



FAQs for change in control - contents

Change in Control events that require approval – pg. 3

- A firm wants to insert a holding company. Does this require prior approval?
- A firm is outside the EU and wants to acquire a PRA authorised firm; do the change in control regulations still apply?
- Do EEA authorised firms require approval for changes in control?
- Do overseas branches require approval for changes in control?
- The shares an applicant is acquiring in the PRA authorised firm, or its parent undertaking, do not have any voting rights attached to them. Is prior approval still required?
- What are the control bands?
- A firm is increasing/decreasing its control but within the control band it is approved for. Does it need to apply to/notify the PRA?
- A firm is decreasing their level of control which will result in moving to a lower control band. Is prior approval required?
- A firm is ceasing control of a PRA authorised firm, does it need prior approval?
- A firm will/has become a controller without making a decision to acquire. What are its obligations?
- Does the PRA consider parents of minority controllers to be controllers of authorised firms?

Change in Control application requirements (Section 178 notice) – pg. 4

- When should applicants submit a Section 178 notice to the PRA?
- What information does the PRA require for a complete Section 178 notice?
- Can an applicant submit a letter rather than an application form as their Section 178 notice?
- Who should submit the controller forms?
- Does the PRA require the forms to be signed? If so, who can sign on behalf of corporate, partnership and trust controllers?
- Where there are numerous controllers, does a form need to be submitted for each proposed controller?
- A PRA approved person is acquiring or increasing their control of a PRA authorised firm. Do the individual need to submit an individual application form?
- Does a PRA approved person need to submit a CV with the application?
- An individual is acquiring more than 50% control in a dual-regulated firm. Do they need to submit a business plan?
- One of the proposed corporate controllers is currently not an incorporated company, how does this affect the change in control application process?

(continues over)



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

FAQs for change in control – contents contd.

Additional information requested – pg. 5

- Once an application has been acknowledged as complete, does the applicant need to provide any additional information?
- What happens if an applicant does not submit the additional information requested by the PRA?
- How many times can the PRA request further information?

Other – pg. 6

- What is the definition of a controller?
- What is the definition of shares?
- What is the definition of voting power?
- Where can an applicant find guidance on acting in concert?
- A firm/individual has acquired shares in a PRA authorised firm without PRA approval. What should they do?
- Can applicants go ahead and acquire the shares before a decision is made provided a section 178 has been submitted?
- How can applicant's contact the PRA?



Change in control events that require approval

The applicant is outside the EU and wants to acquire a PRA authorised firm; do the change in control regulations still apply?

Yes, if a controller fails to seek approval before acquiring a PRA authorised firm or its parent undertaking this will be a criminal offence.

Do EEA authorised firms require approval for changes in control?

EEA firms which passport into the UK do not need to apply to the PRA for approval for changes in control. They do, however, require approval from the home state regulator. The PRA must still be informed of changes in control in order to allow it to update its records.

Do overseas branches require approval for changes in control?

Third country branches do not require pre-approval for changes in control. The appropriate procedure of the home state regulator should have been followed and the branch then needs to notify the PRA that the change has happened. This can be done via email. Please provide the name(s) of the target firm(s), the name(s), incorporation number(s) and legal status of the controller(s), a description of the event including the shareholding before and after the change in control and any other information the PRA would reasonably expect. For more information, please see the PRA Rulebook, Change in Control, Part 3: Obligations on Firms.

The shares an applicant is acquiring in the PRA authorised firm or its parent undertaking do not have any voting rights attached to them. Is prior approval still required?

Yes.

What are the control bands?

The 'normal' control bands (10% or more but less than 20%, 20% or more but less than 30%, 30% or more but less than 50% and 50% or more) apply to Directive firms; that is, firms who are:

- a credit institution defined in the Banking Consolidation Directive;
- a Markets in Financial Instruments Directive (MiFID) investment firm;
- an insurance firm under the Consolidated Life Directive or the First Non-Life Directive; or
- a firm carrying on reinsurance under the Reinsurance Directive.

A firm is increasing/decreasing their control but within the control band they are approved for. Do they need to apply to/notify the PRA?

No, unless this is in respect of a directive firm and the increase will result in the controller becoming a new parent undertaking of the authorised firm.

A firm is decreasing their level of control which will result in moving to a lower control band. Is prior approval required?

No, although the controller is still required to notify the PRA about the decrease before effecting the change.

An applicant is ceasing control of a PRA authorised firm, do they need prior approval?

No, although such a controller is still required to notify the PRA about the cessation before effecting the change.

A firm will/has become a controller without making a decision to acquire. What are their obligations?

