

---

## FCA Authorisations Division and APCC Meeting 7<sup>th</sup> December 2015

---

### Attendees:

#### Authorisations

Andrew Freeman  
Gordon Ferguson  
Attia Aslam  
Gillian Lavabre  
Christine Reed (part of meeting)  
Adam Tudor (part of meeting)  
Gavin Davies (part of meeting)  
Jag Sahota (part of meeting)  
Alan Blanchard (Handbook website presentation)

#### Credit Authorisations

Nick Mears  
Duncan Thistleton  
Roseline Isiodu (minutes)

#### APCC

Ben Mason  
Russell Facer  
Jude Bahnan  
Hiwot Alemayehu (minutes)  
George Atkins  
John Derry-Collins (Credit only)  
Gary Kershaw (by phone)

### Key Contents:

- Section 1** Authorisations (scope of which is all non-Consumer Credit applications)
- Section 2** Consumer Credit Authorisations
- Section 3** Presentation on FCA Handbook Website (see previous communication from the APCC)

### Attachments

Already circulated between the meeting and the minutes being distributed:

- Credit Authorisations Working Guidelines
- New FCA Handbook Presentation

### Section 1 – Authorisation:

1. In advance of the meeting a number of APCC members had provided feedback on a range of issues. The FCA has coordinated responses to the feedback which is attached.

#### a) New Bank Start-up Unit

2. The FCA representatives from the Dual Regulated Department (DRD) introduced themselves and explained the ongoing focus from HMT to encourage competition in banking, and the authorisation of new banks.

3. The previous changes to the bank authorisation process are considered a success and these will be progressed further with the development of a joint FCA/PRA New Bank Start-up Unit that will provide support and assistance to prospective new banks and newly authorised banks. FCA wanted the APCC's feedback on how the new Unit might assist prospective banks.
4. The Unit will be a virtual team comprising PRA and FCA staff. The current status is that the Unit is being planned, and most importantly the communications approach is being developed which will focus on a new website and a new dedicated telephone number.
5. The FCA also advised that one of the challenges they have is that post-authorisation they do not have the same continuity of relationship with recently authorised banks as the PRA, for various reasons. New banks need the most guidance during the early stages of their authorisation, and FCA is also working on how to best help these new entrants.
6. This initiative is due to launch on the 20<sup>th</sup> January 2016.
7. APCC provided feedback on the type of information which they felt would be helpful for prospective new banks.
8. APCC also reflected on the issue of relatively uninformed prospective applicants who needed assistance establishing that they were unlikely to meet the threshold conditions.
9. The FCA stated that they are thinking of making different case studies available to assist applicants.
10. The APCC asked the FCA about their stance on firms using professional advisors during the application process.
11. The FCA advised that they do not recommend that applicants have advisers or recommend specific firms, but that most applicants decide for themselves that professional advice would be helpful. The APCC asked that the FCA be mindful of the APCC and its members' capabilities, and emphasised that this was not a request to support any individual firm, but they believed an extension of the current APCC-FCA proactive relationship.
12. The FCA confirmed that there will be no significant changes to the application process brought about by the Unit, it is principally about providing support and better information.

## b) Contact Centre

### *General update*

13. **Banking Unit:** Following on from the DRD's presentation, the Customer Contact Centre are engaged in this initiative and will be working with PRA and Banks to handle new bank queries from Jan 2016.
14. **Recent Changes:** The FCA advised that the move of some fixed portfolio firms to flexible portfolio supervision means that these firms will no longer have a dedicated supervisor and their initial point of contact on all matters will be through the Customer Contact Centre, whose staff have the expertise to deal with flexible portfolio firm queries. This may impact APCC Member firms in terms of whom to direct their requests for assistance.
15. The FCA noted that they are currently recruiting, with 14 new joiners in November who are undergoing training to enhance their skills and technical capabilities to assist firms.

