

HANDBOOK ADMINISTRATION INSTRUMENT (NO 2) 2014**Powers exercised by the Board of the Prudential Regulation Authority (PRA)**

- A. The Prudential Regulation Authority makes this instrument in the exercise of the following powers and related provisions in Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules); and
 - (2) section 137T (General supplementary powers).
- B. The rule-making power referred to above is specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 May 2014, except for Part 2 of Annex C which comes into force on 22 July 2014.

Amendments

- D. The rules in the modules of the PRA’s Handbook listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).
- E. The Prudential Regulation Authority gives as guidance each provision in the Annexes listed in column (2) that is marked with a G.

(1)	(2)
Glossary of definitions	Annex A
Fees Manual (FEES)	Annex B
Supervision manual (SUP)	Annex C
Compensation sourcebook (COMP)	Annex D
Credit Unions sourcebook (CREDS)	Annex E

Amendments to material outside the Handbook

- F. The Building Societies Regulatory Guide (BSOG) is amended in accordance with Annex F to this instrument.

Citation

- G. This instrument may be cited as the Handbook Administration Instrument (No 2) 2014.

By order of the Board of the Prudential Regulation Authority

25 April 2014

Annex A

Amendments to the Glossary of definitions

In this Annex, striking through indicates deleted text.

Insert the following new definition in the appropriate alphabetical position. The text is not underlined.

ONA the *appropriate regulator's* online notifications and applications system, by whatever name known.

Amend the following as shown:

appointed representative (1) (in relation to cases apart from in (2) (in accordance with section 39 of the Act (other than an *authorised person*) a *person* who:

...

(2) (in relation to a *firm* with a *permission* only to carry on one or more *regulated activities* prescribed for the purposes of section 39(1E)(a) of the Act) in accordance with section 39 of the Act, a person ("A") who:

(a) is a party to a contract with another *authorised person* (A's *principal*) which:

(i) permits or requires A to carry on business of a description prescribed in the *Appointed Representatives Regulations* ("the relevant business"); and

(ii) complies with such requirements as are prescribed in those Regulations; and

(b) is someone for whose activities in carrying on the whole or part of the relevant business A's *principal* has accepted responsibility in writing;

and, therefore, to whom sections 20(1) and (1A) and 23(1A) of the Act do not apply in relation to the carrying on by A of a *regulated activity* which is not one to which A's *permission* relates, and is comprised in the carrying on of the business for which A's *principal* has accepted responsibility.

...

principal (1) ...

(b) (if the *person* is an *appointed representative* or, where applicable, a *tied agent*) the *authorised person* who is party to a contract with the *appointed representative*, or who is responsible for the acts of the *tied agent*, resulting in him being exempt, or in him carrying on a *regulated activity* to which sections 20(1) and (1A) and 23(1A) of the Act do not apply, under section 39 of the Act (Exemption of appointed representatives).

...

respondent (1) (in *DISP*, *FEES* 5 and *CREDS* 9) a *firm* (except a *UCITS qualifier*), *payment service provider*, *electronic money issuer*, ~~*licensee*~~ or *VJ participant* covered

by the *Compulsory Jurisdiction*, ~~*Consumer Credit Jurisdiction*~~ or *Voluntary Jurisdiction* of the *Financial Ombudsman Service*.

- (2) (in *DISP* 2 and 3 and *FEES* 5) includes, as a result of ~~sections~~section 226 and 226A of the Act.

...

- (b) ~~a person who was formerly a licensee in respect of a complaint about an act or omission which occurred at the time when it was a licensee, provided the complaint falls within a description specified in the consumer credit rules in force at the time of the act or omission;~~
[deleted]

...

- (5) (in *DISP* 2 and 3 and *FEES* 5) includes, in accordance with article 11 of the *Regulated Activities Amendment Order*, *unauthorised persons* subject to the *Compulsory Jurisdiction* in relation to *relevant existing credit-related complaints* and relevant new credit-related complaints.

...

Delete the following definitions. The deleted text is not shown

consumer credit activity

Consumer Credit Jurisdiction

consumer credit prohibition

controlled activity

financial promotion rules

funds under management

licensee

primary pooling event

private person

regulated consumer credit hire

secondary pooling event

total amount payable

total charge for credit

Annex B

Amendments to the Fees Manual (FEES)

In this Annex, underlining indicates new text and striking through indicates deleted text.

1 Fees Manual

1.1 Application and Purpose

...

Application

1.1.2 R This manual applies in the following way:

...

(2) *FEES* 1, 2 and 4 apply to:

...

(d) every *person* who, under the constitution or founding arrangements of a ~~recognised scheme~~ recognised scheme, is responsible for the management of the property held for or within the *scheme*;

...

...

Annex C**Amendments to the Supervision manual (SUP)**

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

In the following provisions of SUP the term “ONA” is replaced with “*ONA*” on each occasion that it appears:

13.5.3R(1)

13.8.1AG(1)

15.4.3R

Insert new links at the address referred to below to the following form and notes

Variation of Permission (VOP) Application Consumer Credit Activities

Variation of Permission (VOP) Application Consumer Credit - notes

The form and notes are set out below and are not underlined.

