under section 55H(3) of the Act;

(2) withdraw the firm's authorised status under section 33(2) of the Act by giving the firm a direction in writing; and

(3) update the firm's entry in the Financial Services Register to show it has ceased to be authorised.
Additional guidance for a firm winding down (running off) its business

1. If a firm has Part 4A permission which enables it to hold client money or to carry on regulated activities including:
   - carrying out contracts of insurance and effecting contracts of insurance; or
   - accepting deposits;
   - safeguarding and administration of assets; or
   - meeting of repayment claims or managing dormant account funds (including the investment of such funds);
   it may require a long period (usually in excess of six months) in which to wind down (run off) its business. In these circumstances, it will usually be appropriate for the firm to apply for a variation of Part 4A permission before commencing the wind down.

2. A firm that believes that it may need to apply for a variation of Part 4A permission as a first step towards cancellation of its permission should discuss its plans with its supervisory contact at the relevant regulator.

3. If appropriate, in the interests of its statutory objectives (limited to the operational objectives in the case of the FCA), the appropriate regulator will require details of the firm's plans and will discuss them with the firm and monitor the winding down or transfer of the firm's business. During the period in which it is winding down, a firm will also be required to notify any material changes to the information provided such as, for example, receipt of new complaints and changes to plans.

4. If, after its Part 4A permission has been varied, a firm has wound down its business, complied with any requirements imposed and ceased to carry on regulated activities (or expects to do so within the next six months), it should then make an application for cancellation of its Part 4A permission (see SUP 6.4 (Applications for cancellation of permission)).

Use of own-initiative powers

5. If, for example, the FCA or the PRA has concerns relating to any of the statutory objectives (limited to the operational objectives in the case of the FCA), it may use its own-initiative variation power (see SUP 7 (Individual requirements) and EG 8 (Variation and cancellation of permission on the FCA’s own initiative and intervention against incoming firms)), to vary the Part 4A permission of a firm which is winding down or transferring its regulated activities.

5A If, for example, the appropriate regulator has concerns relating to any of its statutory objectives (limited to the operational objectives in the case of the FCA), it may use its own-initiative requirements power to impose on a firm that is winding down or transferring its regulated activities, any requirement, or vary or cancel a requirement imposed by it on that firm.

Reporting requirements: general

6. If a firm is winding down (running-off) its business, the routine reporting requirements in SUP 16 (Reporting requirements) will apply unless the firm is granted a waiver. In addition, a firm may be asked to submit additional reports, for example, to enable the appropriate regulator to monitor the wind down.

1. If a firm makes an application in accordance with SUP 6 to effect the winding down of regulated activities which it is carrying on including the repayment of client money, or the return of client deposits, custody assets or any other property belonging to clients, the appropriate regulator will expect it to have formal plans to ensure that:

   - the regulated activities are wound down in an orderly manner;
SUP 6 : Applications to vary and cancel Part 4A permission and to impose, vary or cancel...

(2) the regulated activities are properly completed and all client deposits, client money, custody assets or any other property belonging to clients are repaid, returned or transferred to another Authorised person; and

(3) the interests of customers are not adversely affected.

2. [deleted]

1. A firm must comply with CASS 5.5.80 Rand CASS 7.11.34R (Client money: discharge of fiduciary duty) and CASS 7.11.50 R (Allocated but unclaimed client money) if it is ceasing to hold client money. A firm must also cease to hold or control custody assets in accordance with instructions received from clients and COBS 6.1.7 R or article 49 of the MiFID Org Regulation (see COBS 6.12A.9EU) (Information concerning safeguarding of designated investments belonging to clients and client money). These rules apply to both repayment and transfer to a third party.

2. Examples of variations of Part 4A permission which may be appropriate in the context of winding down insurance business include:

(1) removing one or more regulated activities (for example, when a firm which has Part 4A permission to carry on insurance business enters into run-off, its Part 4A permission will need to be varied to remove the activity of effecting contracts of insurance in relation to new contracts of insurance); a new contract of insurance excludes contracts effected under a term of a subsisting contract of insurance. Thus the firm's permission will be restricted to carrying out contracts of insurance to enable it to run off its remaining insurance liabilities (see SUP 6.2.9 G ).

(2) imposing a limitation on regulated activities in a firm's Part 4A permission.

2A A firm may also have imposed on it a new requirement, or any existing requirement imposed on a firm may be varied or cancelled. In the context of winding down insurance business, it may for example be appropriate to impose a requirement on the type of investments a firm holds to support its insurance liabilities.

3. An insurer ceasing to effect contracts of insurance is required to submit a scheme of operations in accordance with SUP App 2 (Insurers: scheme of operations). The PRA may require other information depending on the circumstances, for example an actuarial assessment of the firm's run-off.

4. A firm that is ceasing effecting new contracts of insurance in all categories of specified investment should refer to SUP App 2 for details of the specific reporting requirements that apply.

5. An insurer should note that the PRA will not cancel a firm's permission until all the firm's insurance liabilities have been discharged, including any potential insurance liabilities. A firm is, therefore, advised to submit an application for cancellation of its Part 4A permission when its run-off is completed.

