**Application for Authorisation

Supplement for claims management – notes**

Please take time to read these notes carefully. They will help you to fill in the supplement correctly.

When completing the application forms you will need to refer to the Handbook: <https://www.handbook.fca.org.uk/handbook/>

If after reading these notes you need more help please:

* check our website
* consult the Handbook: <https://www.handbook.fca.org.uk/handbook/>
* call the Customer Contact Centre: 0300 500 0597
* email the Customer Contact Centre: Firm.Queries@fca.org.uk

These notes, while aiming to help you, do not replace the rules and guidance in the Handbook.

**Terms in these notes**

These notes use the following terms:

* 'you' refers to the person(s) signing the form on behalf of the applicant firm
* 'the applicant firm' refers to the firm applying for authorisation
* ‘the FCA ,'we', ‘us’ or 'our' refers to the Financial Conduct Authority
* FSMA refers to the Financial Services and Markets Act 2000

**Important information**

**At the point of authorisation we expect the applicant firm to be ready, willing and organised to start business.**

**Contents of these notes**

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|  |  |
| --- | --- |
|  1 | Scope of permission required |

Background

When applying for authorisation you are responsible for ensuring that the regulated activities requested adequately cover the activities the applicant firm intends to carry on.

You need a Scope of Permission Notice that matches the applicant firm's needs and covers every aspect of regulated business it wants to carry on.

Getting the applicant firm's permission notice right at the outset is fundamental. In the event that the applicant firm is authorised with the wrong permission notice, it will be breaching our rules.

The permission notice shows the range of regulated activities the applicant firm will be authorised to carry on. It will also contain what we refer to as 'requirements' and 'limitations', should this be relevant. In broad terms, limitations are restrictions placed on specific regulated activities (e.g. not to deal with certain types of clients) and requirements will be placed on the activities of the firm as a whole to take or not to take specified actions (e.g. not to hold client money).

If the applicant firm carries on a regulated activity that is not set out in its permission notice it could be in breach of the Financial Services and Markets Act 2000 (FSMA) and subject to enforcement action.

Wording of the Scope of Permission Notice

The Scope of Permission Notice will follow the wording in the Perimeter Guidance PERG 2 (Annex 2). You can find this at: [www.handbook.fca.org.uk/handbook/PERG/2](http://www.handbook.fca.org.uk/handbook/PERG/2%20)

Requested permissions

You will need to look at the list of regulated activities and decide which are relevant to the applicant. You will then need to build up each of these activities by selecting requirements and considering whether any limitations are applicable.

You can find a full description of each regulated activity in PERG 2.7 at: <https://www.handbook.fca.org.uk/handbook/PERG/2/7.html>

You may also find it useful to look at the FCA glossary: <https://www.handbook.fca.org.uk/handbook/glossary/>

Don’t be put off by the language. We need to use formal language to mirror how the activities are described in the Regulated Activities Order (Specified Activities). The Permissions profile is a legal document that sets out the scope of your permission for regulatory purposes.

Agreeing to carry on a regulated activity

Under our permissions regime, agreeing to carry on a regulated activity is a regulated activity in its own right. We grant permissions for this regulated activity, as appropriate, to applicants applying for authorisation so this must be selected.

Seeking out referrals and identification of claims or potential claims (personal injury claim; financial services or financial product claims housing disrepair claim; claims for a specified benefit; criminal injury claim; employment related claim)

This permission is specified in Article 89G of the Regulated Activities Order, which in summary involves any or all of the following:

1. seeking out persons who may have a claim (unless that activity constitutes a controlled claims management activity: see PERG 8.7A.5G);
2. referring details of a claim or a potential claim or a claimant or potential claimant to another person; and
3. identifying a claim or potential claim, or a claimant, or potential claimant;

When carried on in relation to:

1. Personal injury: claims for damages for personal injury or death
2. Financial services and financial products; claims in relation to financial services and financial products
3. Housing repair; claims relating to certain landlord and tenant legislation, for the disrepair of premises under a term of a tenancy agreement or lease, or under the common law relating to nuisance
4. Specified benefits; claims relating to certain industrial injuries, benefits, supplements or allowances
5. Criminal injuries; claims under the Criminal Injuries Compensation Scheme
6. Employment; includes claims in relation to wages and salaries and other employment-related payments, and claims in relation to wrongful or unfair dismissal, redundancy, discrimination and harassment

