

# Application for Authorisation

## Supplement for Funeral plan providers and funeral plan intermediaries - Notes

Please read these notes carefully. They will help you fill in the application form for funeral plan providers and funeral plan intermediaries.

When completing the form, you will need to refer to the Handbook: [www.handbook.fca.org.uk/](http://www.handbook.fca.org.uk/).

If after reading these notes you need more help please:

- check the FCA website
- consult the Handbook: [www.handbook.fca.org.uk/](http://www.handbook.fca.org.uk/)
- call us on 0300 500 0597
- email: [Firm.Queries@fca.org.uk](mailto:Firm.Queries@fca.org.uk)

### **Terms in these notes**

In these notes:

- 'we', 'us', 'our' and 'the FCA' refers to the Financial Conduct Authority
- 'the applicant firm' refers to the firm applying for authorisation
- 'you' refers the person(s) signing the form on behalf of the applicant firm
- '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.**

**Once authorised, the applicant firm is required to pay regulatory fees even if it is not trading. Firms must also notify us immediately if any of their static data changes.**

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# The FCA Handbook

## **Introduction**

The FCA Handbook sets out our legislative powers and other provisions made under powers given to us by FSMA. The Handbook is available online. It is an extensive document, but you only need to refer regularly to the specific parts that will affect your business.

Alongside the Handbook, there are Handbook guides and Regulatory guides. Handbook guides are guides to the Handbook as a whole and are aimed at particular types of firms. They will point you towards relevant material.

The Handbook is divided into blocks and each of these is subdivided into modules. It also contains a glossary of all the definitions used. The full Handbook is at [www.handbook.fca.org.uk/](http://www.handbook.fca.org.uk/)

## The Threshold Conditions

Throughout the application pack, you will see references to the Threshold Conditions (COND). These are the minimum requirements that a firm must satisfy to become and remain authorised. When we consider the applicant firm's application we will assess whether the firm is ready, willing and organised to satisfy, and continue to satisfy, the Threshold Conditions.

The Threshold Conditions are set out in full in COND 2 of the Handbook at:

[www.handbook.fca.org.uk/handbook/COND/2/](http://www.handbook.fca.org.uk/handbook/COND/2/)

## Schedule of supporting documents

During the course of the application, firms will be required to supply additional documents. Please see a comprehensive list below:

### **All firms**

- Regulatory business plan
- Wind-down plan
- Vulnerable customer policy
- Complaints handling policies comprising the below:
  - Complaints handling procedures
  - Complaints root cause identification procedure
  - Example Management Information (MI) for complaints root cause analysis and correction
- Compliance monitoring procedures comprising the below:
  - Compliance monitoring programme
  - Example MI to monitor ongoing compliance with FCA rules
- Financial projections comprising the below:
  - Opening balance sheet
  - Forecast closing balance sheet at the end of the first 12 months of trading post-authorisation
  - Monthly cash flow forecast for first 12 months of trading post-authorisation
  - Monthly profit and loss forecast for first 12 months of trading post-authorisation
- Latest annual accounts (if already trading)
- Up-to-date management accounts (if already trading and year-end date for most recent annual accounts is greater than 12 months)
- Companies House form (SH01) (if applicable and firm has already capitalised)
- Details of source of funding (if firm is not a limited company, sole trader or partnership)
- Details of subordinated loans (if applicable)
- Details of other external funding (if applicable)
- Detailed IT controls form (if applicable)
- Evidence of the firm's registration with the Information Commissioner's Office
- Staff organisation structure chart (if applicable)
- Controller forms
- Controller and close link structure chart (if applicable)

### **Sole Traders only**

- Statement of personal assets and liabilities
- Statement of business assets and liabilities

### **Partnerships (including limited partnerships and limited liability partnerships) only**

- Copy of partnership agreement deeds (if applicable)
- Copy of limited liability partnership agreement deeds (if applicable)
- Statement of personal assets and liabilities (one per partner)
- Statement of business assets and liabilities
- Members' capital agreement (if applicable)

**Funeral plan providers only**

- Asset adequacy review
- Copies of the firm's agreements with each of its insurance providers together with any related documents and agreements such as a service level agreement (if applicable)
- Copies of the trust deeds for each trust together with any related documents and agreements such as a service level agreement (if applicable)
- Latest Solvency Assessment Report (SAR) (if applicable):
  - This must be dated within last 12 months
  - If the firm's latest SAR was not produced within the last 12 months, it must provide one during the authorisation during the authorisation stage and its application cannot be deemed Complete until it has done so
- Terms of reference or instructions agreed with the appointed actuary for the conduct of the actuarial valuation report (if applicable)

# 1 Application contact details

## **Contact for this application**

### **1.1 Please enter the contact details of the person we will get in touch with about this application**

This must be someone based in the UK and in the direct employment of the applicant firm.

The firm may wish to provide the contact details of a second individual if the main contact will not be available for a long period of time.

# 2

## Scope of permission and fees

### Background

When applying for authorisation, the applicant firm is responsible for ensuring that the regulated activities and the corresponding client and investment types requested adequately cover the business the applicant firm intends to carry on.