Variation of permission application form

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

Supervision forms http://fshandbook.info/FS/form_links.jsp



Variation of Permission (VOP) Application

Consumer Credit Activities

Firm Name

Firm Reference Number

Does the firm have an Interim Permission (IP)?

No

Yes ▶ Enter your IP Number below

Important information you should read before completing this form

Purpose of this form

This form is **only** for firms wishing to change the scope of their permission for **Consumer Credit Business**. You must answer all sections.

The notes that accompany the forms will help you complete the questions. They also explain why we need the information that we are asking for.

We will only grant an application to vary the permission of a firm if we are satisfied it meets conditions known as the threshold conditions. We need the information in this form so we can assess whether the applicant firm can continue to satisfy the threshold conditions.

It is important that you give accurate and complete information and disclose all relevant information. If you do not, you may be committing a criminal offence, it may increase the time taken to assess your application and may call into question your suitability to be authorised.

Submit your application to:

If the appropriate regulator is the FCA send to:
consumercreditVOP@fca.org.uk

If the appropriate regulator is the PRA
send to:
Assessment and Monitoring Team
The Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

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1

Contact details and timings for this application

We need this information in case we need to contact you when we assess this application.

Contact for this application**1.1 Details of the person we should contact about this application.**

Title	
First names	
Surname	
Job title	
Business address	
Postcode	
Phone number (including STD code)	
Email address	

Timings for this application**1.2 Does the applicant firm have any timing factors that it would like us to consider?**

--

We will attempt to process your application as quickly as possible. If you wish your application to be granted by a specific date, we will try to do so. If we cannot, we will contact you with the reason why. However, please note that we must determine an application for a variation of permission once we have received it and deemed it to be complete within six months of it becoming complete.

2

Variation of Permission – Consumer Credit activities

Tell us what it is you wish to do to change your firm's permission.

2.1 Answer this section if you wish to do the following:

- add a new consumer credit activity to your permission;
- delete an activity from your permission; or
- change, add or delete a limitation.

If you wish to add or amend several activities in different ways, copy this page and attach it to this form.

Select activity(ies)			
Add new activity	Amend current activity	Delete activity	
			Credit Activities
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Credit Broking
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Operating an electronic system related to lending
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Debt Adjusting
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Debt-counselling
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Debt-collecting
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Debt Administration
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Entering into regulated credit agreement as Lender (Excluding high-cost short-term credit, bill of sale loan agreement, and home collected credit loan agreement)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Exercising or having the right to exercise the lender's rights and duties under a regulated credit agreement (excluding high-cost short-term credit, bill of sale loan agreement, and home collected credit loan agreement)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Entering into a regulated home credit loan agreement as lender
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Exercising or having the right to exercise the lender's rights and duties under a regulated home credit loan agreement
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Entering into high-cost short-term credit as lender
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Exercising or having the right to exercise the lender's rights and duties in relation to high-cost short-term credit
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Entering into a bill of sale loan agreement as lender
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Exercising or having the right to exercise the lender's rights and duties under a bill of sale loan agreement
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Entering into a regulated consumer hire agreement as owner
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Exercising or having the right to exercise owner's rights and duties under a regulated consumer hire agreement
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Providing credit information services
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Providing credit references

Limitation(s) on your firm's activity(ies)	
<input type="checkbox"/>	Add a new limitation
<input type="checkbox"/>	Delete a current limitation
<input type="checkbox"/>	Amend a current limitation
Enter the limitation(s) below, clearly indicating the amendments if applicable.	

Requirement(s)

2.2 Are you adding, amending or deleting a requirement on your firm's permission? (tick all that are applicable)

- Adding a new requirement ▶ Enter a non-standard requirement below.
- Amending a current requirement ▶ Enter the current requirement along with the proposed changes.
- Deleting a current requirement ▶ Enter the current requirement.
- No ▶ Continue to Section 3

--

3

Variation of Permission – Client Money

Tell us what it is you wish to do to change your firm's client money permission.

3.1 Does your firm wish to change its client money or assets permission?

- No ▶ Continue to Section 4
 Yes ▶ Answer the relevant questions in this section

3.2 What is the firm able to do now, and how does it wish to change its permission for client money?

Firm is currently able to:	Firm wishes to be able to:
<input type="checkbox"/> Hold and control client money	<input type="checkbox"/> Hold and control client money
<input type="checkbox"/> Not hold and not control client money	<input type="checkbox"/> Not hold and not control client money

3.3 Are you applying to stop holding client money?

- No ▶ Continue to Question 3.4
 Yes ▶ Please tick this box if you have included a report from your auditors confirming that you have done this and it has either been paid back to the clients concerned or transferred to another entity that is authorised to hold it.

If you cannot confirm the above option, explain further below.