### *Trends in queries received from APCC members*

16. The FCA noted that there have been nearly 100 queries received in the last six months from APCC Member firms. The most frequently asked questions relate to changes in Connect, help to complete the forms on Connect and queries on being regulated and general handbook guidance. The FCA reminded the APCC that they have provided various tools to assist firms: Webinars / Connect Videos/ myth busters / step by step guides / consumer credit updates, and both firms and consultants should first use these before calling the contact centre. It was noted that some members occasionally use the call centre without having done appropriate research first, which FCA asked APCC to address.
17. The FCA advised that they are preparing to put together videos/short guides so firms can learn how to use Connect and Gabriel, which consumer credit firms should find useful.

### *Trends in queries from regulated firms and month ahead*

18. The Contact Centre has ongoing peaks in activity in terms of regulatory reporting: GABRIEL, AIF reporting, etc.
19. In terms of legislation updates, the Mortgage Credit Directive (MCD) and Senior Managers Regime (SMR) continue to be an area of focus for the month ahead.

### *Update on 'Now you are regulated' webinars for Consumer Credit firms*

20. A 'Now you are regulated' webinar was hosted on Friday 20<sup>th</sup> November, which was a continuation of the 'Credit Ready' webinars. This was well received, and a huge success, with 1,000 firms signed up for the webinar and nearly 700 firms signed in to the live webinar on the day.
21. The FCA stated that they had a representative from the Contact Centre and colleagues from the Consumer Credit Supervision Team form the Panel to host the live webinar.
22. Purpose of webinar was to:
  - Explain the FCA remit now firms have gone through the Authorisation process
  - Outline to firms what we expect and require of them as regulated firms
  - Explain to newly authorised firms what their regulatory and reporting obligations are
  - Outline what firms can expect from the Supervision process
  - Explain what sort of events Supervision need to be made aware of
  - Cover common questions asked in relation to Systems/Registration/Fees
23. FCA suggested APCC might help with future webinars by providing input on the content to share with firms which APCC would be pleased to do.

### *What Next?*

24. The FCA mentioned that they welcome feedback on any observations for future webinars that could help educate firms; the next webinar is planned for 29<sup>th</sup> Jan 2016.

25. APCC's guidance was that – for consumer credit firms in particular – post-authorisation, many firms are not clear as to what their obligations are in terms of compliance monitoring and their general regulatory obligations.
26. In addition to the webinars the FCA states that they are working on further tools to assist firms and would likewise welcome any feedback. In particular the FCA would like to understand what firms would find useful in terms of help with GABRIEL reporting.

### c) Permissions

27. The FCA provided an overview of the new senior management structure within the Permissions Department. A new organisation chart will be circulated to the APCC once this has been updated.
28. The FCA is currently recruiting staff for various roles within the Permissions Department; these vacancies when filled will be spread across a number of teams. It is expected that there will be a 30% increase in numbers by the end of Q1 2016. Initial expectations are that these new individuals will have 12 month contracts to help reduce processing times.
29. The FCA advised that it will take time for the new staff to make an impact and that it may take up to 12 months to return to the processing times firms previously experienced.
30. The FCA recognises the challenges caused by current timings. It was agreed that although there are currently long waiting times for a case officer to be allocated, once this occurs, applicants are experiencing shorter determination times than previously.
31. The APCC offered to assist with inductions for new employees focussing on the industry and what the role of compliance consultants are; this has previously been provided.
32. The APCC asked if the FCA is still currently experiencing large volumes of wholesale applications. The FCA advised the numbers had reduced a little in October; however numbers received in November were higher again.
33. The FCA continues to see a healthy market in relation to both retail and wholesale firm applications. There is also an expectation of rising change in control application volumes and the likelihood of more banking applications. Generally the significant higher overall activity is expected to continue.
34. The APCC asked why there are no FCA charges for Change in Control applications even though it still requires FCA resourcing. The FCA advised that this is historical, similar to Approved Person applications.
35. The APCC questioned whether the FCA had considered if certain firm types, such as IFPRU and AIFMs, would not object to paying higher application fees (in particular matched principle brokers paying a £1,500 application fee) if it resulted in much quicker processing times. The FCA stated that application fees are not ring-fenced for the authorisations department, so increasing the fees may not necessarily be a solution to increasing resources. A consultation was held earlier in the year on fees.
36. The APCC asked if they can assist the FCA with current resourcing by seconding consultants into the FCA from different APCC member firms. The FCA noted the interest but advised that they have presently sufficient eligible candidates.
37. The APCC highlighted that another issue currently being faced by its members is managing expectations of applicant firms awaiting case allocation. The FCA acknowledged this and

confirmed they had previously emailed applicants who had already exceeded a waiting time of 12 weeks and that they intend to send a further email to applicants still awaiting allocation.

