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## SCHEDULES

### SCHEDULE 6

[<sup>F1</sup>Section 55B]

#### THRESHOLD CONDITIONS

##### Textual Amendments

- F1** Words in Sch. 6 substituted (1.4.2013) by [The Financial Services and Markets Act 2000 \(Threshold Conditions\) Order 2013 \(S.I. 2013/555\)](#), arts. 1, **2(1)**

##### Modifications etc. (not altering text)

- C1** Sch. 6 modified (3.9.2001) by [S.I. 2001/2507](#), arts. **1(1)**, 3(1); [S.I. 2001/2632](#), art. 2(2), **Sch. Pt. 2**

### [<sup>F2</sup>PART 1

#### INTRODUCTION

##### Textual Amendments

- F2** Sch. 6 Pts. 1-1G substituted for Sch. 6 Pts. 1, 2 (1.4.2013) by [The Financial Services and Markets Act 2000 \(Threshold Conditions\) Order 2013 \(S.I. 2013/555\)](#), arts. 1, **2(2)**

1A. (1) In this Schedule—

- “assets” includes contingent assets;
- “consolidated supervision” has the same meaning as in section 3M;
- “consumers” has the meaning given in section 425A;
- “financial crime” is to be read with section 1H(3);
- “functions”, in relation to the FCA or the PRA, means functions conferred on that regulator by or under this Act;
- “liabilities” includes contingent liabilities;
- “relevant directives” has the same meaning as in section 3M;
- “Society” means the society incorporated by Lloyd’s Act 1871 by the name of Lloyd’s;
- “subsidiary undertaking” includes all the instances mentioned in Article 1(1) and (2) of the Seventh Company Law Directive in which an entity may be a subsidiary of an undertaking.

- (2) For the purposes of this Schedule, the “non-financial resources” of a person include any systems, controls, plans or policies that the person maintains, any information that the person holds and the human resources that the person has available.
- (3) In this Schedule, References to “integrity” of the UK financial system are to be read in accordance section 1D(2).

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- (4) References to the failure of a person are to be read in accordance with section 2J(3) and (4).

## PART 1B

### PART 4A PERMISSION: AUTHORISED PERSONS WHO ARE NOT PRA-AUTHORISED PERSONS

#### *Introduction*

- 2A. If the person concerned (“A”) carries on, or is seeking to carry on, regulated activities which do not consist of or include a PRA-regulated activity, the threshold conditions that are relevant to the discharge by the FCA of its functions in relation to A are the conditions set out in paragraphs 2B to 2F.

#### *Location of offices*

- 2B. (1) Unless sub-paragraph (3) [<sup>F3</sup>, (4)(a) or (7)] applies, if A is a body corporate incorporated in the United Kingdom—
- (a) A’s head office, and
  - (b) if A has a registered office, that office,
- must be in the United Kingdom.
- (2) If A is not a body corporate but A’s head office is in the United Kingdom, A must carry on business in the United Kingdom.
- (3) If—
- (a) A is seeking to carry on, or is carrying on, a regulated activity which is any of the investment services and activities,
  - (b) A is a body corporate with no registered office, and
  - (c) A’s head office is in the United Kingdom,
- A must carry on business in the United Kingdom.
- (4) If A is seeking to carry on, or is carrying on, an insurance [<sup>F4</sup>distribution] activity—
- (a) where A is a body corporate incorporated in the United Kingdom, A’s registered office, or if A has no registered office, A’s head office, must be in the United Kingdom;
  - (b) where A is an individual, A is to be treated for the purposes of sub-paragraph (2) as having a head office in the United Kingdom if A is resident in the United Kingdom.
- (5) “Insurance [<sup>F5</sup>distribution] activity” means any of the following activities—
- (a) dealing in rights under a contract of insurance as agent;
  - (b) arranging deals in rights under a contract of insurance;
  - (c) assisting in the administration and performance of a contract of insurance;
  - (d) advising on buying or selling rights under a contract of insurance;
  - (e) agreeing to do any of the activities specified in paragraphs (a) to (d).
- (6) Sub-paragraph (5) must be read with—
- (a) section 22,
  - (b) any relevant order under that section, and

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(c) Schedule 2.

[<sup>F6</sup>(7) If A is seeking to carry on, or is carrying on, the regulated activity of managing an AIF and is, or upon being granted Part 4A permission to carry on that regulated activity would be, [<sup>F7</sup>a full-scope UKAIFM, A's head office and registered office must be in the United Kingdom.]]<sup>F7</sup>a full-scope UKAIFM—

- (a) A's head office and registered office must be in the United Kingdom, or
- (b) A's registered office must be in a country that is not an EEA State.]]

**Textual Amendments**

- F3** Words in Sch. 6 para. 2B(1) substituted (22.7.2013) by [The Alternative Investment Fund Managers Regulations 2013 \(S.I. 2013/1773\)](#), reg. 1, **Sch. 1 para. 36(a)**
- F4** Word in Sch. 6 para. 2B(4) substituted (1.10.2018) by [The Insurance Distribution \(Regulated Activities and Miscellaneous Amendments\) Order 2018 \(S.I. 2018/546\)](#), arts. 1(2), **18(4)**
- F5** Word in Sch. 6 para. 2B(5) substituted (1.10.2018) by [The Insurance Distribution \(Regulated Activities and Miscellaneous Amendments\) Order 2018 \(S.I. 2018/546\)](#), arts. 1(2), **18(4)**
- F6** Sch. 6 para. 2B(7) inserted (22.7.2013) by [The Alternative Investment Fund Managers Regulations 2013 \(S.I. 2013/1773\)](#), reg. 1, **Sch. 1 para. 36(b)**
- F7** Words in Sch. 6 para. 2B(7) substituted (coming into force in accordance with reg. 1(3) of the amending S.I.) by [The Alternative Investment Fund Managers \(Amendment\) Regulations 2013 \(S.I. 2013/1797\)](#), reg. 1(3), **Sch. 2 para. 1(6)**