3.4 Are you applying to hold client money?

- No ▶ Continue to Section 4
 Yes ▶ Continue to Question 3.5

3.5 Is the account held at an approved bank that meets the requirement imposed under CASS?

- Yes ▶ Continue to Question 3.7
 No ▶ Explain why below

3.6 Have you read and understood the Client money rules that you are required to follow?

- Yes ▶ Continue to Section 4
 No ▶ Explain why below

4

Reason for Variation

Tell us why you are applying to change your firm's permission.

We need to know why your firm is applying to change its permission. You should give as much information as possible, including:

- how this change will affect your firm and the long-term strategy for your business;
- any new operational, legal, market risks that you have identified and will need to consider; and
- details on any outsourcing.

5

Threshold Conditions

We need to know whether the firm will continue to satisfy the threshold conditions as a result of the change in its permission.

The threshold conditions are the minimum conditions a firm is required to satisfy, and continue to satisfy, to be given and retain Part 4A Permission. The firm must satisfy us these conditions will continue to be met if we grant the application.

You may be asked to provide documentary evidence to support of your answers, either during the application process or at a later point.

The document '**Consumer Credit Business– Notes**' gives details on what we may ask you to provide to support your application.

5.1 Have you reviewed 'Consumer Credit Business– Notes', and submitted the supporting information as indicated by your type of application?

- Yes ▶ Continue to Question 5.2.
 No ▶ Submitting the information now will significantly speed up the application process.

Location of Offices

5.2 Are you either:

- a body corporate, that your firm's Registered Office (or if you have no Registered Office, your Head Office) is located within the United Kingdom; or
- a natural person, that your Head Office is in or you are resident in the United Kingdom.

- Yes ▶ Continue to Question 5.3
 No ▶ Give details below.

Effective Supervision

5.3 As a result of this application, will there be any impact on the appropriate regulator's ability to effectively supervise the firm?

- Yes ▶ Continue to Question 5.4.
 No ▶ Give details below.

Appropriate resources

Prudential category

5.4 What is your firm's current prudential category?

5.5 Will the firm's prudential category change as a result of this application?

Yes ▶ What prudential category will your firm be in?

No ▶ Continue to Question 5.8

5.6 What will be the firm's new capital resource requirement?

5.7 Is the firm currently able to meet this new capital requirement?

Yes ▶ Continue to Question 5.8

No ▶ Explain why below

Professional Indemnity Insurance

5.8 Are you required to have in place professional indemnity insurance (PII)?

No ▶ Continue to Question 5.9

Yes ▶ Do you hold a valid quote or policy for PII that covers the current business of the firm, and the proposed change in business, if applicable, for which the firm is applying?

Yes ▶ Continue to Question 5.9

No ▶ Explain why below

Suitability

Compliance

A firm must establish, maintain and carry out a Compliance Monitoring Programme of actions to check it complies, and continues to comply, with regulations.

5.9 Do you have in place a Compliance Manual and a Compliance Monitoring Programme that reflects the firm's current business and the proposed change in business, if applicable, for which you are applying?

Yes ▶ Continue to Question 5.10

No ▶ Explain why below

Conduct of Business Requirements – Consumer Credit Sourcebook

5.10 Is the firm ready, willing and organised to comply with the relevant provisions in the Consumer Credit Sourcebook?

- Yes ▶ Continue to Question 5.11
- No ▶ Explain why below

Systems and Controls (SYSC) Requirements

5.11 Does the firm continue to meet the SYSC requirements?

- Yes ▶ Continue to Section 6.
- No ▶ Explain why below.

We may contact you for more detailed information to support your application, especially if you are applying to significantly change your firm's current business.

6

Approved Persons

If a firm changes its permission it may need new Controlled Functions and Approved Persons or it may no longer require certain Controlled Functions.

You should consider the effect of this change on approved persons before submitting your application. If you require help, please from the FCA please call the FCA Approved Persons Helpline on+ 44 (0) 845 606 9966 or email iva@fca.org.uk. If you are a dual regulated firm and require help from the PRA, please call PRA Firm Enquiries on +44 (0) 203 461 7000 or email PRA.firmenquiries@bankofengland.co.uk

6.1 Have any individual(s) proposed to perform a new role, for the firm's Consumer Credit business, been assessed as competent to apply the knowledge and skills necessary to engage in or oversee the activities without supervision? And do they have the necessary qualifications (where relevant) and experience?

Yes ▶ Continue to Section 6.2

No ▶ Explain why below

6.2 The changes you have requested may result in current controlled functions no longer being required. We will remove the specific functions from the profiles of the relevant approved persons. If this applies to your application, do you accept this?

Yes ▶ Continue to Section 7

N/A, as no change to controlled functions ▶ Continue to Section 7

No ▶ Explain why below

7

EEA Notifications and Third-Country Banking and Investment Groups

We need to know about any connected firms outside the UK but within the EEA (European Economic Area). We also need to know whether the firm is a member of a third-country banking and investment group.