If the applicant firm is authorised, the FCA will issue the firm with a Scope of Permission Notice.

The permission notice lists the regulated activities the applicant firm will be authorised to carry on. It will also contain what we refer to as 'requirements' and 'limitations'. In broad terms, limitations are restrictions placed on individual regulated activities and requirements will be placed on the firm's entire scope of permission requiring it to take or not to take specified actions. Getting the applicant firm's scope of permission right at the outset is fundamental. 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:

<https://www.handbook.fca.org.uk/handbook/PERG/2>

### Requested permission

You will need to look at the list of regulated activities and decide which are relevant to the applicant.

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>

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 Scope of Permission Notice is a legal document that sets out the scope of your permission for regulatory purposes.

**2.1 The applicant should make sure that it applies for permission to conduct the appropriate regulated activities for the business it wishes to carry on. Please consult the Perimeter Guidance Manual (PERG) before completing this section. Specific guidance concerning the regulated activities is in PERG 2.7.**

The regulated activities included in the firm's scope of permission will be limited to the provision of funeral plan contracts (as defined in our Glossary and in Articles 59 and 87 of the Regulated Activities Order) and rights to or interests in funeral plan contracts to retail clients only (as defined in [COBS 3.4.1R](#)).

### **Funeral plan providers**

As per Article 59 (2) of the Regulated Activities Order, a "funeral plan contract" is a contract under which:

- (a) a person ("the customer") makes one or more payments to another person ("the provider"); and
- (b) the provider undertakes to provide, or secure that another person provides, a funeral in the United Kingdom for the customer (or some other person who is living at the date when the contract is entered into) on his death;

As per Article 59 (2A) "provider" includes a person who has assumed the undertaking referred to in paragraph (2)(b) as a result of the novation, assignment or transfer by operation of law of an existing funeral plan contract.

### **Entering as provider into a funeral plan contract**

This regulated activity is specified in Article 59 (1) of the Regulated Activities Order.

### **Carrying out a funeral plan contract as provider**

This regulated activity is specified in Article 59 (1A) of the Regulated Activities Order.

### **Advising on investments**

This regulated activity is specified in Article 53(1) of the Regulated Activities Order which in summary is: advising a person [...] if the advice is:

- (1) given to the person in their capacity as an investor or potential investor, or in his capacity as agent for an investor or a potential investor; and
- (2) advice on the merits of their doing any of the following (whether as principal or agent):
  - (a) buying, selling, subscribing for, exchanging, redeeming, holding or underwriting a particular investment which is a security, structured deposit or relevant investment (that is, any designated investment (other than a P2P agreement), funeral plan contract, pure protection contract, general insurance contract, right to or interests in a funeral plan contract or structured deposit); or
  - (b) exercising or not exercising any right conferred by such an investment to buy, sell, subscribe for, exchange or redeem such an investment,

but excluding the provision of non-personal recommendation advice where the person providing that advice is appropriately authorised (see article 53(1A) to (1D) of the Regulated Activities Order).

## **Funeral plan intermediaries**

### **Making arrangements with a view to transactions in investments**

This regulated activity is specified in Article 25(2) of the Regulated Activities Order, which in summary is: making arrangements with a view to a person who participates in the arrangements buying, entering into or subscribing for or underwriting investments (whether as principal or agent).

### **Arranging (bringing about) deals in investments**

This regulated activity is specified in Article 25(1) of the Regulated Activities Order, which is in summary: making arrangements for another person (whether as principal or agent) to buy, enter into or subscribe for or underwrite a particular investment.

### **Dealing in investments as agent**

The regulated activity is specified in article 21 of the Regulated Activities Order which is in summary: buying, selling, subscribing for or underwriting funeral plan contracts as agent.

### **Advising on investments**

This regulated activity is specified in Article 53(1) of the Regulated Activities Order which in summary is: advising a person [...] if the advice is:

(1) given to the person in their capacity as an investor or potential investor, or in his capacity as agent for an investor or a potential investor; and

(2) advice on the merits of their doing any of the following (whether as principal or agent):

(a) buying, selling, subscribing for, exchanging, redeeming, holding or underwriting a particular investment which is a security, structured deposit or relevant investment (that is, any designated investment (other than a P2P agreement), funeral plan contract, pure protection contract, general insurance contract, right to or interests in a funeral plan contract or structured deposit); or

(b) exercising or not exercising any right conferred by such an investment to buy, sell, subscribe for, exchange or redeem such an investment,

but excluding the provision of non-personal recommendation advice where the person providing that advice is appropriately authorised (see article 53(1A) to (1D) of the Regulated Activities Order).

## **Funeral plan providers**

### **2.2 How are the applicant firm's funeral plan contracts backed?**

Select from the list as appropriate. The firm should select one option only.

We expect that most firms will provide funeral plan contracts backed by only one mechanism. However, if the firm provides funeral plan contracts for which payments are made to contracts of insurance and also provides funeral plan contracts for which payments are held on trust, it should select 'Both'.