*Effective supervision*

2C. (1) A must be capable of being effectively supervised by the FCA having regard to all the circumstances including—

- (a) the nature (including the complexity) of the regulated activities that A carries on or seeks to carry on;
- (b) the complexity of any products that A provides or will provide in carrying on those activities;
- (c) the way in which A's business is organised;
- (d) if A is a member of a group, whether membership of the group is likely to prevent the FCA's effective supervision of A;
- (e) whether A is subject to consolidated supervision required under any of the relevant directives;
- (f) if A has close links with another person ("CL")—
  - (i) the nature of the relationship between A and CL,
  - (ii) whether those links are or that relationship is likely to prevent the FCA's effective supervision of A, and
  - (iii) if CL is subject to the laws, regulations or administrative provisions of a territory which is not an EEA State ("the foreign provisions"), whether those foreign provisions, or any deficiency in their enforcement, would prevent the FCA's effective supervision of A.

[<sup>F8</sup>(1A) Paragraphs (a), (b) and (e) of sub-paragraph (1) do not apply where the only regulated activities that the person carries on, or seeks to carry on, are—

- (a) relevant credit activities, and
- (b) if any, activities to which, by virtue of section 39(1D), sections 20(1) and (1A) and 23(1A) do not apply when carried on by the person.]

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- (2) A has close links with CL if—
- (a) CL is a parent undertaking of A,
  - (b) CL is a subsidiary undertaking of A,
  - (c) CL is a parent undertaking of a subsidiary undertaking of A,
  - (d) CL is a subsidiary undertaking of a parent undertaking of A,
  - (e) CL owns or controls 20% or more of the voting rights or capital of A, or
  - (f) A owns or controls 20% or more of the voting rights or capital of CL.

#### Textual Amendments

**F8** Sch. 6 para. 2C(1A) substituted (14.2.2014 for specified purposes) by [The Financial Services and Markets Act 2000 \(Regulated Activities\) \(Amendment\) Order 2014 \(S.I. 2014/366\)](#), arts. 1(3)(4), 5(2)

#### Appropriate resources

- 2D. (1) The resources of A must be appropriate in relation to the regulated activities that A carries on or seeks to carry on.
- (2) The matters which are relevant in determining whether A has appropriate resources include—
- (a) the nature and scale of the business carried on, or to be carried on, by A;
  - (b) the risks to the continuity of the services provided by, or to be provided by, A;
  - (c) A's membership of a group and any effect which that membership may have.
- (3) [<sup>F9</sup>Except in a case within sub-paragraph (3A), the matters] which are relevant in determining whether A has appropriate financial resources include—
- (a) the provision A makes and, if A is a member of a group, which other members of the group make, in respect of liabilities;
  - (b) the means by which A manages and, if A is a member of a group, by which other members of the group manage, the incidence of risk in connection with A's business.
- [<sup>F10</sup>(3A) Where the only regulated activities that A carries on or seeks to carry on are—
- (a) relevant credit activities, and
  - (b) if any, activities to which, by virtue of section 39(1D), sections 20(1) and (1A) and 23(1A) do not apply when carried on by A,
- A has adequate financial resources if A is capable of meeting A's debts as they fall due.]
- (4) The matters which are relevant in determining whether A has appropriate non-financial resources include—
- (a) the skills and experience of those who manage A's affairs;
  - (b) whether A's non-financial resources are sufficient to enable A to comply with—
    - (i) requirements imposed or likely to be imposed on A by the FCA in the exercise of its functions, or
    - (ii) any other requirement in relation to whose contravention the FCA would be the appropriate regulator for the purpose of any provision of Part 14 of this Act.

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### Textual Amendments

- F9** Words in Sch. 6 para. 2D(3) substituted (26.7.2013 for specified purposes, 1.4.2014 in so far as not already in force) by [The Financial Services and Markets Act 2000 \(Regulated Activities\) \(Amendment\) \(No.2\) Order 2013](#) (S.I. 2013/1881), arts. 1(2)(6), **10(19)(b)(i)**
- F10** Sch. 6 para. 2D(3A) substituted (14.2.2014 for specified purposes, 1.4.2014 in so far as not already in force) by [The Financial Services and Markets Act 2000 \(Regulated Activities\) \(Amendment\) Order 2014](#) (S.I. 2014/366), arts. 1(3)(4), **5(3)**

### Suitability

- 2E. A must be a fit and proper person having regard to all the circumstances, including—
- (a) A's connection with any person;
  - (b) the nature (including the complexity) of the regulated activities that A carries on or seeks to carry on;
  - (c) the need to ensure that A's affairs are conducted in an appropriate manner, having regard in particular to the interests of consumers and the integrity of the UK financial system;
  - (d) whether A has complied and is complying with requirements imposed by the FCA in the exercise of its functions, or requests made by the FCA, relating to the provision of information to the FCA and, where A has so complied or is so complying, the manner of that compliance;
  - (e) whether those who manage A's affairs have adequate skills and experience and have acted and may be expected to act with probity;
  - (f) whether A's business is being, or is to be, managed in such a way as to ensure that its affairs will be conducted in a sound and prudent manner;
  - (g) the need to minimise the extent to which it is possible for the business carried on by A, or to be carried on by A, to be used for a purpose connected with financial crime.