EEA Notifications**7.1 Is the firm connected with a firm outside the UK but within the EEA?**

- No ▶ Continue to Question 7.2
 Yes ▶ Give details of each connection below

Name of EEA Regulated Firm	Name of EEA Regulator	Firm's Contact at EEA Regulator (include email address)

Third-Country Banking and Investment Groups**7.2 Is the firm a BIPRU firm?**

- No ▶ Continue to Section 8
 Yes ▶ Continue to Question 7.3

7.3 Is the firm a member of a third-country (i.e outside of the EEA) banking and investment group?

- No ▶ Continue to Section 8
 Yes ▶ We will ask you to give further details once we have received this application.

8

Fees

Changing your firm's permission can generate an application fee and vary your periodic fee.

If an application fee is due, you must be ready to pay it in full at the same time as submitting your application, by credit/debit card (you may pay by bankers draft, cheque or other payable order by prior arrangement only if it is not possible to pay by credit or debit card). If the fee is not paid in full within five working days of the date that we contact you after you submit this form, your application will be returned to you. This fee is non-refundable; and we do not issue invoices for it.

If the proposed application will add credit activities, a fee will apply as listed below. If the firm is adding more than one credit activity, you should pay the highest fee.

8.1 Please state the estimated consumer credit income for the applicant

8.2 Indicate which of the following applies to your application.

Category of change applied for	Estimated Regulated Consumer Credit Income	Fee
<input type="checkbox"/> Limited permission only firm applying for further limited permission activities <input type="checkbox"/> Reduction in scope of permission, e.g. only removing an activity, removing a customer or investment type from an activity, or adding a requirement or a limitation	Not applicable	No Fee
<input type="checkbox"/> Adding straightforward credit activities and the firm is currently approved for credit business other than limited permission: <ul style="list-style-type: none"> • Credit broking • Providing credit information services 	Not applicable	£250
<input type="checkbox"/> Adding straightforward credit activities and the firm is not currently approved for credit business: <ul style="list-style-type: none"> • Credit broking • Providing credit information services 	Up to £50k Over £50k to £100k Over £100k to £250k Over £250k to £1m Over £1m The firm is currently a limited permission credit firm only	<input type="checkbox"/> £300 <input type="checkbox"/> £375 <input type="checkbox"/> £500 <input type="checkbox"/> £750 <input type="checkbox"/> £2,500 <input type="checkbox"/> Twice the above fee is payable
<input type="checkbox"/> Adding moderately complex credit activities <ul style="list-style-type: none"> • Entering into regulated credit agreement as Lender (Excluding high-cost short-term credit, bill of sale loan agreement, and home collected credit loan agreement) • Exercising or having the right to exercise lender's rights and duties under a regulated credit agreement (excluding high-cost short-term credit, bill of sale loan agreement, and home collected credit loan agreement) • Entering into a regulated consumer hire agreement as owner • Exercising or having the rights to exercise rights and duties under a regulated consumer hire agreement • Operating an electronic system in relation to lending • Debt collecting • Debt administration 	Up to £50k Over £50k to £100k Over £100k to £250k Over £250k to £1m Over £1m The firm is currently a limited permission credit firm only	<input type="checkbox"/> £400 <input type="checkbox"/> £500 <input type="checkbox"/> £750 <input type="checkbox"/> £2,500 <input type="checkbox"/> £5,000 <input type="checkbox"/> Twice the above fee is payable
<input type="checkbox"/> Adding complex credit activities <ul style="list-style-type: none"> • Entering into a regulated credit agreement as a lender, in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements • Exercising or having the right to exercise the lender's rights or duties under a regulated credit agreement in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements • Debt adjusting • Debt counselling • Providing credit references 	Up to £50k Over £50k to £100k Over £100k to £250k Over £250k to £1m Over £1m The firm is currently a limited permission credit firm only	<input type="checkbox"/> £500 <input type="checkbox"/> £625 <input type="checkbox"/> £1,000 <input type="checkbox"/> £3,500 <input type="checkbox"/> £7,500 <input type="checkbox"/> Twice the above fee is payable

8.3 Please confirm that the contact person for the application is ready to pay by credit or debit card.

- Yes. To make a payment using a credit card, please do not enter the details on this form. We will contact you to ask for the details.
- No, I have made prior arrangements to pay by bankers draft, cheque or other payable order.

9 Declaration and Signature

Warning

Knowingly or recklessly giving us information, which is false or misleading in a material particular, may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). Our rules (SUP 15.6.4R) require an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to us and to tell us immediately if materially inaccurate information has been provided. Contravening these requirements may lead to disciplinary sanctions or other enforcement action by us. It should not be assumed that information is known to us just because it is in the public domain or has previously been disclosed to us or another regulatory body. If you are not sure whether a piece of information is relevant, please include it anyway.

Data Protection

For the purposes of complying with the Data Protection Act, the personal information in this form will be used by the FCA and/or PRA to discharge its statutory functions under the Financial Services and Markets Act 2000 and other relevant legislation. It will not be disclosed for any other purposes without the permission of the applicant.

