

FCA Authorisations Division and APCC Liaison Meeting Minutes, Wednesday 18th September 2019, 11am - 1pm at the offices of the FCA, 12 Endeavour Square, London, E20 1NJ

Attendees:

FCA:

Nick Mears
Gavin Davies
Karen Avis
Rina Maher
Emma Krygier
Steve Hall

Attia Aslam
Kathryn Baildon-Smith
Mike Baker
Vikki Jordan
James O'Connell
Richard Atkinson

APCC:

Ben Mason	APCC Member and Authorisations Working Group Leader
Russell Facer	APCC Director and Authorisations Working Group Member
Gary Kershaw	APCC Director and Authorisations Working Group Member
Jude Bahnan	APCC Member and Authorisations Working Group Member
Bev Robertson	APCC COO and Minute Taker
Gabby Holloway	APCC Operations Manager

Agenda:

Introductions

Delivering Excellent Authorisations

SMCR

Brexit update and news

Claims Management Companies

Lending and Intermediaries

Wholesale

Retail

Approved Persons, Passporting and Mutuals

AOB

Delivering Excellent Authorisation

This follows on from FCA Authorisations work in 'Delivering Effective Authorisations' where they wanted to look to improve the way they authorise and to improve the service they provide to firms. The FCA would like member feedback on how this is being received by firms and the APCC will assist them with this.

The work includes a lot of technology changes such as 'track my application' that is available now within Connect once an application has been submitted. This gives steps of where the application is up to and information such as who the case officer is and the current expected timescales for similar applications. This is based on the last 10 months timescales data and is updated every month based on the feedback firms provide.

The APCC asked if this would show when the application was waiting for other FCA departments to respond. This is not available at this time, but the Authorisations team are looking to improve the communications with other departments and keep firms advised. The FCA did state that the statutory deadlines are representative of the division rather than just within one Authorisations department. Track my application should enable Authorisations to set internal SLA's with other (FCA-wide) departments.

Part of this work also included streamlining the rejections and withdrawals process. The FCA advises some

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applications are incomplete, in that, fundamental areas are missing such as business plans, and they need to remind firms that the expectation is they should be 'Ready, willing and organised' before they submit an application and they have provided more guidance on what this statement means for firms.

They have also added additional guidance throughout the process for firms to refer to. This should improve things and make it quicker without diluting the expected quality of submissions. This includes lists of expected documents for a certain type of application as well as a sample business plan for different firm types.

The APCC raised concerns that this could lead to 'similar' templates within applications which had previously been criticised by the FCA. They advised this was to provide support, but they would not expect 'copy and paste type applications. The FCA asked if they had the balance right and it was generally agreed that they did.

They asked for the APCC to make firms aware of their 'good applications' guidance that is on the website and for feedback from our members for the next meeting on how this is being received. The APCC asked for the FCA to advise us of each update to the website so we could advise members accordingly. However, the FCA did remind that the information provided must be reflective of the firm's true situation and not merely to fulfil the application process.

The APCC took the opportunity to remind the FCA that during post Authorisations calls, compliance needs to be referenced as it was rarely stated as an issue e.g. the firm was never asked about its compliance monitoring plan but as it is a crucial part of the firm's ongoing compliance, it would assist consultants in ensuring firms took this matter seriously. It was agreed that the FCA and the APCC would do some additional work together on this.

The system has also been upgraded to interface better with iPads and tablets as it has issues on this platform previously. Every page in Connect has a 'Was this page helpful' and this feedback is monitored on a monthly basis so the FCA can react to trends. They also have more functionality around excel downloads in application forms.

There are more external communications to advise firms of this improvement. There is also now a survey that a firm can opt to take throughout the application process. They have also made changes to the pre-application tools on the website to assist firms at this stage as well as making changes to the register and making the handbook navigation easier.

The FCA then gave an update on behavioural work they'd been doing internally to assist in providing a more balanced approach to firms. This included increasing the confidence of staff in dealing with firms, this 'service mindset' is an ongoing process. The APCC did raise that the renaming of the FCC to the Supervision Hub' could have a potentially negative impact for firms thinking they are contacting 'Supervision'. The FCA felt this was the right name as a large percentage of their work is 'supervisory' in nature.

