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# FCA Confirms New Rules to Improve Oversight of Appointed Representatives

On 3 August 2022, the UK's Financial Conduct Authority ("**FCA**") published a *policy statement* (PS22/11) on improvements to the appointed representatives ("**ARs**") regime. The FCA consulted on amendments to the AR framework in December 2021 (in CP21/34) because it identified a wide range of harm across all the sectors where principals and ARs operate concluding that where harm occurs, it is often because principals do not undertake adequate due diligence before appointing an AR, and/or due to poor ongoing control and oversight. The policy statement sets out the responses to the consultation and the FCA feedback to the proposed changes to the AR regime and includes the final FCA Handbook rules and guidance and updated forms. This policy statement will affect all firms that currently have ARs or intend to have ARs in future. It will also affect ARs themselves. The FCA estimates there are currently around 3,400 principals with around 37,000 ARs.

There are a number of significant changes to the regime and two main areas of change that the FCA focussed on are (i) collecting additional information on ARs and strengthening reporting requirements for principals, and (ii) clarifying and strengthening the responsibilities and expectations of principals.

The changes that have been introduced include the following:

- Principals have to notify the FCA of future AR appointments 30 days before the appointment takes effect.
- Principals will receive Section 165 data requests for all of their existing AR and will have 60 days to submit the data to the FCA.
- Principals have to provide the FCA with complaints data and revenue information for ARs on an annual basis within 60 days from the principal firm's accounting reference date.
- Principals will need to provide information about the financial non-regulated activities of ARs as well as the anticipated revenue of the AR from regulated and non-regulated activity during the first year of appointment within specified revenue

bands.

- Firms that provide regulatory hosting need to notify the FCA of their intention to provide such service in advance.
- Principals have to integrate enhanced AR oversight frameworks, including:
    - ensuring the adequacy of systems and controls, sufficiency of resources and monitoring of AR growth;
    - taking more responsibility for their ARs by monitoring and assessing the risk of harm to market integrity and clients, as well as overseeing ARs to a comparable standard as if they were employees of the principal;
    - clarity on the circumstances where principals should terminate an AR and assist ARs with an orderly wind down; and
    - conducting an annual review and self-assessment covering how they meet the requirements of the policy.

There is a four month implementation period before the changes take effect, so these will come into force on 8 December 2022. Firms affected by these changes need to take necessary steps over the next few months to be ready to comply. However, there are some transitional arrangements to give firms more time to comply with some of the new rules, particularly those that require firms to submit information on an ongoing basis and to review their ARs and self-assess annually.

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