Advice, investigation or representation in relation to a personal injury claim

This permission is specified in Article 89H of the Regulated Activities Order, which in summary involves any or all of the following:

1. Advice includes any type of advice in relation to a claim, including advice on the merits of a claim, advice on the procedure for pursuing a claim, advice on how best to present a claim, and advice on possible means of challenging an unsatisfactory outcome to a claim.
2. Investigation of a claim means carrying out an investigation into, or commissioning the investigation of, the circumstances, merits or foundation of a claim.
3. Representation of a claimant means representation in writing or orally, regardless of the tribunal, body or person before which or to whom the representation is made.

Where carried on in relation to a personal injury claim (claims for damages for personal injury or death).

Advice, investigation or representation in relation to a financial services or financial product claim

This permission is specified in Article 89I of the Regulated Activities Order, which in summary involves any or all of the following:

1. Advice includes any type of advice in relation to a claim, including advice on the merits of a claim, advice on the procedure for pursuing a claim, advice on how best to present a claim, and advice on possible means of challenging an unsatisfactory outcome to a claim.
2. Investigation of a claim means carrying out an investigation into, or commissioning the investigation of, the circumstances, merits or foundation of a claim.
3. Representation of a claimant means representation in writing or orally, regardless of the tribunal, body or person before which or to whom the representation is made.

Where carried on in relation to a financial services or financial product claim

Advice, investigation or representation in relation to a housing disrepair claim

This permission is specified in Article 89J of the Regulated Activities Order, which in summary involves any or all of the following:

1. Advice includes any type of advice in relation to a claim, including advice on the merits of a claim, advice on the procedure for pursuing a claim, advice on how best to present a claim, and advice on possible means of challenging an unsatisfactory outcome to a claim.
2. Investigation of a claim means carrying out an investigation into, or commissioning the investigation of, the circumstances, merits or foundation of a claim.
3. Representation of a claimant means representation in writing or orally, regardless of the tribunal, body or person before which or to whom the representation is made.

Where carried on in relation to a housing disrepair claim (claims relating to certain landlord and tenant legislation, for the disrepair of premises under a term of a tenancy agreement or lease, or under the common law relating to nuisance).

Advice, investigation or representation in relation to a claim for a specified benefit

This permission is specified in Article 89K of the Regulated Activities Order, which in summary involves any or all of the following:

1. Advice includes any type of advice in relation to a claim, including advice on the merits of a claim, advice on the procedure for pursuing a claim, advice on how best to present a claim, and advice on possible means of challenging an unsatisfactory outcome to a claim.
2. Investigation of a claim means carrying out an investigation into, or commissioning the investigation of, the circumstances, merits or foundation of a claim.
3. Representation of a claimant means representation in writing or orally, regardless of the tribunal, body or person before which or to whom the representation is made.

Where carried on in relation to a claim for a specified benefit (claims relating to certain industrial injuries, benefits, supplements or allowances).

Advice, investigation or representation in relation to a criminal injury claim

This permission is specified in Article 89L of the Regulated Activities Order, which in summary involves any or all of the following:

1. Advice includes any type of advice in relation to a claim, including advice on the merits of a claim, advice on the procedure for pursuing a claim, advice on how best to present a claim, and advice on possible means of challenging an unsatisfactory outcome to a claim.
2. Investigation of a claim means carrying out an investigation into, or commissioning the investigation of, the circumstances, merits or foundation of a claim.
3. Representation of a claimant means representation in writing or orally, regardless of the tribunal, body or person before which or to whom the representation is made.

Where carried on in relation to a criminal injury claim (claims under the Criminal Injuries Compensation Scheme).

Advice, investigation or representation in relation to an employment related claim

This permission is specified in Article 89M of the Regulated Activities Order, which in summary involves any or all of the following:

1. Advice includes any type of advice in relation to a claim, including advice on the merits of a claim, advice on the procedure for pursuing a claim, advice on how best to present a claim, and advice on possible means of challenging an unsatisfactory outcome to a claim.
2. Investigation of a claim means carrying out an investigation into, or commissioning the investigation of, the circumstances, merits or foundation of a claim.
3. Representation of a claimant means representation in writing or orally, regardless of the tribunal, body or person before which or to whom the representation is made.