Declaration

By submitting this application form

- ✓ I confirm that the information in this application is accurate and complete to the best of my/our knowledge and belief and that I/we have taken all reasonable steps to ensure that this is the case.
- ✓ I am aware that it is a criminal offence knowingly or recklessly to give the FCA and/or PRA information that is false or misleading in a material particular.
- ✓ Some questions do not require supporting evidence. However, the records, which demonstrate the applicant firm's compliance with the rules in relation to the questions, must be available to the FCA and/or PRA on request.
- ✓ I will notify the FCA and/or PRA immediately if there is a significant change to the information given in the application pack. If I fail to do so, this may result in a delay in the application process or enforcement action.
- ✓ If this application was submitted by email I confirm that a signed copy has been retained and is available for inspection.

Date	<input type="text"/>
Name of signatory¹	<input type="text"/>
Position² of signatory	<input type="text"/>
Individual Registration Number (if applicable)	<input type="text"/>
Signature	<input type="text"/>

¹ The signatory must be a suitable person of a Senior Management level at the firm.

² e.g. Director, Sole Trader, Compliance Officer, etc.



Variation of Permission (VOP) Application

Consumer Credit – notes

Purpose of these Notes

These notes will help you fill in the **Consumer Credit** form correctly.

If after reading these notes you need more help, you can:

- visit our website: www.fca.org.uk/your-fca
- consult the Handbook: www.fshandbook.info/FS/index.jsp;
- email consumercreditVOP@fca.org.uk

These notes, while aiming to help you, do not replace the rules and guidance in the Handbook.

Terms in the Form

The form uses the following terms:

'FCA/PRA, 'we', 'our', or 'us' refers to the Financial Conduct Authority and the Prudential Regulation Authority.

'The firm' refers to the firm applying for the variation of permission.

'You' refers to the person(s) signing the form on behalf of the applicant firm.

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1 Contact details and timings for this application

Contact for this application

1.3 Details of the person we should contact about this application.

This should be an individual in the UK.

Timings for this application

1.4 Does the applicant firm have any timing factors that it would like us to consider?

If you wish your application to be granted by a specific date, for example in time for a product launch, we will try to do so. However, the time taken to determine each application is significantly affected by the quality of the application submitted and whether it is complete. If you leave a question blank, do not sign the declaration or do not attach the required supporting information, we will have to treat the application as incomplete. This will increase the time taken for us to assess your application.

We are required by law to determine applications within the earlier of (a) six months of receiving a complete application or (b) 12 months of receiving an incomplete application. However, we aim to make a decision about the application as soon as possible.

2 Variation of Permission – Consumer Credit activities

It is your responsibility to make sure the regulated activities you request adequately cover the activities the applicant firm intends to carry on. Use this section to request any changes you wish to make to the firm's permission.

You need a Permission Notice that matches the applicant firm's needs and covers every aspect of regulated business it wants to carry on. The Permission Notice shows the range of regulated activities the applicant firm will be authorised to carry on. It will also contain what we refer to as 'requirements' and 'limitations'.

Broadly speaking, a limitation is included in the description of a specific regulated activity and will limit how it is carried on, in some way.

A requirement is on the firm to take or not to take a specified action (e.g. not to hold client money). A requirement may extend to activities of the firm which are not regulated activities.

If the applicant firm carries on a regulated activity that is not set out in its permission notice it could be in breach of FSMA and subject to enforcement action.

3 Variation of Permission – Client Money

The rules and guidance about how applicant firms hold client money are designed to provide an adequate level of protection for consumers.

4 Reason for Variation

No additional notes.

5 Threshold Conditions

Threshold Conditions are the minimum requirements a firm must satisfy to be and to continue to be authorised. When we consider the applicant firm's application we will assess whether you will satisfy, and continue to satisfy, the threshold conditions which are set out in full in the Threshold Conditions (COND) 2 Sourcebook of the Handbook at: www.fshandbook.info/FS/html/handbook/COND/2.

Location of Offices

This is a requirement of Threshold Condition 2.2.

Effective Supervision

The appropriate regulator must be capable of effectively supervising the firm. This is a requirement of Threshold Condition 2.3.

Appropriate resources

We must be satisfied the applicant firm has adequate resources. We assess the quality and quantity of the applicant firm's resources for its:

- financial resources;
- management;
- staff; and
- systems and controls.

This is a requirement of Threshold Condition 2.4.

Prudential category

We differentiate between our financial requirements by putting applicant firms in different prudential categories. The firm will fall into at least one prudential category (including if there is no specific prudential requirement); and it may fall into more than one prudential category, depending on its regulated activities.

The prudential categories relevant to consumer credit activities are set out in the following table:

Table A

PRUDENTIAL CATEGORIES FOR CONSUMER CREDIT FIRMS	
IPRU –INV Sourcebook	Chapter
Firms Operating an Electronic Systems in relation to Lending	12
CONC Sourcebook	Chapter
Debt Management Firms and not for profit debt advisors holding £1 million or more in client money.	10

For other consumer credit activities there is no specific prudential requirement and you should answer question 5.5 “no”.