### Business model

- 2F. (1) A's business model (that is, A's strategy for doing business) must be suitable for a person carrying on the regulated activities that A carries on or seeks to carry on.
- (2) The matters which are relevant in determining whether A satisfies the condition in sub-paragraph (1) include—
- (a) whether the business model is compatible with A's affairs being conducted, and continuing to be conducted, in a sound and prudent manner;
  - (b) the interests of consumers;
  - (c) the integrity of the UK financial system.
- (3) <sup>F11</sup>This paragraph does not apply where the only regulated activities that the person carries on, or seeks to carry on, are—
- (a) relevant credit activities, and
  - (b) if any, activities to which, by virtue of section 39(1D), sections 20(1) and (1A) and 23(1A) do not apply when carried on by the person.]

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### Textual Amendments

**F11** Sch. 6 para. 2F(3) substituted (14.2.2014 for specified purposes, 1.4.2014 in so far as not already in force) by [The Financial Services and Markets Act 2000 \(Regulated Activities\) \(Amendment\) Order 2014 \(S.I. 2014/366\)](#), arts. 1(3)(4), **5(4)**

### Interpretation

- [<sup>F12</sup>2G.(1) In this Part of this Schedule, each of the following is a “relevant credit activity”—
- (a) an activity of the kind specified by article 36A of the Regulated Activities Order (credit broking) when carried on in the case specified in sub-paragraph (3), (4) or (5),
  - (b) an activity of the kind specified by article 39D of that Order (debt adjusting) when carried on—
    - (i) in the case specified in sub-paragraph (3), by a person who also carries on an activity of the kind specified by paragraph (a),
    - [<sup>F13</sup>(ii) by a person in connection with an activity of the kind specified by paragraph (d) or (e) which the person also carries on,]
    - (iii) by a not-for-profit body,
  - (c) an activity of the kind specified by article 39E of that Order (debt-counselling) when carried on—
    - (i) in the case specified in sub-paragraph (3), by a person who also carries on an activity of the kind specified by paragraph (a),
    - [<sup>F14</sup>(ii) by a person in connection with an activity of the kind specified by paragraph (d) or (e) which the person also carries on,]
    - (iii) by a not-for-profit body,
  - (d) an activity of the kind specified by article 60B of that Order (regulated credit agreements) if—
    - (i) it is carried on by a supplier,
    - (ii) no charge (by way of interest or otherwise) is payable by the borrower in connection with the provision of credit under the regulated credit agreement, and
    - (iii) the regulated credit agreement is not a hire-purchase agreement or a conditional sale agreement,
  - [<sup>F15</sup>(da) an activity of the kind specified by article 60B of that Order (regulated credit agreements) if carried on by a local authority,]
  - (e) an activity of the kind specified by article 60N of that Order (regulated consumer hire agreements),
  - (f) an activity of the kind specified by article 89A of that Order (providing credit information services) where carried on by a person [<sup>F16</sup>in connection with an activity of the kind specified by any of paragraphs (a) to (e) which the person also carries on], or
  - (g) an activity of the kind specified by article 64 of that Order (agreeing to carry on specified kinds of activity) so far as relevant to any of the activities specified in paragraphs (a) to (f).
- (2) [<sup>F17</sup>Except where the activity is carried on by a not-for-profit body,] an activity is not a relevant credit activity for the purposes of—
- (a) paragraph (a) to (e) of sub-paragraph (1), and

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- (b) paragraph (g) of that sub-paragraph so far as it relates to activities of the kind specified by any of those paragraphs,  
if it relates to an agreement under which the obligation of the borrower to repay [<sup>F18</sup>or the hirer to pay] is secured, or is to be secured, by a legal mortgage on land.
- (3) The case specified in this sub-paragraph is where a supplier (other than a domestic premises supplier) carries on the activity for the purposes of, or in connection with, the sale of goods or supply of services by the supplier to a customer (who need not be the borrower under the credit agreement or the hirer under the consumer hire agreement).
- [ For the purposes of sub-paragraph (3), “domestic premises supplier” means a <sup>F19</sup>(3A) supplier who—
- (a) sells, offers to sell or agrees to sell goods, or
- (b) offers to supply services or contracts to supply services,  
to customers who are individuals while the supplier, or the supplier’s representative, is physically present at the dwelling of the individual (but see sub-paragraph (3B)).
- (3B) A supplier who acts as described in sub-paragraph (3A) on an occasional basis only will not be a domestic premises supplier unless the supplier indicates to the public at large, or any section of the public, the supplier’s willingness to attend (in person or through a representative) the dwelling of potential customers in order to carry on any of the activities mentioned in sub-paragraph (3A)(a) or (b).]
- (4) The case specified in this sub-paragraph is where the activity relates to a green deal plan.
- [<sup>F20</sup>(5) The case specified in this sub-paragraph is where the activity relates to a consumer hire agreement or a hire-purchase agreement.]
- (6) For the purposes of this paragraph—
- “borrower” includes—
- (a) any person providing a guarantee or indemnity under an agreement, and
- (b) a person to whom the rights and duties of the borrower under an agreement or a person falling within paragraph (a) have passed by assignment or operation of law;
- “conditional sale agreement” has the meaning given by article 60L of the Regulated Activities Order;
- [<sup>F21</sup>“consumer hire agreement” has the meaning given by article 60N(3) of the Regulated Activities Order;]
- “customer” means a person to whom a supplier sells goods or supplies services or agrees to do so;
- <sup>F22</sup> ...
- “green deal plan” has the meaning given by section 1 of the Energy Act 2011;
- “hire-purchase agreement” has the meaning given by the Regulated Activities Order;
- [<sup>F23</sup>“local authority” means—