Where carried on in relation to an employment related claim (includes claims in relation to wages and salaries and other employment-related payments, and claims in relation to wrongful or unfair dismissal, redundancy, discrimination and harassment).

Client money

 **1.3 Does the applicant intend to hold client money?**

Client money is money which a firm receives or holds on behalf of a customer in the course of or in connection with providing claims management services. Rules in relation to this can be found in Chapter 13 of the FCA’s Client Assets Sourcebook (CASS). These rules will apply to CMCs from 1 April 2019.

If yes, please state for the applicant, if it holds or has held client money, the highest amount in the last calendar year, or if it did not hold client money in the previous calendar year, the highest amount it projects that it will hold in the current calendar year.

No additional notes

If yes, you must also attach a copy of your client money handling and reconciliation procedures. Please confirm this is attached

No additional notes

|  |  |
| --- | --- |
| 2 | Fees and levies |

2.1 Does the applicant firm have an existing FRN (Firm Reference Number)?

A unique FRN will be provided to you by the FCA. You FRN will be made up of six digits. If you are not sure what your FRN is, you can find this by searching on the Financial Services Register: <https://register.fca.org.uk>

2.2 Please state the estimated annual income for claims management activities

 No additional notes

2.3 Has the applicant firm previously been authorised by the Claims Management Regulator (CMR)?

 No additional notes

2.4 Please state the estimated annual income for claims management activities that will be conducted with eligible complainants

 No additional notes

2.5 Will the applicant firm conduct business with eligible complainants?

 No additional notes

Declaration of ongoing FCA fees liability

2.6 Declaration of ongoing FCA fees liability

 No additional notes

|  |  |
| --- | --- |
|  3 | Threshold Conditions Analysis |

3.1 Location of offices

No additional notes

3.2 Effective supervision

No additional notes

3.3 Appropriate resources

No additional notes

3.4 Suitability

No additional notes

3.5 Business model

No additional notes

|  |  |
| --- | --- |
|  4 | Regulatory business plan |

Regulatory business plan

We need to know about the business the applicant intends to carry on so we can ensure it is authorised for the correct regulated activities, and to assess the adequacy of its resources.

We see the regulatory business plan as an important regulatory tool for the applicant and us in measuring the applicant’s business risk and control over any regulatory concerns. You can find further information about this in: <https://www.handbook.fca.org.uk/handbook/SYSC/3/2.html>

Bearing in mind the threshold conditions, we need to be satisfied that the applicant firm can:

• identify all regulated activities and any unregulated activities it intends to carry on

• identify all the likely business and regulatory risk factors

• explain how it will monitor and control these risks

• take into account any intended future developments

Please remember that the applicant firm's regulatory business plan is an important part of the overall application and integral to our decision-making process. It is important that the regulatory business plan is tailored to the applicant firm’s activities. The amount of detail submitted should be proportionate to the nature of the business the applicant firm intends to carry on. For example, a small firm seeking to carry on a business with a risk you perceive as low, should have a smaller and less complex business plan than a business plan for a complex high-risk firm. The level of detail should also be appropriate to the risks to the applicant’s customers.

Providing an incomplete or non-specific regulatory business plan is likely to result in further questions and the application may take longer to be determined as a result.

You can find further information about our requirements and expectations for business plans at <https://www.handbook.fca.org.uk/handbook/COND/2/4.html>

Background

4.1 Please confirm that a regulatory business plan is attached and also covers these points

No additional notes

4.2 Which sales channels does the applicant firm intend to use and what will each method of sale be as a percentage of total sales?

 If you selected ‘Other’, please give details as below of the channel(s) the applicant firm intends to use and the approximate percentages

To assess this application fully, we need as much insight as possible into how the applicant intends to carry on business.

4.3 How will the applicant firm source customers?

No additional notes

4.4 Is the applicant firm leaving a network?

We need to know this in case you are subject to a notice period.