Compliance

A firm must establish, maintain and carry out a Compliance Monitoring Programme of actions to check it complies, and continues to comply, with regulations. When assessing this application we need to be satisfied the applicant firm has the appropriate compliance arrangements in place to meet its regulatory obligations. The applicant firm will need, as a **minimum**, to have in place procedures to meet our rules for the subject areas in the table below. These procedures must be ready for inspection at any time.

5 Threshold Conditions (cont'd)

Supporting Information to Submit With Your Application

For applications to add permission to do the following **for the first time**, the information below **must** be supplied with the application. Failure to do so will lengthen the application process.

As a guide, your VOP application should include the following information:

All firms

- The background to the business;
- Why you are applying to change your firm's permission
- What experience/qualifications you have in this new activity
- Will your staff numbers be increased (if so by how much)
- How will they be trained and monitored
- Are they incentivised to sell – what products or services and how?
- Details of your systems and controls incorporating the new activity – including IT systems, compliance staff and the governance of the firm.
- Where customers will be sourced from (e.g. existing client base or purchase of client bank) including the use of any lead generators or brokers (and how they will be remunerated) and a summary of the financial promotions to take place.
- How will this activity be sold (Face to Face, Telephony, via a website?)
- Details of all fees that could be payable by the customer and how they are explained to the customer.
- Details of all charges (for example for late or early repayment) and how these are communicated to customers
- Details of arrears and default procedures (including how the firm will assess whether the customer is in financial difficulty and any forbearance).
- Details of the procedures in place to mitigate the risk of fraud/crime.
- Details of the procedures in place to mitigate the higher risks of lending to vulnerable customers.
- Business forecast – not just sales, to also include what income is made by fees and charges.

Lenders

Details of how your affordability assessments are carried out

Pawnbrokers

Details of how you will value items

Details of the circumstances in which you will allow a customer to redeem an item and any charges made when this occurs.

Firms applying for High Cost Short Term Lending

Forecast to include what percentage of loans do you expect to be in arrears and default, what percentage of loans you expect to be refinanced.

Details of how the firm will use continuous payment authorities.

Debt Management firms

What are the firms systems and controls to ensure that it provides accurate payments / data / information to creditors?

What are the firms systems and controls regarding its handling of client money?

What information is provided to the customer about the options available to them and the implications and consequences?

What proportion of debtor payments are passed on to creditors?

5 Threshold Conditions (cont'd)

Debt collection firms

What are the firms systems and controls to ensure the quality of information it receives from creditors?

What are the firms systems and controls to ensure that it provides accurate payments / data / information to creditors?

Firms applying for log book lending

What is the firm's approach to seizing assets?

Details of how any depreciation of asset is calculated

Firms applying as home collected credit providers

The number of employees, agents or brokers who will be selling the products of the firm, how they will be overseen and remunerated and the geographical area of the firms home collected credit business.

Credit Brokers

What level of service you provide and whether this is exclusively with one lender or a panel of lenders – how is this communicated with the customer

What is your procedure of refunding any upfront fees?

6 Approved Persons

You must ensure that no individual performs a controlled function until the application has been granted and we have approved the individual to perform the controlled function(s).

What is an approved person?

An approved person is an individual who is approved by us to perform a controlled function for an authorised firm or an appointed representative. To be approved and continue to be approved to perform a controlled function, an individual must:

- meet, and maintain, our criteria for approval (the 'fit and proper test'); and then
- perform their controlled function(s) in line with the Statement of Principles and Code of Practice for Approved Persons (APER) Sourcebook of the Handbook.

What is a controlled function?

A controlled function is a function for a regulated business that has particular regulatory significance.

For example, overseeing the firm's systems and controls and being responsible for compliance with our rules.

There are different controlled functions relevant to the different types of businesses we regulate. Some controlled functions are required for every firm, others will depend on the nature of your business.

Each controlled function has a 'CF' number. You can find a full list of all the controlled functions and an explanation of each one at: www.fshandbook.info/FS/html/handbook/SUP/10.

The Approved Person 'Form A' application form is found at: www.fca.org.uk/your-fca

7 EEA Notifications and Third-Country Banking and Investment Groups

EEA Notifications

We need to know about any connected firms outside the UK but within the EEA because we may contact the relevant EEA Home State Regulators of these connected firms, as part of the application process.

Third-Country Banking and Investment Groups

Definition of BIPRU firm

BIPRU firm has the meaning set out in the FCA or PRA handbook as appropriate.

Definition of third-country banking and investment group

A third-country banking and investment group is a banking and investment group that is:

- (a) headed by:
 - (i) a credit institution;
 - (ii) an asset management company;
 - (iii) an investment firm; or
 - (iv) a financial holding company;that has its head office outside the EEA; and
- (b) not part of a wider EEA banking and investment group.

8 Fees

The application fee is an integral part of your application. If you do not pay the appropriate fee in full with the completed application pack or when we contact you, we will not process your application.

For further information on fees, see FEES 3 Annex 1.

You should note the firm's periodic fee may change as a result of this application. See www.fca.org.uk/your-fca for further details.

