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UK FCA Consults on its Appointed Representatives Regime

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In December 2021, the United Kingdom's Financial Conduct Authority ("**FCA**") published a consultation paper (CP21/34) outlining proposed changes to its Appointed Representatives ("**AR**") regime (the "**Consultation**"). The FCA's AR regime is in place to enable some firms to carry on certain regulated activities (typically adviser/arranger activities) on behalf, and under the responsibility of an existing FCA-authorised firm (the "**Principal**") without the AR itself needing to be directly authorised. When appointing an AR, the Principal firm assumes the responsibility and maintains oversight over the regulated activities carried on by the AR.

The FCA's proposed changes to the AR regime are aimed at reducing potential harm to consumers and markets. The FCA considers that there is currently a wide range of issues (often resulting in high levels of complaints and harm to customers) that arise across all sectors where firms have ARs as a result of Principals not undertaking adequate due diligence when appointing an AR and from poor ongoing control and oversight. The FCA, therefore, is consulting on two main areas of change being:

- **Additional information on ARs and notification requirements for Principal firms:** The FCA considers that this will allow it to more easily identify potential risks within Principal firms and ARs and will enable the FCA to better assess whether the relevant Principal firm has the necessary expertise, systems and controls to effectively supervise and oversee the activities of its ARs; and
- **Clarification and strengthening of responsibilities and expectations of Principal firms:** The FCA will provide clarity and additional guidance for Principal firms on their responsibilities and the FCA's expectations of how they should act and oversee their ARs.

The Consultation will be of interest to Principal firms who have (or intend to have) ARs appointed to them, as well as to ARs themselves. The FCA is seeking feedback on the proposals in the Consultation by 3 March 2022.

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