

# Firms with appointed representatives



## Your responsibility over appointed representatives

This factsheet is for:

- Senior management of small firms that have appointed representatives

It explains:

- what you should consider when appointing and monitoring your appointed representative

What is an appointed representative?

An appointed representative is a firm that conducts regulated business on behalf of a directly FSA-authorised firm, who is its 'principal'. The principal firm takes regulatory responsibility for the appointed representative, and must ensure it meets FSA requirements.

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## Key points for appointed representatives (ARs)

- The AR is your responsibility. You are ultimately accountable for the products they sell and arrange and any advice they give customers.
- You must carry out adequate checks on any AR prior to notifying the FSA. Ensure the checks are included if applying for an individual to perform a governing or customer function for the AR.
- You must ensure that your ARs have achieved and are maintaining a level of competence in order to carry out their business.
- You need to ensure you have a well structured system of control over your ARs to reduce the level of risk.
- Customers of an AR should receive the same fair treatment as at a directly authorised firm. You need to be satisfied your ARs deliver the six treating customers fairly consumer outcomes.

A well-structured system of control over your ARs will provide a solid foundation, reducing the risk to your firm, and to customers.

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## Recruiting an appointed representative

You should ensure that adequate checks are conducted on any prospective appointed representative. You are responsible for recording all the required information and retaining the records for future inspection.

This includes:

- Verifying the financial information disclosed by the prospective AR firm.
  - Verifying the competence of the staff.
- It may not be enough to rely solely

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on confirmation from a previous employer or network that the individual had been deemed competent, without doing further assessment of staff competence, and checking information from references.

A risk-based approach can assess the degree of risk each AR brings to your firm at the appointment stage. This can then allow you to set a commensurate level of ongoing monitoring in relation to the AR.

An important area to consider before taking on an AR is the relationships they have with other directly authorised firms. If an AR works for more than one authorised firm, a Multiple

Principal Arrangement needs to be in place, so that one principal firm is allocated regulatory responsibility over the AR.

### Questions to ask yourself

- Do you carry out in-depth referencing and financial checks to ensure fitness and propriety?
- Do you ensure the competence of ARs is at a level that does not present an unreasonable risk to your business?
- Do you check the AR's relationship with other networks?

**You should assess the fitness, propriety and competence of potential appointed representative and its staff before appointing them.**

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## Monitoring ARs

As the principal firm you should be able to demonstrate that you have rigorous management information to allow close and continuous supervision and monitoring of appointed representatives. Monitoring key performance indicators and discussing these at regular intervals with your ARs can allow you to spot trends and take appropriate action.

An example could be to use information on sales, complaints, claims or business written, and determine training and development needs.

Monitoring should be set according to the business risks each AR poses. If you have a particular AR that produces a higher level of business compared to others, then it would be appropriate to devote more monitoring resources to them. The reverse is also to be considered and should also depend on the risks associated with the products sold.

You must be able to demonstrate that file checks do not merely cover the volume and type of business written by ARs but also the suitability of the advice given to customers. Any remedial action that is required should be clearly documented with a clear audit trail for future reference.

Those supervising and monitoring the ARs should be competent to do so.

**You should monitor your ARs on a regular basis to ensure they are treating their customers fairly; reviewing the quality of the advice given to customers and reviewing their training and development.**

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## Further help available on monitoring

Our website contains guides and case studies that can help.

### Management information guide and case studies:

[http://www.fsa.gov.uk/smallfirms/tcf/management\\_information/index.shtml](http://www.fsa.gov.uk/smallfirms/tcf/management_information/index.shtml).

### Treating Customers Fairly in networks of ARs case study:

<http://www.fsa.gov.uk/pages/Doing/Regulated/tcf/library/case/networks.shtml>.

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### Questions to ask yourself

- Do you understand the FSA's requirements for Treating Customers Fairly and have procedures in place to monitor how your ARs meet them?
- Do your monitoring arrangements distinguish ARs on the basis of the amount of business they generate and risk they may pose to your business?
- How do you satisfy yourself as to the quality of advice provided by your ARs?
- Do you have procedures in place to assess on-going competence?
- Do you hold regular one-to-one meetings with ARs to review key performance indicators?
- Are your supervisors of ARs competent to assess them?

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