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- (a) in England and Wales, a local authority within the meaning of the Local Government Act 1972, the Greater London Authority, the Common Council of the City of London or the Council of the Isles of Scilly;
- (b) in Scotland, a local authority within the meaning of the Local Government (Scotland) Act 1973; and
- (c) in Northern Ireland, a district council within the meaning of the Local Government Act (Northern Ireland) 1972;]

“not-for-profit body” means a body which, by virtue of its constitution or any enactment—

- (a) is required (after payment of outgoings) to apply the whole of its income and any capital it expends for charitable or public purposes, and
- (b) is prohibited from directly or indirectly distributing amongst its members any part of its assets (otherwise than for charitable or public purposes);

“Regulated Activities Order” means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001;

“regulated credit agreement” has the meaning given by the Regulated Activities Order;

“supplier” means a person whose main business is to sell goods or supply services and not to carry on a regulated activity, other than an activity of the kind specified by article 60N of the Regulated Activities Order (regulated consumer hire agreements).]

#### Textual Amendments

- F12** Sch. 6 para. 2G inserted (26.7.2013 for specified purposes, 1.4.2014 in so far as not already in force) by [The Financial Services and Markets Act 2000 \(Regulated Activities\) \(Amendment\) \(No.2\) Order 2013 \(S.I. 2013/1881\)](#), arts. 1(2)(6), **10(19)(d)**
- F13** Sch. 6 para. 2G(1)(b)(ii) substituted (14.2.2014 for specified purposes, 1.4.2014 in so far as not already in force) by [The Financial Services and Markets Act 2000 \(Regulated Activities\) \(Amendment\) Order 2014 \(S.I. 2014/366\)](#), arts. 1(3)(4), **5(5)(a)(i)**
- F14** Sch. 6 para. 2G(1)(c)(ii) substituted (14.2.2014 for specified purposes, 1.4.2014 in so far as not already in force) by [The Financial Services and Markets Act 2000 \(Regulated Activities\) \(Amendment\) Order 2014 \(S.I. 2014/366\)](#), arts. 1(3)(4), **5(5)(a)(ii)**
- F15** Sch. 6 para. 2G(1)(da) inserted (14.2.2014 for specified purposes, 1.4.2014 in so far as not already in force) by [The Financial Services and Markets Act 2000 \(Regulated Activities\) \(Amendment\) Order 2014 \(S.I. 2014/366\)](#), arts. 1(3)(4), **5(5)(a)(iii)**
- F16** Words in Sch. 6 para. 2G(1)(f) substituted (14.2.2014 for specified purposes, 1.4.2014 in so far as not already in force) by [The Financial Services and Markets Act 2000 \(Regulated Activities\) \(Amendment\) Order 2014 \(S.I. 2014/366\)](#), arts. 1(3)(4), **5(5)(a)(iv)**
- F17** Words in Sch. 6 para. 2G(2) substituted (14.2.2014 for specified purposes, 1.4.2014 in so far as not already in force) by [The Financial Services and Markets Act 2000 \(Regulated Activities\) \(Amendment\) Order 2014 \(S.I. 2014/366\)](#), arts. 1(3)(4), **5(5)(b)(i)**
- F18** Words in Sch. 6 para. 2G(2) inserted (14.2.2014 for specified purposes, 1.4.2014 in so far as not already in force) by [The Financial Services and Markets Act 2000 \(Regulated Activities\) \(Amendment\) Order 2014 \(S.I. 2014/366\)](#), arts. 1(3)(4), **5(5)(b)(ii)**
- F19** Sch. 6 para. 2G(3A)(3B) inserted (24.3.2015) by [The Financial Services and Markets Act 2000 \(Miscellaneous Provisions\) Order 2015 \(S.I. 2015/853\)](#), arts. 1(2), **2(2)**
- F20** Sch. 6 para. 2G(5) substituted (24.3.2015) by [The Financial Services and Markets Act 2000 \(Miscellaneous Provisions\) Order 2015 \(S.I. 2015/853\)](#), arts. 1(2), **2(3)**



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- F21** Words in Sch. 6 para. 2G(6) inserted (24.3.2015) by [The Financial Services and Markets Act 2000 \(Miscellaneous Provisions\) Order 2015 \(S.I. 2015/853\)](#), arts. 1(2), **2(4)(a)**
- F22** Words in Sch. 6 para. 2G(6) omitted (24.3.2015) by virtue of [The Financial Services and Markets Act 2000 \(Miscellaneous Provisions\) Order 2015 \(S.I. 2015/853\)](#), arts. 1(2), **2(4)(b)**
- F23** Words in Sch. 6 para. 2G(6) inserted (14.2.2014 for specified purposes, 1.4.2014 in so far as not already in force) by [The Financial Services and Markets Act 2000 \(Regulated Activities\) \(Amendment\) Order 2014 \(S.I. 2014/366\)](#), arts. 1(3)(4), **5(5)(c)**

## PART 1C

### PART 4A PERMISSION: CONDITIONS FOR WHICH FCA IS RESPONSIBLE IN RELATION TO PRA-AUTHORISED PERSONS

#### *Introduction*

- 3A. If the person concerned (“B”) carries on, or is seeking to carry on, regulated activities which consist of or include a PRA-regulated activity, the threshold conditions which are relevant to the discharge by the FCA of its functions in relation to B are the conditions set out in paragraphs 3B to 3E.