4.5 Does the applicant firm intend carrying on any unregulated business activities?

No additional notes

4.6 How will the applicant firm be remunerated?

No additional notes

Additional Questions

4.7 Does the applicant firm make any use of premium rate numbers?

No additional notes

4.8 Is the applicant currently taking over the business of any other firm or are there any plans for the applicant firm to do so? (Or if already trading, has the applicant firm acquired the business of any other firms in the last 5 years)

No additional notes

**4.9 Does the applicant firm use or intend to use third party lead generators?**

No additional notes

**4.10 Does the applicant firm intend to accept introductions from exempt lead generators benefitting from the exclusion for certain providers of referrals?**

No additional notes

**4.11 Does the applicant firm intend to represent customers before a tribunal or make representations on behalf of the customer, to an ombudsman service or insurer?**

No additional notes

**4.12 Does the applicant firm have procedures in place for dealing with vulnerable consumer?**

No additional notes

**4.13 Please attach a copy of your pre-contract information in relation to your claims management activities**

No additional notes

**4.14 Please attach a sample copy of your customer contract in relation to your claims management activities**

No additional notes

Scale of business

**4.15 How many clients does the applicant firm expect to have in relation to its regulated activities?**

No additional notes

Business Risks

**4.16 What are the main business risks for the applicant firm and how does it intend to manage those risks?**

Here are some examples that should be considered, depending on the nature of the applicant firm’s business:

**External risks:**

The applicant firm should:

* identify competitors and assess their reaction to the applicant firm's presence in the market, if applicable
* consider critical economic factors which should then be analysed and assessed. For example, it may be useful to explore the effect on the applicant firm's business if there were large-scale local redundancies, a recession in the economy, low interest rates or limited demand for its products/services.

**Internal risks:**

The applicant firm should:

* undertake a sensitivity analysis of various scenarios and the possible outcomes (this could be a reduction in business or an equally large increase in business – for example, towards the end of a tax year)
* consider how the applicant firm would manage if it lost key staff
* prepare and maintain a contingency plan that deals with the applicant firm's identified key risks

Complex IT Form

**4.17 If the applicant firm is using any systems that are not off-the-shelf IT systems (it has answered No to Question 4.1 of the Core Details form), you must complete the detailed IT controls form**

No additional notes

Branches

**4.18 Will the applicant firm have any branches in the UK that intend conducted regulated activities?**

No additional notes

Outsourcing with third parties

**4.19 What functions (if any) will the applicant firm outsource?**

Outsourcing is the act of one firm contracting with another to provide services that might otherwise be performed by in-house employees. You must include details of the parties that the functions will be outsources to and how the applicant will monitor and control the outsourced functions.

Treating customers fairly

**4.20 Has the applicant firm reviewed the TCF outcomes and ensured that they have been applied?**

No additional notes

**4.21 TCF should be a key consideration for all new firms. Please tell us how the fair treatment of customers has been considered in the development of the applicant firm’s business plan**

No additional notes

**4.22 How will the applicant firm’s senior management ensure that TCF is embedded in the culture of the firm and that it can demonstrate that the firm is consistently delivering fair outcomes to consumers?**

No additional notes

**4.23 What have the management of the applicant identified as the key risks to consumers in its model and what action has been taken to mitigate these risks?**

No additional notes

Other documents

**4.24** **All applicant firms must provide the following:**

**[ ] [ ] An opening balance sheet to demonstrate how the applicant firm will meet its financial resources requirement at the date of authorisation**

This is a balance sheet prepared as at the start of your trading as an authorised firm

**A forecast closing balance sheet for the first 12 months of trading**

This is a balance sheet showing the financial position of the applicant as it is forecasted to be after 12 months of trading

**A monthly cash flow forecast for the first 12 months of trading**

The cashflow statement shows how a firm is paying for its operations and future growth, by detailing the ‘flow’ of cash into and out of the firm.

The cashflow statement is normally similar to the profit and loss statement but shows the actual financial position of a firm at any time. So if a firm starts with share value of £10,000 then this is the starting figure. Include this in your profit and loss to take it forward and for every month you will have income and expenses deducted, showing you the actual financial position of the company at any time.