SMCR

It's now within 3 months to go for solo regulated firms. They have gone live with the SMCR Form A and Statement of Responsibilities. The FCA advised the Form O used for firms to opt up wasn't showing the right SMF's but this was being amended. They reported good engagement with firms ahead of the December implementation date.

The deadline for Form K submissions is 24th November for enhanced firms and if a firm fails to submit a Form K, approvals will be removed. If anything is submitted after this which causes a change to any approvals, a Form K will need to be resubmitted as it won't match or be mapped across. All other firms will be automatically mapped across to their relevant SMF's.

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SMCR Form A is only available to unapproved firms, an existing firm should continue to use the APER Form A to ensure that they are smoothly mapped across. The FCA have rolled out an increased amount of SMCR training in preparation for the changes and have a working group for this made up of representatives of each department, which Kathryn heads up.

The APCC asked if there were any changes to the Directory timescales, and dual regulated firms will show from March 2020. Solo regulated firms will still not show until December 2020. A concern was raised that a gap will appear in the regulated space, as they will show as 'inactive' from Approved Persons register, before they will appear in December 2020. The FCA will issue guidance text for the register during the gap advising firms that the register will be live from December 2020.

Brexit

Little to update other than the FCA are continuing to plan for a hard exit, and the Temporary Permissions Regime applications are open until November 30th for incoming firms to register. The PRA have closed their applications for dual regulated firms. These firms now must apply in full rather than via the TPR.

The FCA are going to ask Payment firms to apply if they are likely to, this is for incoming firms. They will have up to 3 years to either apply in full or exit the regime before the 3 years has expired.

There is a Brexit helpline for TPR, and they will be working over the weekend and open late should we Brexit on 31st October. The FCA are working with other regulators to try and contact relevant firms to ensure they register for TPR if that is what they need.

Claims Management Companies

The CMC department now have around 50 fully trained staff, the landing slots have now closed and they are working through the applications. Determinations are behind original planned levels largely due to the poorer quality of applications and firms not being able to be ready for authorisation. CMC Department will use the full range of authorisation tools when assessing firms and have merged Supervision and Authorisations together for these firms so both areas can be covered during assessment of the application for authorisation.

They have looked at areas other than the application, which includes Financial Promotions of unauthorised firms as well as the in-flight cases that came across from the Claims Management Regulator. They have also looked at firms who are choosing to leave the market and why.

With Financial Promotions, they released communications in August stating some of the bad practices they had seen, such as not stating a client didn't have to use a CMC, lack of fees being declared, giving the impression that a CMC would give a better outcome as opposed to not using a CMC when this is not the case.

They have acted in this arena and issued Dear CEO letters, to remind firms of the Fin Prom rules, and will use banning powers if needed. They tried to ensure early intervention where it was obvious a firm wasn't operating correctly.

Firms are withdrawing applications as they cannot meet the requirements of the regulators, and this has been passed to the Unauthorised Business team to ensure they don't continue to trade. There are a few supervision cases, around Conflicts of Interests, Financial Promotions and client money.

Authorisations is behind – of 1200 authorised firms, 953 registered for Temporary Permissions, 251 didn't apply for full authorisation. They have additionally 800 Variations Of Permission applications in flight, which is around the figure the FCA expected.

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They sent questionnaires to all firms who hold client money, and have been out to visit the larger firms to ensure they are complying with the regulations.

Early outcomes – 50 firms are authorised and they have closed a significant number of supervision cases. A quarter of the CMC's who previously held client money have stopped doing so since FCA regulation. They also have quite a few firms who will be refused authorisation as unable to meet the required standards.

The APCC raised where a firm had been targeted by a CMC who had overlaid a DB firms website suggesting clients might have been mis sold and directing them to the CMC's website, the FCA wanted to be made aware of this so they could action as this is not clear, fair and not misleading.