#### *Effective supervision*

- 3B. (1) B must be capable of being effectively supervised by the FCA having regard to all the circumstances including—
- (a) the nature (including the complexity) of the regulated activities that B carries on or seeks to carry on;
  - (b) the complexity of any products that B provides or will provide in carrying on those activities;
  - (c) the way in which B’s business is organised;
  - (d) if B is a member of a group, whether membership of the group is likely to prevent the FCA’s effective supervision of B;
  - (e) whether B is subject to consolidated supervision required under any of the relevant directives;
  - (f) if B has close links with another person (“CL”)—
    - (i) the nature of the relationship between B and CL,
    - (ii) whether those links are or that relationship is likely to prevent the FCA’s effective supervision of B, and
    - (iii) if CL is subject to the laws, regulations or administrative provisions of a territory which is not an EEA State (“the foreign provisions”), whether those foreign provisions, or any deficiency in their enforcement, would prevent the FCA’s effective supervision of B.
- (2) B has close links with CL if—
- (a) CL is a parent undertaking of B,
  - (b) CL is a subsidiary undertaking of B,
  - (c) CL is a parent undertaking of a subsidiary undertaking of B,
  - (d) CL is a subsidiary undertaking of a parent undertaking of B,
  - (e) CL owns or controls 20% or more of the voting rights or capital of B, or
  - (f) B owns or controls 20% or more of the voting rights or capital of CL.

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### *Appropriate non-financial resources*

- 3C. (1) The non-financial resources of B must be appropriate in relation to the regulated activities that B carries on or seeks to carry on, having regard to the operational objectives of the FCA.
- (2) The matters which are relevant in determining whether the condition in sub-paragraph (1) is met include—
- (a) the nature and scale of the business carried on, or to be carried on, by B;
  - (b) the risks to the continuity of the services provided by, or to be provided by, B;
  - (c) B's membership of a group and any effect which that membership may have;
  - (d) the skills and experience of those who manage B's affairs;
  - (e) whether B's non-financial resources are sufficient to enable B to comply with—
    - (i) requirements imposed or likely to be imposed on B by the FCA in the exercise of its functions, or
    - (ii) any other requirement in relation to whose contravention the FCA would be the appropriate regulator for the purpose of any provision of Part 14 of this Act.

### *Suitability*

- 3D. (1) B must be a fit and proper person, having regard to the operational objectives of the FCA.
- (2) The matters which are relevant in determining whether B satisfies the condition in sub-paragraph (1) include—
- (a) B's connection with any person;
  - (b) the nature (including the complexity) of the regulated activities that B carries on or seeks to carry on;
  - (c) the need to ensure that B's affairs are conducted in an appropriate manner, having regard in particular to the interests of consumers and the integrity of the UK financial system;
  - (d) whether B has complied and is complying with requirements imposed by the FCA in the exercise its functions, or requests made by the FCA, relating to the provision of information to the FCA and, where B has so complied or is so complying, the manner of that compliance;
  - (e) whether those who manage B's affairs have adequate skills and experience and have acted and may be expected to act with probity;
  - (f) the need to minimise the extent to which it is possible for the business carried on by B, or to be carried on by B, to be used for a purpose connected with financial crime.

### *Business model*

- 3E. B's business model (that is, B's strategy for doing business) must be suitable for a person carrying on the regulated activities that B carries on or seeks to carry on, having regard to the FCA's operational objectives.

*Status: Point in time view as at 09/12/2019.*

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## PART 1D

### PART 4A PERMISSION: CONDITIONS FOR WHICH THE PRA IS RESPONSIBLE IN RELATION TO INSURERS ETC.

#### Introduction

- 4A. (1) If the person concerned (“C”) carries on, or is seeking to carry on, regulated activities which consist of or include a PRA-regulated activity relating to the effecting or carrying out of contracts of insurance, the threshold conditions which are relevant to the discharge by the PRA of its functions in relation to C are the conditions set out in paragraphs 4B to 4F.
- (2) If the person concerned (“C”) carries on, or is seeking to carry on, regulated activities which consist of or include a PRA-regulated activity relating to managing the underwriting capacity of a Lloyd’s syndicate as a managing agent at Lloyd’s, the conditions which are relevant to the discharge by the PRA of its functions in relation to C are the conditions set out in paragraphs 4C to 4F except for sub-paragraphs (5) (d) and (5)(e) of paragraph 4D which are not relevant for that purpose.
- (3) If the person concerned (“C”) carries on, or is seeking to carry on, regulated activities which consist of or include a PRA-regulated activity relating to the arranging, by the Society, of deals in contracts of insurance written at Lloyd’s, the conditions which are relevant to the discharge by the PRA of its functions in relation to C are the conditions set out in paragraphs 4C to 4F, subject to sub-paragraph (4).
- (4) Paragraph 4D has effect in relation to persons of the kind specified by sub-paragraph (3) as if—
- (a) for paragraph (d) and (e) of sub-paragraph (5) there were substituted—
    - “(d) the effect that the carrying on of business by C might be expected to have on the stability of the UK financial system or on those who are or may become policyholders of members of C;
    - (e) the effect that the failure of C might be expected to have on the stability of the UK financial system or on those who are or may become policyholders of members of C;”, and
  - (b) sub-paragraph (6) were omitted.
- [<sup>F24</sup>(5) If the person concerned (“C”) carries on, or is seeking to carry on, regulated activities which consist of or include a PRA-regulated activity relating to an assumption of risk falling within article 13A of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, the threshold conditions which are relevant to the discharge by the PRA of its functions in relation to C are the conditions set out in paragraphs 4B to 4F, subject to sub-paragraph (6).
- (6) Paragraphs 4B to 4F have effect in relation to persons of the kind specified by sub-paragraph (5) as if—
- (a) the persons are special purpose vehicles within the meaning given by Article 13(26) of the Solvency 2 Directive;
  - (b) the persons are not reinsurance undertakings within the meaning given by Article 13(4) of the Solvency 2 Directive;
  - (c) references to contracts of insurance are references to contracts for the assumption of risk; and

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- (d) references to C's policyholders are references to undertakings from whom C assumes a risk.]