38. The APCC asked whether the priority given to innovation hub applications was adversely affecting APCC's member's waiting times. The FCA confirmed that numbers being experienced are not sufficient to make any effect.
39. The APCC raised a question relating to the FCA's process of deeming an application complete as this issue is taking on greater significance due to longer waiting times; both parties are aware that this has been a discussion point for several years. The FCA advised that around 50% of retail applications are normally assessed as complete, but lower numbers of wholesale applications. The APCC agreed to provide some examples of applications which members thought were complete but FCA did not.
40. Additionally, the APCC advised that it is rare for firms to be advised explicitly, in their initial review e-mail from a case officer, exactly what made their application incomplete. The APCC highlighted the potential benefit for applicants if they were advised early (e.g. at the triage stage) of the specific factors which made the application incomplete. The FCA agreed to internally review this process.

#### c) **Connect and Approved Persons**

##### **Jagjit Sahota (Approved Persons department) joined the meeting.**

41. There was a discussion about certain specific issues on Connect as well as Approved Person timings.
42. Approved Person timings have returned to normal recently following some reengineering of the process earlier in the year and the resulting slow-down in processing times. The APCC confirmed that their broader feedback reflected this also although one member of the APCC team was experiencing ongoing issues with AP application timings.
43. The APCC raised an issue related to Corporate Partner CF4 applications on Connect.  
The Connect portal can't be used to submit corporate partner/director applications electronically. Firms have to use the paper Form A to submit these applications, and we provide guidance to firms on what sections they need to complete and what additional information we need from them.
44. The APCC mentioned that some members have found that some individuals cannot have AP applications submitted via Connect. The FCA stated that if this issue persists then the applicant should screenshot the problem and advise the Contact Centre. Generally, if this happens then it is not a reflection on the individual but likely to be a system issue.
45. The FCA stated that when using the paper exemption route, the FCA will look to see if there is a defect in the system or if it is due to another reason. When experiencing issues with Connect, the FCA Contact Centre should be firms' first point of call.
46. Similarly the FCA noted when IRNs are not identified on Connect this may be attributable to IT system issues.
47. The FCA also mentioned that firms should respond to the automatic Connect confirmation emails sent once the application has been submitted, as this goes directly to the case officer of this specific application. The APCC believe some firms are unaware that these

confirmation emails can be responded to. FCA will consider putting a note in the confirmation email stating this to be the case.

## Section 2 – Consumer Credit Authorisations

48. The meeting commenced with a general update. APCC's high level feedback is that the transition period for interim permission (IP) firms is well advanced and that in broad terms the FCA and consultants are now well established in their processes and CAD case officers were clearly gaining more experience in their roles.
49. The APCC's primary feedback in terms of process management continues to be related to case officers including consultants in e-mails and communications.
50. The FCA gave a general update stating that over 25,000 cases have been determined. Another data bulletin is to be published in January (with the last one sent out in October).
51. The FCA stated that there have been a very small number of formal refusals (in their tens), which also reflects the experience in the wider Authorisations Division. Withdrawals are currently running at 6%, which is lower than the percentage of withdrawals in authorisations.
52. Approximately 6,000 IP firms cancelled before applying for full authorisation, which is higher than the FCA originally anticipated
53. The FCA is also getting more new entrant applications (circa 4,000 p/a) than originally anticipated (2,500 p/a). Some firms were also found to not be utilising their interim permissions. There have been over 10,000 AR applications, which is towards the top end of expectations.
54. The FCA has also observed that the number of firms with IP who became fully authorised but later cancelled their permissions is growing, but these are still in the low hundreds. The FCA is seeing a relatively low amount of standalone Approved Persons applications being submitted so far and also a low number of Change in Control applications. However, as IP firms do not need CiC or APs this is to be expected.
55. Numbers of applications waiting to be allocated is significantly reduced from its peak in mid-year, as expected.
56. At approximately 50%, the FCA states that the lapsed/cancelled rate is higher now than in earlier application periods. All application periods have closed apart from 4: 3 are currently open, with the last application period due to open 1<sup>st</sup> January 2016 for which the FCA expect there to be a lower lapse rate, as those left to apply in this last stage may have been deferred from previous periods. The FCA also note that they have deferred a number of applications between the periods at a higher rate than originally assumed, with possible factors affecting this being firms moving to AR status or exiting the market, perhaps due to it only being a secondary activity for them.