The FCA expect to see firms continue to drop out as they are unable to support the firm through the compliance requirements.

Lending and Intermediaries.

The FCA raised a consumer credit business model that had come to their attention. This was around 'salary advance' firms where either a 3rd party lends to the employees ahead of their next pay day or the firm provides regulated loans to their own employees. The FCA feels these models carry some risks and are reviewing what they might be. These are akin to a high cost short term credit model. They need to ensure that these are fully transparent and that affordability questions are being asked.

Wholesale

The FCA advises they'd been working with some (non- APCC) consultants where applications were not of a high enough standard. They have improved their information on the website around 'ready, willing and organised' and this has led to a 20% withdrawal rate.

They are doing a lot of work around mini-bonds and unlisted debt and the harm that can come from that. This is mainly due to the returns being offered to retail consumers are unfounded or the firm can't evidence how they will generate the returns they offer.

They are seeing less crypto related applications probably due to a recent policy statement and greater degree of scrutiny.

They are also doing some work around financial promotions where firms are approving other firms' financial promotions and they want to review the thinking behind that. Wholesale confirmed they were working with expected timescales and had little backlog.

They are also working with supervision around the Principal/AR model which has been discussed in the past. They will be looking at additional policy development on this in the future.

Supervision Hub (previously the firm's contact centre)

The Supervision Hub now looks at how firms are behaving and looking to improve compliance. The FCA wondered if firms who aren't on Connect were using consultants instead and passing over that responsibility but they didn't have any data to support this at the time of the meeting.

The APCC asked to progress this further as we believe there's a role for both parties and that the FCA need to

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help firms who have consultants, to understand the role compliance plays for them and how serious it is. It was felt FCA intervention was too lax post Authorisation.

The APCC also raised the issues with firms having to register again on Connect once they are authorised.

The FCA also raised that the satisfaction survey results from APCC members had reduced slightly and they wondered if this was due to changes in the authentication process when firms called in making it harder for consultants to call on behalf of their firms. The APCC raised doing another 'meet the case handler' day where we can learn and build relationships with each other.

The FCA also advised the supervision hub had changed its model to have 'sector specific' teams and routing calls to them accordingly. This will be driven by the FRN. They now have a 'complex supervision team' to enable them to act as supervision rather than just firm contact. Calls will also be transferred if the case handler can't answer the query rather than being called back as previously.

Banking

New bank applications - they are doing a refresh of the new bank start up unit and they will be running a seminar at the PRA on this. They are trying to get firms to think about Conduct early as ore-application meetings seem to show that firms focus on business models only rather than conduct. Hopefully this will help speed up the application process.

They are meeting NCA's from other regulators and trying to give 'next step' advice to incoming firms

Payments - the FCA advises due to increased resources the unallocated cases have reduced. At the end of August, it was 325 cases, with 112 unallocated. This is now down to 289 with 41 unallocated. They expect to be within firm commitments very soon. Live market firms were all allocated 2 weeks ahead of the deadline and they will next be concentration on limited exclusion firms. Delays in Treasury giving 5mld rules in November so causes challenges within the department.

Approved Persons, Passporting and Mutuals

Thinking about SMCR and passporting challenges ahead. The Significant Influence Function applications have spiked, and they expect this to continue. They are getting more resource as the case volumes are high and can be complex. They will reorganise teams to reflect the changes coming in with SMCR.

The APCC raised that applications generally seem to be taking much longer and it advised this was due to increased scrutiny around Phoenixing. Also, IFA firms removing the DB permissions additionally caused a spike in the department.

The APCC invited people from the DB team to come along to an event the APCC are looking to run on DB transfers.

The APCC also advised there was a considerable delay in Change In Control applications. There is currently 270 CIC apps come in recently. With focussed work it was reduced to 240/250. The FCA asked for any problem cases to be highlighted as they understood the timings to be more reduced than we were advising.

Any Other Business

The APCC raised an issue around the KPI's on external KPI webpages being consolidated and being of little use. The FCA will respond to this offline as we had already sent a separate email ahead of the meeting.