#### Textual Amendments

**F24** Sch. 6 para. 4A(5)(6) inserted (8.12.2017) by The Risk Transformation Regulations 2017 (S.I. 2017/1212), regs. 1(2), 4(2)(a)

#### Legal status

- 4B. C must be—
- (a) a body corporate (other than a limited liability partnership),
  - (b) a registered friendly society, or
  - (c) a member of Lloyd's.

#### Location of offices

- 4C. (1) If C is a body corporate incorporated in the United Kingdom—
- (a) C's head office, and
  - (b) if C has a registered office, that office,
- must be in the United Kingdom.
- (2) If C is not a body corporate but C's head office is in the United Kingdom, C must carry on business in the United Kingdom.

#### Business to be conducted in a prudent manner

- 4D. (1) The business of C must be conducted in a prudent manner.
- (2) To satisfy the condition in sub-paragraph (1), C must in particular have appropriate financial and non-financial resources.
- (3) To have appropriate financial resources C must satisfy the following conditions—
- (a) C's assets must be appropriate given C's liabilities, and
  - (b) the liquidity of C's resources must be appropriate given C's liabilities and when they fall due or may fall due.
- (4) To have appropriate non-financial resources C must satisfy the following conditions—
- (a) C must be willing and able to value C's assets and liabilities appropriately,
  - (b) C must have resources to identify, monitor, measure and take action to remove or reduce risks to the safety and soundness of C,
  - (c) C must have resources to identify, monitor, measure and take action to remove or reduce risks to the accuracy of C's valuation of C's assets and liabilities,
  - (d) the effectiveness with which C's business is managed must meet a reasonable standard of effectiveness, and
  - (e) C's non-financial resources must be sufficient to enable C to comply with—
    - (i) requirements imposed or likely to be imposed on C by the PRA in the exercise of its functions, and

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- (ii) any other requirement in relation to whose contravention the PRA would be the appropriate regulator for the purpose of any provision of Part 14 of this Act.
- (5) The matters which are relevant in determining whether C satisfies the condition in sub-paragraph (1) or (2) include—
- (a) the nature (including the complexity) of the regulated activities that C carries on or seeks to carry on;
  - (b) the nature and scale of the business carried on or to be carried on by C;
  - (c) the risks to the continuity of the services provided by, or to be provided by, C;
  - (d) the effect that the carrying on of the business of effecting or carrying out contracts of insurance by C might be expected to have on the stability of the UK financial system or on those who are or may become C's policyholders;
  - (e) the effect that C's failure or C being closed to new business might be expected to have on the stability of the UK financial system or on those who are or may become C's policyholders;
  - (f) C's membership of a group and any effect which that membership may have.
- (6) C is "closed to new business" for the purposes of this paragraph if C has ceased to effect contracts of insurance or has substantially reduced the number of such contracts which C effects.

#### *Suitability*

- 4E. (1) C must be a fit and proper person, having regard to the PRA's objectives.
- (2) The matters which are relevant in determining whether C satisfies the condition in sub-paragraph (1) include—
- (a) whether C has complied and is complying with requirements imposed by the PRA in the exercise of its functions, or requests made by the PRA relating to the provision of information to the PRA and, if C has so complied or is so complying, the manner of that compliance;
  - (b) whether those who manage C's affairs have adequate skills and experience and have acted and may be expected to act with probity.

#### *Effective supervision*

- 4F. (1) C must be capable of being effectively supervised by the PRA.
- (2) The matters which are relevant in determining whether C satisfies the condition in sub-paragraph (1) include—
- (a) the nature (including the complexity) of the regulated activities that C carries on or seeks to carry on;
  - (b) the complexity of any products that C provides or will provide in carrying on those activities;
  - (c) the way in which C's business is organised;
  - (d) if C is a member of a group, whether membership of the group is likely to prevent the PRA's effective supervision of C;
  - (e) whether C is subject to consolidated supervision required under any of the relevant directives;
  - (f) if C has close links with another person ("CL")—

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- (i) the nature of the relationship between C and CL,
  - (ii) whether those links are or that relationship is likely to prevent the PRA's effective supervision of C, and
  - (iii) if CL is subject to the laws, regulations or administrative provisions of a territory which is not an EEA State ("the foreign provisions"), whether those foreign provisions, or any deficiency in their enforcement, would prevent the PRA's effective supervision of C.
- (3) C has close links with CL if—
- (a) CL is a parent undertaking of C,
  - (b) CL is a subsidiary undertaking of C,
  - (c) CL is a parent undertaking of a subsidiary undertaking of C,
  - (d) CL is a subsidiary undertaking of a parent undertaking of C,
  - (e) CL owns or controls 20% or more of the voting rights or capital of C, or
  - (f) C owns or controls 20% or more of the voting rights or capital of CL.

