

**FCA Authorisations Division and APCC Liaison Meeting Minutes, Wednesday 15th January 2020,
10.30am – 12.30pm at the offices of the FCA, 12 Endeavour Square, London, E20 1NJ**

Attendees:

FCA:

Nick Mears
Gavin Davies
Karen Avis
Vera Markos
Emma Krygier
Paul Williams
Nick Weller

Kathryn Baildon-Smith
Mike Baker
Vicki Jordan
James O'Connell
Rina Maher
Sam Holden
Alex MacDermott

APCC:

Ben Mason	APCC Member and Authorisations Working Group Chair
Russell Facer	APCC Director and Authorisations Working Group Member (by phone)
Gary Kershaw	APCC Director and Authorisations Working Group Member (by phone)
Rachel Stevenson	APCC Member and Authorisations Working Group Member (by phone)
Josie Cooper	APCC Member and Authorisations Working Group Member (by phone)
Jude Bahnan	APCC Member and Authorisations Working Group Member
Bev Robertson	APCC COO and Minute Taker

Agenda:

Introductions

Claims Management Update

SMCR

Approved Persons, Passporting and Mutuals

Update

Departmental Updates

Brexit update and news

APCC items and AOB

Claims Management Update

Since authorisation started, The FCA advises they are phoning firms where they think there might be an issue with their capital solvent and ensuring they adhere to the right figures and all them to withdraw if they are unable to achieve the right figure.

They have 1 case that has moved to the decision-making board and more to follow and these cases are likely to end in a refusal of Authorisations.

In Supervision they have closed 530 cases since April, and they have 92 still open. This has been helped as they are doing supervision at the point of Authorisations.

They've also issued 2 fines

They've also had conversations with consultants (not APCC members!) where the applications have been to a poor standard. They've reminded that standardised documents shouldn't be used as it's a case by case basis and no two firms are the same. The poor standards of the applications has meant Authorisations has taken longer than expected.

SMCR

Porting over was very successful and 100% accurate. They saw a passive outcome of form K applications with

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around 2500 requests to converting CF2's to SMF 9's.

They confirmed they are now in stage 2 of enquiring firms contrite to embed the refine past day one bit this is expected to take at least a year before they can see common outcomes.

The 'inactive' status for CF30's, has now been amended to 'Regulatory approval no longer required' in response to industry feedback. The Directory for these functions will be available in March 2020 for dual regulated firms and December 2020 for core regulated firms. There shouldn't be any gaps over the Directory is live. There is advice on the register to advise clients how to check that person is still current and doing that role.

They are still working through their pre SMCR applications and a lot of training is being undertaken to speed up the process. APCC will provide feedback that has been provided by members which they'd welcome. They reiterated that firms need to take SMCR seriously and not approach it's as a tick box exercise.

They advised statements of responsibilities varied greatly and reminded the firms at the 'Guide to SOR's and maps' s it gives practical examples.

Firms who applied for APER applications will now automatically be approved as SMCR.

A question was asked about the additional documents that are now being requested, such as skills gap analysis and wrist the FCA are unable to provide templates they did remind that this should be proportionate especially if the person has been at the firm for a long time. They ask firms to not tick 'send later' on all the documents as they will challenge this. They would expect most of the documents to exist already in most cases.

Supervision Hub

They are focusing on making sure form details are up to date and SMCR causes a spike in incoming calls but that has reduced. They are doing some work in a consumer credit tool that helps deciding in a firms permissions needed process via an online question set.

PI proves were raised but the FCA are unable to comment at this stage. It was stated that cancellations are still predominately consumer credit related rather than DB related.

Approved Persons, Passporting and Mutuals

They have started a new structure on 6th January, and they are now more sector based. They will retain a passporting team until it is no longer needed. The core team around approved persons has become a 3-team model. Lending and intermediaries wholesale and dual regulated. This mirrors the other departments. They are looking to upskilled staff in each of these departments, this will allow them to be more aligned and work more closely with other departments.

They are now looking at SMCR applications, Statements of Responsibilities etc which requires more training and impacts on their productivity. They have received unprecedented levels of SMCR applications, which has also impacted on their backlog.

Their current 'Work in Progress' levels are extremely high for Form A (individual applications), and they have various resources available to them to assist in bringing down the WIP as soon as is practicable. All resources are being applied as much as possible. The 90-day statutory deadlines are now older, and they are aware that breaches in their own deadlines are occurring and this is being prioritised for immediate remedy where possible. This is unlikely to be changed in 'weeks', this is likely to be a long process and could take months before firms are seeing a return to 'normal.'