**A monthly profit and loss forecast for the first 12 months of trading. As a minimum, the profit and loss forecast must disclose the following on a monthly basis:**

**a) gross income, analysed between regulated and
 un-regulated activities**

**b) business expenditure, relevant annual expenditure,
analysis of the major overheads expenditure**

**c) profit before taxation**

A profit and loss account shows the firm’s income and expenditure for a set period. You must send us 12 forecast profit and loss accounts, one for each of the first 12 months of trading as an authorised firm.

**4.25 Is the applicant currently trading?**

No additional notes

Financial Resources

**4.26 Which type of firm is the applicant firm?**

No additional notes.

Limited Company

**4.27 You must state the amounts of the different sources of the applicant firm's capital**

We need to know the sources of the capital in the applicant firm and how these amounts are made up. Capital is the money or assets in your business. The different types are described briefly below.

* Fully paid-up ordinary shares: These are ordinary shares that the applicant firm has been paid for in full. Ordinary shares are the most common type of share. They carry full voting and dividend rights and their owners are the owners of the company.
* Share premium account: This is a reserve of money set up in the applicant firm's accounts to account for the issue of new shares above their par value. i.e. if you issue some shares at £1 each, and you keep some back which you then sell at £1.50 each, you put the extra 50p into the share premium account.
* Preference shares: These are shares that pay a fixed dividend. Holders of preference shares receive their dividend before holders of ordinary shares. For our defined term, please see the Handbook Glossary entry from preference share at: <https://www.handbook.fca.org.uk/handbook/glossary/?starts-with=P>
* Audited reserves: These are past earnings that the applicant firm has retained, as verified by its auditors. For firms not required to appoint an auditor, under the Companies Act 2006, for their accounts, these will be unaudited.
* Verified interim net profits: These are the net profits made after the applicant firm's last annual financial statement, as verified by its auditor. For firms not required to appoint an auditor, under the Companies Act 2006, these will be interim profits which have not been verified by an auditor.
* Revaluation reserves: These are reserves kept to allow for the depreciation of any assets.
* Subordinated loans: These are loans that rank below other unsubordinated debt in the queue for repayment should the applicant firm be wound up. They can only count as part of its capital if they satisfy the conditions laid out in the relevant parts of the Handbook.

Where assets are included in the applicant firm's financial resources and they are subject to depreciation, please take this into account when calculating the value of those assets.

Sole trader

**4.28 You must attach the following:**

You need to send us a statement of your personal assets and liabilities, together with a statement of your business assets and liabilities. The statement of assets and liabilities should detail all assets, (i.e. anything with a positive value including money, property and investments) and all liabilities (anything with a negative value) (see below).

Where assets are included in the applicant firm's financial resources and they are subject to depreciation, please take this into account when calculating the value of those assets.

Partnership

**4.29 You must attach the following:**

You need to send us a statement of personal assets and liabilities for each partner. You also need to send us a statement of business assets and liabilities for each partner. The statement of assets and liabilities should detail all assets, (i.e. anything with a positive value including money, property and investments) and all liabilities, (anything with a negative value) (see below).

Where assets are included in the applicant firm's financial resources and they are subject to depreciation, please take this into account when calculating the value of those assets.

Statements of assets and liabilities – for completion by partnerships and sole traders

Before completing the statement of personal assets and liabilities or the statement of business assets and liabilities please note:

* Only include your share of any assets and liabilities that are jointly owned by another party, such as your wife/husband.
* Current market value (not the price paid or nominal value) of quoted investments – only include readily realisable securities, unit trusts and other packaged products.
* Where applicable current market value (e.g. property) should be estimated.
* Guarantees – include the maximum liability of a personal guarantee given to a third party.

