

Appointed Representatives: Evidencing the shift in your oversight

September 2023

By December 2023, firms should conduct an annual assessment of each of their Appointed Representatives (ARs) and their boards should approve the firm's first self-assessment about its oversight of ARs. The new rules that came into force in December 2022 represent a significant shift in the Financial Conduct Authority's (FCA) expectations.

The changes to the Appointed Representatives' regime in brief

An Appointed Representative (AR) is a firm or person who carries on regulated activities on behalf of a company authorised directly by the FCA. The directly authorised firm is known as the AR's "Principal". The principal is responsible for the regulated activities of the AR, and must answer to the FCA for any misconduct by the AR.

The FCA tightened the rules because it identified a wide range of harm across all the sectors where principals and ARs operate, mainly due to poor due diligence and lack of/weak on-going control and oversight.

ARs' principals were always responsible for their ARs' appointment and conduct and were obliged to exercise adequate controls over their activities. But the new rules represent a significant shift in the FCA's expectations. **Tellingly, the FCA spoke about 'overseeing ARs to a comparable standard as if they were employees of the principal'.** The regulator noted that these changes went hand in hand with the new Consumer Duty, which set a new, higher standard of consumer protection.

WHAT HAS CHANGED?

- **More information to be provided to the FCA about existing and new ARs**, with new ARs needing to be notified to FCA at least 30 days prior to appointment, and changes within 10 days.
- **Additional ongoing FCA reporting requirements on ARs** – including new annual AR complaints and revenues reporting within 60 days of the principal's accounting date.
- **Principals must conduct an annual assessment of each of their ARs** – this must be completed before 30 November 2023.
- **Principals' boards must approve an annual self-assessment** about how they are meeting their obligations in relation to ARs.

In its 2023-24 Business Plan, the FCA included improving the oversight of ARs as a key priority through additional testing and engagement, and continuing improved use of data, strengthening at the gateway, and more assertive supervision of principals. To back this up, the regulator increased fees to fund this work, created a new department focusing on ARs and in June 2023 it stated that 10 principals were under restrictions for failing to meet its expectations on AR oversight.

Even though the requirements apply to principals as authorised entities, ARs should ensure that they engage with principals to support them in meeting their obligations. ARs should also take note of the circumstances which cause the FCA concern (AR larger than the Principal, rapid growth of the ARs' business, overseas-based ARs, etc) to see if there are steps that can be taken to mitigate the effect of potential regulatory intervention.

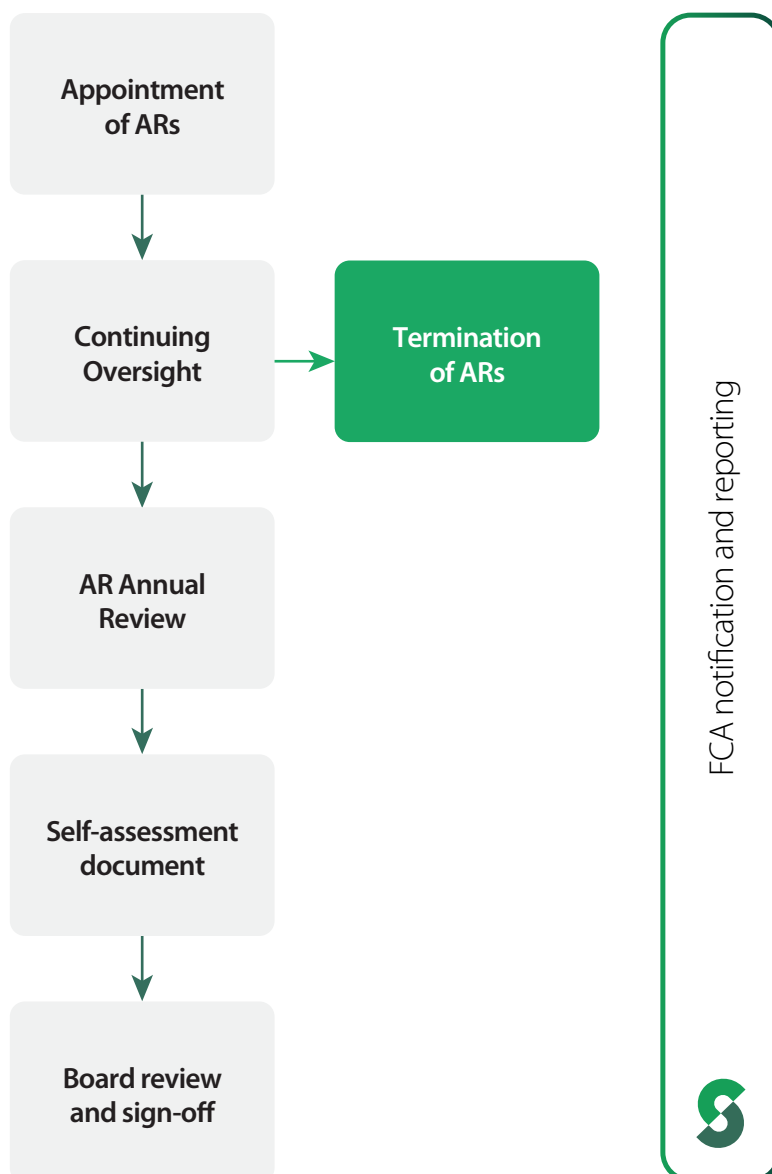
Summary of the requirements

INFORMATION AND NOTIFICATION REQUIREMENTS

- Notification of ARs to the FCA 30 days in advance of appointment including detailed information about the AR
- Annual review of the AR register
- Annual reporting on AR complaints and revenues within 60 days of accounting reference date

RESPONSIBILITIES AND REGULATORY EXPECTATIONS OF PRINCIPALS

- Appropriate safeguards when delegating functions to an AR
- Appropriate continuing oversight of ARs, to be kept under review
- Orderly termination processes
- Annual review of each AR
- Annual self-assessment of oversight of ARs, signed off by the board



How Sicsic Advisory can help

- Providing assurance on your annual board self-assessment
- Conducting health checks of your ARs in support of your annual AR review
- Conducting a review of your oversight arrangements / implementation of the requirements
- Helping you design AR controls, including due diligence and onboarding and oversight arrangements.
- Developing training materials for ARs
- Helping you develop action plans
- Developing productive regulatory engagement strategies

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References

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[Improving the Appointed Representatives regime](#)

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