9 Declaration and Signature

This must be the person who is responsible for making the application. This should be a suitable person of appropriate seniority at the firm.

Amend the following as shown:

13 Exercise of passport rights by UK firms

...

13 Annex 1R Passporting: Notification of intention to establish a branch in another EEA state



Passporting

Notification of intention to establish a branch in another EEA state (excluding the Payment Services Directive and Electronic Money Directive)

...

10.2 Please give details of the firm's programme of operations.

Note to Question 10.2

Provide a programme of operations stating in particular the services which the *AIFM* intends to perform and the organisational structure of the *branch*.

Please also identify the *AIFs* that the *AIFM* intends to manage and the domiciles of these *AIFs*. If any of these *AIFs* will be established in a different *EEA State* to the *branch*, please provide the address in the *Home State* of the *AIF* from which documents may be obtained.

For a suggested template firms may adhere to the template provided in section 3.3 when preparing a programme of operations.

13A Qualifying for authorisation under the Act**13A.1 Application and purpose**

...

13A.1.3 G ...

- (2) Gibraltar insurance companies, *credit institutions*, *insurance intermediaries*, ~~and investment firms and management companies~~ are allowed to passport their services into the *United Kingdom* if they comply with the relevant notification procedures...

...

13A.6.2 G An *incoming EEA firm* (other than an *EEA pure reinsurer* or an *EEA firm* that has received authorisation under article 18 of the *auction regulation* and only provides services in the *United Kingdom*) or *incoming Treaty firm* carrying on business in the *United Kingdom* must comply with the *applicable provisions* (see SUP 13A.4.4G, SUP 13A.4.6G and SUP 13A.5.4G) and other relevant *UK* legislation. For example where the business includes:

- (1) business covered by the Consumer Credit Act 1974, then an *incoming EEA firm* or *incoming Treaty firm* must comply with the provisions of that Act, ~~as modified by paragraph 15(3) of Schedule 3 to the Act~~; or

...

...

14 Incoming EEA firms changing details, and cancelling qualification for authorisation**14.1 Application and purpose**

Application

...

14.1.3 G (1) Under the *Gibraltar Order* made under section 409 of the *Act*, a Gibraltar firm is treated as an *EEA firm* under Schedule 3 to the *Act* if it is:

...

(aa) authorised in Gibraltar under the *Reinsurance Directive*; or

...

(d) authorised in Gibraltar under ~~the *Investment Services Directive*~~ *MiFID*; or

(e) authorised in Gibraltar under the *UCITS Directive*.

...

...

15.3 General notification requirements

...

Breaches of rules and other requirements in or under the Act or the CCA

- 15.3.11 R (1) A firm must notify the appropriate regulator of:
- (a) ...
 - (aa) a significant breach of any requirement imposed by the CCA or by regulations or an order made under the CCA (except if the breach is an offence, in which case (c) applies), but any notification under (aa) is required to be made only to the FCA; or
 - (b) ...
 - (c) the bringing of a prosecution for, or a conviction of, any offence under the Act or the CCA; or
 - ...

...

15.5 Core information requirements

...

- 15.5.9 R (1) A firm other than:
- (a) a credit union; or
 - (b) an FCA-authorized person with permission to carry on only credit-related regulated activity;

must submit any notice under SUP 15.5.1R, SUP 15.5.4R and SUP 15.5.5R by submitting the form in SUP 15 Ann 3R online at the appropriate regulator's website.

- (2) A credit union or an FCA-authorized person with permission to carry on only credit-related regulated activity (other than a firm with only an interim permission to which the modifications to SUP 15 in CONC 12 apply) must submit any notice under SUP 15.5.1R, SUP 15.5.4R, SUP 15.5.5R and SUP 15.5.7R by submitting the form in SUP 15 Ann 3R in the way set out in SUP 15.7.4R to SUP 15.7.9G (Form and method of notification).

...

...

16 Reporting requirements

16.1 Application

- 16.1.3 R Application of different sections of SUP 16 (excluding SUP 16.13, SUP 16.15, SUP 16.16 and SUP 16.17)

(1) Section(s)	(2) Categories of firm to which section applies	(3) Applicable rules and guidance
...		
SUP 16.4 and SUP	All categories of firm except:	Entire sections

16.5			
	...		
	(j)	a firm with <i>permission</i> to carry on only <i>insurance mediation activity, home finance mediation activity, or both</i> ;	
	(ja)	<u>an FCA-<i>authorised person with permission to carry on only credit-related regulated activity</i></u> ;	
	(k)	a firm falling within a <u>combination of both (i), and (j) and (ja)</u> .	
	...		
SUP 16.11	A firm, other than a <i>managing agent</i> , which is:		Entire section
	...		
	(4)	a person who issues or manages the relevant assets of the issuer of a <i>structured capital-at-risk product</i> , <u>or</u>	
	(5)	<u>a firm with permission to enter into a regulated credit agreement as lender in respect of <i>high-cost short-term credit or home credit loan agreements</i></u> .	
	...		

...

