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5 March 2013

Dear CEO

Sending dematerialised instructions in CREST

It has come to our attention that some CREST sponsor firms might have misread Article 69(7), here referred to as 'the Group exemption', of the Financial Services and Markets Act (Regulated Activities) Order 2001 (RAO).

The guidance attached to this letter clarifies under which arrangements a firm can reasonably rely on the Group exemption. Please read this guidance, and if you rely on the Group exemption, ensure that you verify your rationale for doing so. The guidance is effective from 5 March 2013.

This guidance does not relate to rules and therefore there is no consultation period or official publication. However, we have published this guidance on our website: www.fsa.gov.uk/library/policy/final_guides.

A six-month transition period applies from 5 March, during which you can review your permissions and exemptions and, if necessary, apply for a Variation of Permission to add the permission to send dematerialised instructions. After that period, we will expect firms which do not have permission to carry out the CREST regulated activity in article 45 of the RAO either to have obtained that permission, or to be able to explain why they do not need it.

From 1 April 2013, the FSA will be replaced by the FCA and the PRA, and this guidance will be treated as FCA guidance. However, the FCA will coordinate any further action with the PRA where applicable. If you have any queries about the guidance, you can contact us on: dematerialisedinstructions@fsa.gov.uk or dematerialisedinstructions@fca.gov.uk from 1 April 2013, copying in your usual regulatory contact. If your firm is regulated by the FCA and the PRA, please copy in both contacts.

Yours sincerely,

A handwritten signature in dark ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

David Bailey
Market Infrastructure and Policy Department