57. The APCC asked if the number of ARs was in line with expectations, in comparison to the number of ARs in the industry more generally. The FCA stated that this was higher than original expectations.
58. CAD resourcing is at its peak headcount of 250 full time employees. Turnover has been higher with junior staff. The FCA believes that it is appropriately resourced currently and CAD will reduce in size in 2016 as its primary function of assessing IP authorisations moves towards completion.
59. FCA is now planning its transition to business as usual post-IP phase, with the new division to take effect Q4 2016. The FCA is currently completing the design phase and progressing towards implementation across 2016.
60. The final application period for IP firms is due to close 31<sup>st</sup> March 2016, which means from 1<sup>st</sup> April 2016 the FCA will only be receiving applications from new entrants (alongside VoP applications, cancellations and approved person applications from existing authorised firms).
61. CAD has now moved down to the same floor as the Permissions teams to support future integration into a single division.
62. The APCC queried what the FCA's expectations were on application turnaround times in a year's time, once fully transitioned. The FCA feel that it is difficult to anticipate but will be broadly similar to the existing Permissions Department experience.
63. A couple of APCC members had experienced issues with not knowing whether Controller details had been processed and then only to discover later that they had not, because this information is not available to review on Connect. It was suggested that FCA consider making this information available on Connect so firms are aware of other information the FCA holds about them.
64. FCA and APCC are now jointly publishing working guidelines which have been sent already to members immediately after the meeting. The FCA's guidelines suggest a four week follow-up period, rather than the three weeks agreed with Permissions, which APCC queried, but FCA confirmed they do not feel that three weeks would work given the degree of assessment work required for more complex applications in particular.

### Section 3 – Presentation of FCA Handbook Website

65. Alan Blanchard of the FCA presented the new Handbook and explained the context of it. The presentation has already been circulated to APCC members.
66. The new format is due to a change in the outsourced suppliers who provide the Handbook website. The suppliers also manage legislation.gov.uk.
67. The FCA has taken feedback from many stakeholders on the new Handbook and are reactive to feedback.
68. The FCA advised that one of the main challenges of the new website was to make information related to authorisation, supervision and enforcement easier to find. Through internal research processes (late 2014/early 2015) the FCA identified user needs before entering the testing phase.
69. There are now 3,800 glossary terms.
70. A number of PDFs, including IPRU-INV, have been or will be converted into HTML format (it appears that this was not done previously because the publishing system did not support the requirements of IPRU-INV).
71. Numerous further enhancements are planned for the future to make it more usable still.
72. Future enhancements over the new few months and years will include:
  - a) Topic-based terms. Associating different parts of the Handbook that aren't together naturally, but will now be collated together, as the relevant terms are all linked together to be navigable in the same way. To launch approximately Spring 2016.
  - b) Comparing text tab. This will provide a timeline-based comparison of a specific part of the Handbook.
  - c) An Overview tab. This will give users a non-technical overview narrative that will set out information in a linear way, and can be used as a primary navigation tool to ensure people know which areas in the Handbook to look to for topics specifically related within that Overview. This will be rolled out on a phased basis next year.
  - d) UK legislation tab to show exactly what the UK legislation is, but currently legislation.gov is not completely up to date so cannot put this feature on the website.
  - e) An EU legislation tab may also follow one day, in order to be able to refer to EU legislation at article level. This is a much longer-term project because it is dependent on other websites being updated before they can implement.