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The FCA have encouraged our members (and their firms) to not chase cases, especially if they are within the statutory deadlines. They are trying to triage at application, and pull out cases where interviews are needed, or where information is obviously missing, to try and expediate the application further down the line.

5th Money Laundering Directive

Registration window opened on time on 10th January 2020, and they highlighted some differences in scope with the new regulations. There is an enhanced fitness and propriety test in the new regs, similar to Fit and Proper tests done under FSMA and they have more powers than before such as Supervisory S166 Skilled Persons reviews.

They have a dedicated team and will be working with colleagues in Supervision. They are encouraging firms to apply before June 2020 to assist in the registration process. They will be undertaking 'on chain analysis' tools as part of the application process.

A more detailed update will be provided at the next meeting, once some applications have been received. They expect circa 150, but it may well be more than expected.

Payments team – closing more cases than receiving, have around 250 live cases, and they are focussing on cases older than 275 days, of which there are around 40 cases. Any cases received that have a crypto related element will go through a more senior committee for a decision which makes the application slower. They are receiving around 15/20 per week.

Change in Control Team – Their work in progress is also extremely high, with an unprecedented backlog of over 300 cases. They haven't yet breached any statutory deadlines on CIC, but they are getting more receipts than the amount they are closing, so they expect they might breach in March unless the changes that they are implementing are successful. They invited cases to be highlighted if it is causing too many problems.

Wholesale

Some senior management changes that have occurred, Michelle O'Brien and Martin Butcher are no longer in Wholesale and have been replaced by Jenny Warrington in Cancellations and James Costa has replaced Michelle and will run the Investment Management team.

They have a stable level of Work in Progress and they are trying to plan for the end of the Brexit transition period, at the end of December 2020.

Cancellations volumes have spiked, and they expect that to spike again in March. The Waivers team is also experiencing more complex applications. The volumes aren't any higher but are taking longer to complete.

They are supporting the APPM with their WIP and the cancellations team. They are focusing on mini bonds and more information will come out in due course, although less mini bond applications are being received, but more around listed bonds which still need a high level of scrutiny. They feel the low levels of interest are pushing consumers to seek high risk bonds for better returns without understanding the risk.

Brexit

The application window remains open until the end of 30th January 20, and this won't be changed. The FCA are awaiting advice from HMT as to what will happen at the end of the transition period, at the end of December 2020. If the transition period is extended, they will need to allow additional notifications later in the year.

Firms covered by the TPR will be given a landing slot to apply for full authorisation. They have asked firms to

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only apply when they get a landing slot and not before. Submitting early in their landing slot is encouraged but not before they are advised when to apply.

The FCA will contact firms during the implementation process to advise what their applications should look like and what information will assist with their application, and if the firm doesn't look like they have notified for the right reasons, then they will ask them to withdraw their application before they officially enter the application process.

The FCA have added additional information to the TPR landing page which should assist firms.

Where they have had fund managers notifying which funds they want to carry on temporarily marketing, due to the exit day moving back, they will need to refresh this information as the funds being marketed might have changed, and the deadline for this is 16th January 20 to have the funds listed reset.

Communications will be issued as much as possible during the TPR period, assumedly up to the end of December 20 unless it is changed.

Lending and Intermediaries

They continue to prioritise phoenixing as an issue and will challenge applications that they think involves a firm trying to phoenix. Little will be published as a successful case is usually a firm withdrawing which is not reportable.

They will provide an article for APCC to distribute to members on the work they are undertaking.

Operationally, they are receiving high volumes in the retail intermediary space and their WIP is high and the backlog is likely to remain in place until the end of March. APCC raised that some cases are over 6 months old before they are allocated. The FCA confirmed that the clock starts ticking from receipt rather than from allocation.

The APCC offered to undertake a training session for the case handlers, and this was well received, so further updates will follow as and when this is arranged. The APCC raised a point that the backlogs were affecting consultancy business models and the FCA advised they are very aware of this and they are seeking to resolve the issues as soon as possible and all resources will be applied to resolving this.

The APCC offered to raise it more officially with the FCA Directors as part of industry feedback if that would assist in the resource.

AOB

Rina asked for feedback on the 'Good Applications' feedback so APCC will aim to get some members thoughts on that.

They are hopefully making some changes to the KPI's, to make the information more granular and they asked for feedback on the new version.

The FCA asked if Ben Mason would do some work with their Leaders or Team Managers, which they will contact separately on. It is likely to be March.

The FCA advised the recent Structure Chart sent in 2019 will be updated and issued to the Working Groups members.