STATEMENT OF PERSONAL ASSETS AND LIABILITIES

|  |  |
| --- | --- |
| For  |  (full personal name) |
|  |
| as at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  |  (date) |
|  |  |  |  |
| **Assets** |  | **Liabilities** |  |
|  |  |  |  |
| House | \_\_\_\_\_\_\_ | Mortgage(s) | \_\_\_\_\_\_\_ |
|  |  |  |  |
| Other real property | \_\_\_\_\_\_\_ | Loan(s) | \_\_\_\_\_\_\_ |
|  |  |  |  |
| Contents | \_\_\_\_\_\_\_ |  | \_\_\_\_\_\_\_ |
|  |  |  |  |
| Motor vehicles | \_\_\_\_\_\_\_ |  | \_\_\_\_\_\_\_ |
|  |  |  |  |
| Investments (specify) | \_\_\_\_\_\_\_ |  | \_\_\_\_\_\_\_ |
|  |  |  |  |
| Bank balance(s) | \_\_\_\_\_\_\_ | Overdraft(s) | \_\_\_\_\_\_\_ |
|  |  |  |  |
| Cash deposits | \_\_\_\_\_\_\_ | Credit card balance(s) | \_\_\_\_\_\_\_ |
|  |  |  |  |
| Other assets (specify) | \_\_\_\_\_\_\_ | Other liabilities (specify) | \_\_\_\_\_\_\_ |
|  |  |  |  |
|  |  |  |  |
| **TOTAL** | **=======** | **TOTAL** | ======= |
|  |  |  |  |
|  |  | Guarantees (specify) | \_\_\_\_\_\_\_ |
|  |  |  |  |
|  |  | **TOTAL** | **========** |
| Signed  |  |  |  |
|  |  |  |  |
| Date  |  |  |  |

STATEMENT OF BUSINESS ASSETS AND LIABILITIES

|  |  |
| --- | --- |
| For |  (full trading name) |
|  |
| as at  |  (date) |
|  |  |  |  |
| **Assets** |  | **Liabilities** |  |
|  |  |  |  |
| Bank/cash deposits | \_\_\_\_\_\_\_\_\_\_ | Taxation | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  |  |  |
| Commission due within 90 days | \_\_\_\_\_\_\_\_\_\_ | Credit cards | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  |  |  |
| Other investments | \_\_\_\_\_\_\_\_\_\_ | Bank overdraft balance | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  |  |  |
| Property | \_\_\_\_\_\_\_\_\_\_ | Indemnity commission | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  |  |  |
| Motor vehicles | \_\_\_\_\_\_\_\_\_\_ | Unsecured loans | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  |  |  |
| Office equipment | \_\_\_\_\_\_\_\_\_\_ | Hire purchase/secured loans | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  |  |  |
|  | \_\_\_\_\_\_\_\_\_\_ | Other liabilities (please specify) | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  |  |  |
| Other assets (specify) | \_\_\_\_\_\_\_\_\_\_ | Mortgage | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  | Contingent liabilities | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  | Guarantees | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  |  |  |
| **TOTAL** | **=========** | **TOTAL** | ========== |
|  |  |  |  |
| Goodwill | \_\_\_\_\_\_\_\_\_\_ | Bank overdraft limit | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  |  |  |
|  |  | **TOTAL** | **==========** |
| Signed |  |  |  |
| Date |  |  |  |

Limited Liability Partnership

**4.30 You must state the amounts of the different sources of the applicant firm's capital**

A limited liability partnership (LLP) is a vehicle incorporated under the Limited Liability Partnership Act 2000, which limits the liability of each of the partners to their respective capital contributions.

You must tell us how the capital in the partnership is sourced. Capital is the money or property or other assets owned in by the business. The different types of sources are described below:

* Member's capital agreement. This is the legal agreement between the members of the LLP which should show the make-up and value of the capital.
* Members' reserves. These are the past earnings of the applicant firm that have been retained by it on its balance sheet.
* Subordinated loan. These are loans that rank below other unsubordinated debt in the queue for repayment if the applicant firm is wound up. They can only count as part of your capital if they satisfy the conditions laid down in our Handbook rules.

Where assets are included in the applicant firm's financial resources and they are subject to depreciation, please take this into account when calculating the value of those assets.

Other applicant firms

4.31 You must provide details of the applicant firm's constitution and the different sources of the applicant firm's capital.

You must tell us how the capital in the applicant firm is sourced. Capital is the money, property or other assets in your business.

Sources of external funding

**4.32 Does the applicant firm have any subordinated loans?**

A subordinated loan is a loan that ranks below other unsubordinated debt in the queue for repayment should the applicant firm be wound up.