## PART 1E

### PART 4A PERMISSION: CONDITIONS FOR WHICH THE PRA IS RESPONSIBLE IN RELATION TO OTHER PRA-AUTHORISED PERSONS

#### Introduction

- 5A. If the person concerned ("D") carries on, or is seeking to carry on, PRA-regulated activities which do not consist of or include a regulated activity relating to—
- (a) the effecting or carrying out of contracts of insurance,
  - (b) managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyds, <sup>F25</sup> ...
  - (c) arranging, by the Society, of deals in contracts of insurance written at Lloyd's, [<sup>F26</sup>or]
  - [<sup>F27</sup>(d) an assumption of risk falling within article 13A of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001,]
- the threshold conditions which are relevant to the discharge by the PRA of its functions in relation to D are the conditions set out in paragraphs 5B to 5F.

#### Textual Amendments

- F25** Word in Sch. 6 para. 5A(b) omitted (8.12.2017) by virtue of [The Risk Transformation Regulations 2017 \(S.I. 2017/1212\)](#), regs. 1(2), **4(2)(b)(i)**
- F26** Word in Sch. 6 para. 5A(c) inserted (8.12.2017) by [The Risk Transformation Regulations 2017 \(S.I. 2017/1212\)](#), regs. 1(2), **4(2)(b)(ii)**
- F27** Sch. 6 para. 5A(d) inserted (8.12.2017) by [The Risk Transformation Regulations 2017 \(S.I. 2017/1212\)](#), regs. 1(2), **4(2)(b)(iii)**

#### Legal status

- 5B. If D carries on or is seeking to carry on a regulated activity which consists of or includes accepting deposits or issuing electronic money, D must be—

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- (a) a body corporate, or
- (b) a partnership.

#### *Location of offices*

- 5C. (1) If D is a body corporate incorporated in the United Kingdom—
- (a) D's head office, and
  - (b) if D has a registered office, that office,
- must be in the United Kingdom.
- (2) If D is not a body corporate but D's head office is in the United Kingdom, D must carry on business in the United Kingdom.

#### *Business to be conducted in a prudent manner*

- 5D. (1) The business of D must be conducted in a prudent manner.
- (2) To satisfy the condition in sub-paragraph (1), D must in particular have appropriate financial and non-financial resources.
- (3) To have appropriate financial resources D must satisfy the following conditions—
- (a) D's assets must be appropriate given D's liabilities, and
  - (b) the liquidity of D's resources must be appropriate given D's liabilities and when they fall due or may fall due.
- (4) To have appropriate non-financial resources D must satisfy the following conditions—
- (a) D must be willing and able to value D's assets and liabilities appropriately,
  - (b) D must have resources to identify, monitor, measure and take action to remove or reduce risks to the safety and soundness of D,
  - (c) D must have resources to identify, monitor, measure and take action to remove or reduce risks to the accuracy of D's valuation of D's assets and liabilities,
  - (d) the effectiveness with which D's business is managed must meet a reasonable standard of effectiveness, and
  - (e) D's non-financial resources must be sufficient to enable D to comply with—
    - (i) requirements imposed or likely to be imposed on D by the PRA in the exercise of its functions, and
    - (ii) any other requirement in relation to whose contravention the PRA would be the appropriate regulator for the purpose of any provision of Part 14 of this Act.
- (5) The matters which are relevant in determining whether D satisfies the condition in sub-paragraph (1) or (2) include—
- (a) the nature (including the complexity) of the regulated activities that D carries on or seeks to carry on;
  - (b) the nature and scale of the business carried on or to be carried on by D;
  - (c) the risks to the continuity of the services provided or to be provided by D;
  - (d) the effect that the carrying on of the business carried on or to be carried on by D might be expected to have on the stability of the UK financial system;

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- (e) the effect that D’s failure might be expected to have on the stability of the UK financial system;
- (f) D’s membership of a group and any effect which that membership may have.

### *Suitability*

- 5E. (1) D must be a fit and proper person, having regard to the PRA’s objectives.
- (2) The matters which are relevant in determining whether D satisfies the condition in sub-paragraph (1) include—
- (a) whether D has complied and is complying with requirements imposed by the PRA in the exercise of its functions, or requests made by the PRA relating to the provision of information to the PRA and, if D has so complied or is so complying, the manner of that compliance;
  - (b) whether those who manage D’s affairs have adequate skills and experience and have acted and may be expected to act with probity.

### *Effective supervision*

- 5F. (1) D must be capable of being effectively supervised by the PRA.
- (2) The matters which are relevant in determining whether D satisfies the condition in sub-paragraph (1) include—
- (a) the nature (including the complexity) of the regulated activities that D carries on or seeks to carry on;
  - (b) the complexity of any products that D provides or will provide in carrying on those activities;
  - (c) the way in which D’s business is organised;
  - (d) if D is a member of a group, whether membership of the group is likely to prevent the PRA’s effective supervision of D;
  - (e) whether D is subject to consolidated supervision required under any of the relevant directives;
  - (f) if D has close links with another person (“CL”)—
    - (i) the nature of the relationship between D and CL,
    - (ii) whether those links are or that relationship is likely to prevent the PRA’s effective supervision of D, and
    - (iii) if CL is subject to the laws, regulations or administrative provisions of a territory which is not an EEA State (“the foreign provisions”), whether those foreign provisions, or any deficiency in their enforcement, would prevent the PRA’s effective supervision of D.
- (3) D has close links with CL if—
- (a) CL is a parent undertaking of D,
  - (b) CL is a subsidiary undertaking of D,
  - (c) CL is a parent undertaking of a subsidiary undertaking of D,
  - (d) CL is a subsidiary undertaking of a parent undertaking of D,
  - (e) CL owns or controls 20% or more of the voting rights or capital of D, or
  - (f) D owns or controls 20% or more of the voting rights or capital of CL.