1. A firm making an application in accordance with SUP 6 which requires any approval from the Society of Lloyd's should apply to the Society for this in addition to applying to the relevant regulator.

2. Where a firm has Part 4A permission to manage the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's then, if it wishes to vary its Part 4A permission to remove this regulated activity or to cancel its Part 4A permission completely, special procedures will apply.

3. (1) As a first step, the firm should apply to the relevant regulator for a variation of its Part 4A permission to limit the regulated activity, after the Lloyd's syndicates have been closed, to permit no new business. Once the syndicates have been closed, the firm's consent from the Society to manage syndicates will also lapse.
6. Where a firm has residual deposits which, for whatever reason, cannot be repaid, they may be protected by a number of different methods. The precise applicability of the courses to be followed depends upon the particular circumstances of the individual firm. The appropriate regulator’s supervisory approach will be determined by the course of action taken.

Holding funds on trust

7. In some circumstances, it may be appropriate for the firm to make an irrevocable transfer of funds, at least equal to the total of its deposits, to an independent trustee to be held on trust for the benefit of the depositors. Any such proposal should be discussed in advance with the appropriate regulator. The amount of funds held on trust should at all times exceed the total of all deposits, in order to provide for contingencies. Trust account arrangements are appropriate only in respect of solvent institutions. The guidance in paragraph 13 of this section applies in most cases.

8. (1) A plan containing the arrangements should be made by the firm in respect of the business of any current depositors, for example how and when the firm intends to repay or novate arrangements with depositors.

(2) The trustee should be an independent and appropriately qualified third party, nominated by the institution and acceptable to the appropriate regulator.
(a) The trustee should usually be a major UK bank. If appropriate, an additional trustee from within the institution may be appointed, preferably in an advisory role. An internal trustee may help to ensure continuity if the firm and the trust are likely to remain in existence for the foreseeable future.

(b) The appropriate regulator should be consulted about, or pre-notified of, a potential change of trustee.

(c) Trustees are responsible for fulfilling their obligations under the trust deed. In practice, the appropriate regulator may wish to point out that certain factors need to be given consideration by the trustees and the institution (for example, the procedures for paying out to depositors).

9. The appropriate regulator would require to see an opinion by the firm’s legal advisers, confirming the validity and enforceability of the trust and in particular specifying the extent (if any) to which the trust arrangements may be set aside in future. The appropriate regulator reserves the right to request sight of the proposed trust documentation itself.

10. The trustee has the right (and probably the obligation) to invest the funds, and in doing so should normally seek to "match" the maturity profile of the firm’s deposit base. However, the following could result in deposit liabilities exceeding trust funds at any time:

(a) maturity mismatches, that is, whether there are insufficient liquid funds across the maturity bands to repay depositors; or

(b) changes in interest rates; or

(c) the trustee's fees and disbursements.

11. The trustee should not deposit, or otherwise invest, trust funds except in segregated accounts with third-party authorised institutions.

(1) An auditor’s report, similar to that used to determine whether all the deposits have been repaid by a firm, should be provided to confirm that all depositors have been repaid before the discharge of a trust is allowed.

(2) Auditors’ reports, from the trust’s auditors, should subsequently be obtained at intervals to demonstrate that funds in the trust continue to be at least equal to the remaining liabilities to depositors and that repayments have been properly made. The firm retains the ultimate responsibility to provide information to the appropriate regulator.

(3) The appropriate regulator may, however, require the inclusion of a clause in the trust deed requiring the trustee to provide such information as may be requested.

12. Entering into a trust arrangement does not "transfer" deposits or discharge the firm’s contractual obligations to its depositors.

Holding the funds in segregated accounts

13. The firm may place and retain an amount at all times at least equal to its deposit liabilities in a segregated account with its usual bankers. The advantage of this course of action is that if all deposit liabilities are matched by funds in such an account, then the firm is not carrying on the regulated activity of accepting deposits in contravention of the Act.

14. Placing funds in a segregated account does not discharge a firm’s contractual obligations to its depositors.
Variation of permission application form

This annex consists only of one or more forms.

Variation of Permission Application - Insurance Business, Banking (accepting deposits), Electronic Money, Lloyd’s Market and Funeral Plan Providers

Variation of Permission Application - Insurance Business, Banking (accepting deposits), Electronic Money, Lloyd’s Market and Funeral Plan Providers (Notes)

Variation of Permission Application - Investment Business

Variation of Permission Application - Investment Business (Notes)

Variation of Permission Application – Home Finance Mediation and General Insurance Distribution Activities

Variation of Permission Application – Home Finance Mediation and General Insurance Distribution Activities (Notes)

Variation of Permission (VOP) Application Consumer Credit Activities

Variation of Permission (VOP) Application Consumer Credit Activities (Notes)

Variation of Permission (VOP) Application – Claims Management

Variation of Permission (VOP) Application – Claims Management (Notes)
SUP 6: Applications to vary and cancel Part 4A permission and to impose, vary or cancel...
Cancellation of permission application form

This annex consists only of one or more forms. Forms are to be found through the following address:

Cancellation of permission application form - Forms/sup/cancellation_form_20130401.doc
SUP 6 : Applications to vary and cancel Part 4A permission and to impose, vary or cancel...