16.10 Verification of standing data

Application

16.10.1 G The effect of SUP 16.1.1R is that this section applies to every *firm* except:

...

(2) a *UCITS qualifier*, or(2A) an *AIFM qualifier*, or

- ...
- ...
- 16.10.4A R (1) A *firm* other than:
- (a) a credit union; or
- (b) an FCA-authorised person with permission to carry on only credit-related regulated activity.

must submit any corrected *standing data* under SUP 16.10.4R(3) online at the appropriate regulator's website using the ~~ONA~~ ONA system.

- (2) A credit union or a firm with permission to carry on only credit-related regulated activity must submit any corrected *standing data* under SUP 16.10.4R(3) to static.data@fca.org.uk or via post or hand delivery to the FCA marked for the attention of the 'Static Data team'.
- ...

16 Annex 19BG

NOTES FOR COMPLETION OF THE MORTGAGE LENDING ADMINISTRATION RETURN ('MLAR')

...

INTRODUCTION: GENERAL NOTES ON THE RETURN

...

4. Regulated mortgage contracts and the wider mortgage market

...

(ii) Residential loans to individuals

...

Examples of non-regulated mortgage contracts which fall under the wider category of residential loans to individuals include: buy-to-let loans and other types of loan where the property is not for use by the borrower (or qualifying dependants); and residential loans to individuals where the lender does not have a first charge. In the case where a lender takes a first and a second charge over the same residential property (for different purposes), we consider that generally the loan secured by the first charge will be a regulated mortgage contract, but that the loan secured by the second charge will invariably not and should be reported as non-regulated.

Pending the UK implementation of the Mortgage Credit Directive, even though loans secured by a second or subsequent charge on residential property may potentially be regulated credit agreements, firms completing the MLAR in the period after 1 April 2014 should continue to include second charge mortgage business as business falling within non-regulated mortgage contracts.

...

App 3 Guidance on passporting issues

...

App 3.3.6 G ...

(2) The European Commission has not produced an interpretative communication on either the *Insurance Mediation Directive*, AIFMD or ~~on~~ the *UCITS Directive*.

...

App 3.3.13 G The *Single Market Directives* require *credit institutions, insurance undertakings* (other than *reinsurance undertakings*), *MiFID investment firms*, AIFMs, *UCITS management companies* and *insurance intermediaries* to make a notification to the *Home State* before establishing a *branch* or providing *cross border services*...

...

App 3.9 Mapping of MiFID, CRD, AIFMD, UCITS Directive and Insurance Mediation Directive to the Regulated Activities Order

App 3.9.1 G The following Tables 1, 2, 2ZA, 2A and 2B provide an outline of the *regulated activities* and *specified investments* that may be of relevance to *firms* considering undertaking *passport activities* under the *CRD*, *MiFID*, AIFMD, the *UCITS Directive* and the *Insurance Mediation Directive*. The tables may be of assistance to *UK firms* that are thinking of offering financial services in another *EEA State* and to *EEA firms* that may offer those services in the United Kingdom.

App 3.9.2 G The tables provide a general indication of the *investments* and activities specified in the *Regulated Activities Order* that may correspond to categories provided for in the *CRD*, *MiFID*, AIFMD, the *UCITS Directive* or the *Insurance Mediation Directive*...

...

Part 2: Comes into force on 22 July 2014

16 Reporting requirements

...

16.12 Integrated Regulatory Reporting

...

Reporting requirement

...

16.12.4 R Table of applicable rules containing *data items*, frequency and submission periods

		(1)	(2)	(3)	(4)
RAG number	Regulated Activities	Provisions containing:			
		applicable <i>data items</i>	reporting	due date	

			frequency/period	
...				
RAG 6	<ul style="list-style-type: none"> • <i>acting as the depository of an authorised contractual scheme</i>
...				

Annex D

Amendments to the Compensation sourcebook (COMP)

In this Annex, underlining indicates new text and striking through indicates deleted text.

4 Eligible claimants

...

4.2 Who is eligible to benefit from the protection provided by the FSCS?

...

4.2.2 R Table COMP 4.2.2R Persons not eligible to claim unless COMP 4.3 applies (see COMP 4.2.1R)

This table belongs to *COMP 4.2.1R*

...	
(3)	<i>Collective investment schemes</i> , and anyone who is the operator <u>operator</u> or trustee <u>depository</u> of such a scheme <u>scheme</u> .
...	

Annex E

Amendments to the Credit Unions Sourcebook (CREDS)

In this Annex, underlining indicates new text and striking through indicates deleted text.

Accounting records and systems

- 2.2.24 G SYSC 9.1.1R requires that a *credit union* takes reasonable care to make and retain adequate records of all matters governed by the Act or the CCA, secondary legislation under the Act or the CCA, or *rules* (including accounting records). These records should be capable of being reproduced in the English language and on paper.

...

Annex F

Amendments to the Building Societies Regulatory Guide (BSOG)

In this Annex, striking through indicates deleted text.

1.1.3 G ...
"official list" ...
~~"OFT"~~ Office of Fair Trading
...