If a controller has not made a decision or been involved in the decision to acquire they are exempt from the pre-application requirements and do not require approval. However, when the controller becomes aware of the change in control they should inform the PRA/Financial Conduct Authority (FCA) (as relevant) as soon as possible. Although such a controller is exempt from the pre-application requirement, the PRA and FCA have the power to object to a current controller if they are not considered to be



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

suitable.

Does the PRA consider parents of minority controllers to be controllers of authorised firms?

Yes, parents of minority controllers are considered to be controllers of authorised firms due to the extended definition of 'voting power' in s422 (5)(a)(v) of FSMA.



Change in control application requirements (Section 178 notice)

When should applicants submit a Section 178 notice to the PRA?

An application, by submitting a section 178 notice, is required upon a controller's decision to acquire a dual-regulated firm and prior to effecting a change in control. However the PRA should be contacted in the first instance, before submitting an application, to determine whether a pre-application meeting is required.

What information does the PRA require for a complete Section 178 notice?

An applicant should contact the PRA in the first instance, before completing a section 178 notice, regarding the application requirements.

Can applicants submit a letter rather than an application form as their Section 178 notice?

Yes, however, if the letter does not include all the required information as stated in the application forms, the application will be considered incomplete. Firms are therefore encouraged to submit change in control application forms.

Who should submit the controller forms?

Applications can be submitted either by the controller or jointly between the controller and the target dual-regulated firm. Where possible forms should be submitted jointly, however if a proposed controller does not wish to submit a joint application with the target firm they must inform the PRA by emailing **PRA-ChangeinControl@bankofengland.co.uk**.

Does the PRA require the forms to be signed? If so, who can sign on behalf of corporate, partnership and trust controllers?

Yes, the declaration page of the form must be signed. Anyone signing on behalf of corporate, partnership or trust controllers must be legally authorised to do so. Refer to the declaration page of the appropriate controller form. The PRA accepts electronic signatures.

Where there are numerous controllers, does a form need to be submitted for each proposed controller?

Yes, an application form must be submitted for each proposed controller. However, the applicant does not need to duplicate information already provided in another form.

A PRA approved person wishes to acquire or increase their control of a PRA authorised firm. Do they need to submit an individual application form?

Yes, all individual controllers should submit an individual application form regardless of whether they are PRA approved persons.

Do PRA approved persons need to submit a CV with the application?

No, PRA approved persons do not need to submit a CV.

An individual wishes to acquire more than 50% control in a dual-regulated firm. Do they need to submit a business plan?

Yes, if such an applicant does not submit a business plan the application will be considered incomplete. The minimum requirements for a business plan are outlined in the Supporting Documents section of the application forms (See the forms on the page ' '). Submitting, assessing and determining'

One of the proposed corporate controllers is currently not an incorporated company, how does this affect the change in control application process?

The PRA will consider the application incomplete until all corporate controllers are incorporated.



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Additional information requested

An application has been acknowledged as complete. Will applicant's need to provide any additional information?

Yes, possibly. A complete application means the PRA has sufficient information to begin its assessment. Depending on the outcome of the assessment, the PRA may ask for additional information. Note that on the first request for additional information, the PRA can stop the clock on determining the application for up to 30 working days (20 days if the controller is within the EU).

What happens if an applicant does not submit the additional information requested by the PRA?

The PRA can object to the application on the grounds of missing information.

How many times can the PRA request further information?

The PRA can request as much information as it needs to make a decision, up to the 50th assessment day.



Other

What is the definition of a controller?

The definition of controller is stated in **Section 422 of FSMA**.

What is the definition of shares?

Shares are defined in **Section 422(4) of FSMA**.

What is the definition of voting power?

Voting power is defined in **Section 422(5) of FSMA**.

Where can I find guidance on acting in concert?

Guidance on acting in concert is given in **Annex 6G** in the SUP Manual of the Handbook.

A firm/individual has acquired shares in a PRA authorised firm without PRA approval. What should they do?

The application forms must be submitted to the PRA as soon as possible, with an explanation as to why PRA approval was not sought or gained before the acquisition.

Can applicants go ahead and acquire the shares before a decision is made provided a section 178 has been submitted?

No, an applicant must wait for approval to be granted before effecting an acquisition or increase in control. If an applicant proceeds with the transaction prior to approval this will be a criminal offence.

How can applicant's contact the PRA?

For any other queries contact:

PRA Firm Enquiries
Prudential Regulation Authority
20 Moorgate
London, EC2R 6DA

Email: PRA.FirmEnquiries@bankofengland.co.uk

Phone: +44 (0) 20 3461 7000

June 2016