

## Cabinet News and Views

Informed analysis for the financial services industry



### FCA Finalizes Changes to the UK's Appointed Representatives Regime



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An appointed representative (“AR”) is a firm or person who carries on a regulated activity, or activities, under the responsibility of an authorized financial services firm. An authorized firm that appoints representatives in this way is referred to as a “principal.” In appointing an AR, the principal assumes responsibility for the regulated activities carried on by the AR that have been agreed with the AR in writing. The appointed representatives regime dates back to 1986, but as the perimeter of UK financial regulation has extended, the market significance of ARs has grown. At present, some principals have responsibility for a large number of ARs, especially in the fintech and asset management markets.

On August 3, the UK’s Financial Conduct Authority (“FCA”) published a [policy statement](#) on improvements to the AR regime. The statement gives detail on responses submitted to a consultation on the regime which took place in December 2021, together with the final rules. The majority of the 107 responses were supportive of the FCA’s proposed changes. The FCA has made some amendments that take account of feedback received to add flexibility, make it easier for firms to implement relevant proposals, and to reduce duplication and regulatory burdens. The details of the changes, together with minor clarifications and updates, and the FCA’s response to the feedback received, are set out in chapters 2 and 3 of the policy statement. The final rules, guidance and forms are in the Appointed Representatives Instrument 2022 (FCA 2022/32) and will come into force on December 8, 2022. Principals should expect to receive a request for data about their ARs later in 2022.

Under the new rules, principal firms will be required to:

- Apply enhanced oversight of their ARs, including ensuring they have adequate systems, controls and resources.

- Assess and monitor the risk that their ARs pose to consumers and markets, providing similar oversight as they would to their own business.
- Review information on their AR's activities, business and senior management annually and be clear on the circumstances when they should terminate an AR relationship.
- Notify the FCA of future AR appointments 30 calendar days before they take effect.
- Provide complaints and revenue information for each AR to the FCA on an annual basis.

The FCA has clarified that the annual review requirements can be met by principals integrating them into existing internal reporting processes, so long as they meet the standards set out in the rules. The annual reviews can be conducted by individuals with a suitable degree of knowledge and authority below the governing body's level. Significant issues identified at specific ARs should then be escalated to the governing body.

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