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## PART 1F

### AUTHORISATION UNDER SCHEDULE 3

- 6A. (1) In relation to an EEA firm qualifying for authorisation under Schedule 3 which carries on PRA-regulated activities which consist of or include a regulated activity relating to the effecting or carrying out of contracts of insurance—
- (a) the conditions in paragraphs 3B to 3E apply so far as relevant to the discharge by the FCA of its relevant functions, and
  - (b) the conditions in paragraphs 4B, 4D, 4E and 4F apply so far as relevant to the discharge by the PRA of its relevant functions.
- (2) In relation to an EEA firm qualifying for authorisation under Schedule 3 which carries on PRA-regulated activities which do not consist of or include a regulated activity relating to the effecting or carrying out of contracts of insurance—
- (a) the conditions in paragraphs 3B to 3E apply so far as relevant to the discharge by the FCA of its relevant functions, and
  - (b) the conditions in paragraphs 5B, 5D, 5E and 5F apply so far as relevant to the discharge by the PRA of its relevant functions.
- (3) In relation to an EEA firm qualifying for authorisation under Schedule 3 which carries on regulated activities which do not consist of or include a PRA-regulated activity, the conditions in paragraphs 2C, 2D, 2E and 2F apply so far as relevant to the discharge by the FCA of its relevant functions.
- (4) In this paragraph, “relevant functions”, in relation to the FCA or the PRA, means functions of that regulator in relation to—
- (a) an application for permission under Part 4A, or
  - (b) the exercise by that regulator of its own-initiative requirement power or own-initiative variation power in relation to a Part 4A permission.

## PART 1G

### AUTHORISATION UNDER SCHEDULE 4

- 7A. (1) In relation to a person who qualifies for authorisation under Schedule 4 who carries on PRA-regulated activities which consist of or include a regulated activity relating to the effecting or carrying out of contracts of insurance—
- (a) the conditions in paragraphs 3B to 3E apply so far as relevant to the discharge by the FCA of its relevant functions, and
  - (b) the conditions in paragraphs 4B, 4D, 4E and 4F apply so far as relevant to the discharge by the PRA of its relevant functions.
- (2) In relation to a person who qualifies for authorisation under Schedule 4 who carries on PRA-regulated activities which do not consist of or include a regulated activity relating to the effecting or carrying out of contracts of insurance—
- (a) the conditions in paragraphs 3B to 3E apply so far as relevant to the discharge by the FCA of its relevant functions, and
  - (b) the conditions in paragraphs 5B, 5D, 5E and 5F apply so far as relevant to the discharge by the PRA of its relevant functions.
- (3) In relation to a person who qualifies for authorisation under Schedule 4 who carries on regulated activities which do not consist of or include a PRA-regulated activity,

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the conditions in paragraphs 2C, 2D, 2E and 2F apply so far as relevant to the discharge by the FCA of its relevant functions.

- (4) In this paragraph, “relevant functions”, in relation to the FCA or the PRA, means functions of that regulator in relation to—
- (a) an application for an additional permission, or
  - (b) the exercise by that regulator of its own-initiative requirement power or own-initiative variation power in relation to an additional permission.]

## PART II

### AUTHORISATION

#### *Authorisation under Schedule 3*

F2 ... ..

#### Textual Amendments

- F2** Sch. 6 Pts. 1-1G substituted for Sch. 6 Pts. 1, 2 (1.4.2013) by [The Financial Services and Markets Act 2000 \(Threshold Conditions\) Order 2013 \(S.I. 2013/555\)](#), arts. 1, **2(2)**

## PART III

### ADDITIONAL CONDITIONS

- 8 (1) If this paragraph applies to the person concerned, he must, for the purposes of such provisions of this Act as may be specified, satisfy specified additional conditions.
- (2) This paragraph applies to a person who—
- (a) has his head office outside the EEA; and
  - (b) appears to [<sup>F28</sup>such of the FCA or the PRA as may be specified,] to be seeking to carry on a regulated activity relating to insurance business.
- (3) “Specified” means specified in, or in accordance with, an order made by the Treasury.

#### Textual Amendments

- F28** Words in Sch. 6 para. 8(2)(b) substituted (1.4.2013) by [Financial Services Act 2012 \(c. 21\)](#), s. 122(3), [Sch. 18 para. 26](#) (with [Sch. 20](#)); S.I. 2013/423, art. 3, Sch.

#### Commencement Information

- I1** Sch. 6 Pt. III para. 8 wholly in force at 3.9.2001; Sch. 6 Pt. III para. 8 not in force at Royal Assent see s. 431(2); Sch. 6 Pt. III para. 8 in force for certain purposes at 25.2.2001 by [S.I. 2001/516](#), art. 2(b), [Sch. Pt. 2](#); Sch. 6 Pt. III para. 8 in force in so far as not already in force at 3.9.2001 by [S.I. 2001/2632](#), art. 2(2), [Sch. Pt. 2](#)

F29 ... ..

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**Textual Amendments**

**F29** Sch. 6 para. 9 omitted (1.4.2013) by virtue of Financial Services Act 2012 (c. 21), ss. 11(3), 122(3) (with Sch. 20); S.I. 2013/423, art. 3, Sch.

**Status:**

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