**4.33 Does the applicant firm have other external funding?**

Examples of external finance would include a bank overdraft or a business loan.

|  |  |
| --- | --- |
| 5 | Compliance arrangements |

Compliance procedures

5.1 If you are only applying for the permission of seeking out, referrals and identification of claims or potential claims the applicant is not required to send compliance procedures with this application, but must be able to produce a copy at any time while we are assessing the application or in the future.

 **You must confirm the applicant firm has documented compliance procedures in place.**

See notes below in Question 5.2

5.2 If you are applying for any of the permissions in relation to advice, investigation or representation of a claim you must attach a copy of your compliance procedures

When assessing this application we need to be satisfied that the applicant firm has the appropriate compliance arrangements in place to meet its regulatory obligations, both when we authorise it and on an ongoing basis.

Set out below are the areas we would expect to be covered, as a minimum, in your compliance procedures:

(a) the scope of the applicant firm's business

(b) complaints handling

(c) financial crime

(d) skills, knowledge and expertise

(e) business continuity

(f) communication with clients

(g) record keeping

(h) notifications to the FCA

(j) reporting requirements

(k) compliance with conduct business rules in CMCOB

(l) scope of service provided

(m) conflicts of interest

(n) reliance on others

(o) exclusion of liability

(p) protecting customers' interests

As well as the subjects above, your compliance manual may need to cover the subjects below depending on your type of business.

(a) charges and commission

(b) claims handling

(d) general provisions related to distance marketing

(e) financial promotion

(i) Systems and controls in relation to financial crime and money laundering

There may be **other** compliance procedures and policies, which the applicant firm will need to include in its compliance manual depending on the type of business it intends to carry on. If you are unsure whether you need to include anything else, please take professional advice.

Remember this manual should be designed so it is specifically tailored to the business, easy to use, easy to amend and easy to keep up-to-date. If you are in doubt about what you need to include you should seek professional advice.

Compliance monitoring programme

5.3 You must confirm you have attached a compliance monitoring programme.

This will need to be included as part of your application.

An example of a compliance monitoring programme can be found below.

**Example of the contents of a compliance monitoring programme**

|  |  |  |  |
| --- | --- | --- | --- |
| **Business risks and regulatory requirements** | **Action to be taken by firm** | **Action to be undertaken by whom?** | **Frequency** |
| New business records are maintained. |  |  |  |
| Financial promotions undertaken are up to date and correct. This includes stationery and terms of business letter. |  |  |  |
| Status disclosed on all stationery. |  |  |  |
| Clients are properly classified and given the appropriate range of advice. |  |  |  |
| Adequate complaints records are kept |  |  |  |
| Adequate recruitment records are kept for new advisers. |  |  |  |
| Personal account dealing procedures are maintained. |  |  |  |
| Training and competence records are maintained (including Key Performance Indicators). |  |  |  |
| The fitness and propriety of individuals are established and the applicant firm ensures this is maintained. |  |  |  |
| Conflict of interest records are kept. |  |  |  |
| Financial requirements are maintained. |  |  |  |
| The FCA are immediately notified of any material breaches of FCA principles/rules. |  |  |  |
| FCA approval must be granted for changes to:• accounting date; and• permitted regulated activities. |  |  |  |
| Adequate management information maintained and provided to senior management. |  |  |  |
| Documented compliance procedures maintained, used in conjunction with an up-to-date copy of the Handbook |  |  |  |
| Anti-money laundering regulations are complied with. |  |  |  |

Financial crime

**5.4 You must briefly describe the procedures the applicant firm has in place to counter the risks that it might be used by third parties to further financial crime. This includes any offence involving:**

* **fraud or dishonesty**
* **misconduct in, or misuse of information relating to, financial markets or**
* **handling the procedures of crime (SYSC 6.3)**

Please include the following

* the steps the applicant firm will take to ensure its Money Laundering Reporting Officer (MLRO) knows their duties and is able to perform their controlled function effectively
* the procedures that will ensure that the applicant firm will obtain sufficient evidence of the identity of, and undertake all necessary due diligence exercises in relation to all its clients
* the systems and controls that will ensure that know your business information (SYSC 3.2.6) is made available to the applicant firm’s MLRO
* the anti-money laundering training the applicant firm will provide for its relevant staff
* the disciplinary procedures for any member of staff who fails to report promptly to the MLRO any suspicions or belief that money laundering is occurring

No additional notes