## Fees and levies

Firms fall into fee blocks according to their permissions. The rules on which activities fall into which fee blocks are in FEES 4 Annex 1A

<https://www.handbook.fca.org.uk/handbook/FEES/4/Annex1A.html>

The firm will be allocated to corresponding fee blocks for the Financial Ombudsman Service (FOS), unless the firm has declared itself to be exempt.

The firm will be billed on the information supplied here for the first fee year of being authorised. For firms that gain their authorisation between 1 January and 31 March, the data provided here will also be used for the following fee year.

**Please make sure the data submitted in this section is as accurate as possible as a poor estimate or forecast is unlikely to be grounds to revise fees at a later stage.** We will only accept changes to the data provided here in exceptional cases, for example where the business plan has been revised before the date of authorisation.

The rules about calculating fees in a firm's first and second year of authorisation are in FEES 4.2.7 <https://www.handbook.fca.org.uk/handbook/FEES/4/2.html>

When reporting monetary fee tariff data, firms should give a projected valuation covering the first 12 months from the date of authorisation measured according to the relevant tariff bases. Monetary figures must be in **GBP**. If the answer is 'nil' please write 'nil' – do not leave any boxes blank.

All authorised firms pay minimum fees towards the annual regulatory costs. Larger firms will pay a variable fee in proportion to the size of its tariff data. You can estimate your regulatory fees and levies using our fee calculator at <https://www.fca.org.uk/firms/calculate-your-annual-fee/fee-calculator>

Guidance notes for calculating the tariff data are available at <https://www.fca.org.uk/firms/fees/report-fee-tariff-data>. Links to the relevant parts of the Handbook are in the notes below.

Please contact the Customer Contact Centre on 0300 500 0597 if you need further clarification for this section.

## FCA fees

After authorisation, the applicant will be liable to pay periodic fees to the FCA. We'll use the figures the firm provides in this section to calculate its fee for its first year of trading following authorisation. Where possible the firm should endeavour to use true and accurate information when making its projections.

Annual eligible income represents the net amount retained by the firm in respect of funeral plan provision or funeral plan intermediation activities.

For the purposes of calculating annual income, net amount retained means all the commission, fees, etc. in respect of funeral plan provision or funeral plan intermediation activities that the *firm* has not rebated to customers or passed on to other *firms* (for example, where there is a commission chain). Items such as general

business expenses (for example, employees' salaries and overheads) must not be deducted.

### **2.3 Fee Block A.23 – Funeral plan intermediaries and funeral plan providers**

#### **What is the total income from regulated activities the applicant firm expects to receive for the first year of authorisation from its funeral plan contracts business?**

The applicant firm must state the expected regulated income arising from undertaking the regulated activities of entering into a funeral plan contract as provider, carrying out a funeral plan contract, making arrangements with a view to transactions in investment, arranging deals in investments and/or advising on investments in relation to the investment type of Funeral Plan Contracts only.

The applicant must be sure to not include income arising from its undertaking of regulated activities in relation to investment types other than funeral plan contracts.

#### **The Financial Ombudsman Services (FOS) General Levy**

Businesses that are covered by the FOS must pay a general levy to fund its operating costs and to deal with the forecast volume of complaints about relevant business activity. It is payable by all firms authorised or registered by the FCA and we raise and collect it on behalf of the FOS.

The FOS General levy is based on the amount of regulated business done with consumers eligible to refer their complaint to the FOS. As a result, the data reported under the FOS general levy can be lower than that reported under the FCA fees section.

### **2.4 What is the total eligible income from regulated activities the applicant firm expects to receive for the first year of authorisation from its funeral plan contracts business?**

No additional notes

#### **Financial Services Compensation Scheme (FSCS) Levy**

The FSCS levy only covers business that relates to a protected claim from an eligible claimant.

Newly authorised firms are not liable to contribute towards the FSCS specific and compensation costs in the first fee year. We'll only use the information here for calculating the FSCS's levy in the second fee year when a firm obtains authorisation in the last quarter of the of the fee year.

### **2.5 What is the total eligible income from regulated activities the applicant firm expects to receive for the first year of authorisation from its funeral plan contracts business?**

No additional notes

# 3 Funeral Plan Conduct of Business

## Background

**3.1 You must provide a regulatory business plan.** This must be tailored to the applicant's business and consider the matters described in the Threshold Conditions Handbook under COND 2.7 – Business Model, otherwise it may lead to delays in the authorisation process.

We need to know about the business the applicant firm intends to carry on so we can make sure it's authorised for the correct regulated activities, investment types and client types, and to assess the adequacy of its resources.

We see the regulatory business plan as an important regulatory tool for the applicant firm and us in measuring the applicant firm'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> (for firms that are not common platform firms) and SYSC 4 – 10 (for common platform firms).

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's 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 that for a complex high-risk firm. The level of detail should also be appropriate to the risks to the applicant firm's clients.

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>

## Sales channels and revenue

### 3.2 Which sales channels does the applicant intend to use?

If you selected 'Other', please give details as below of the channel(s) the applicant 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.

### 3.3 How will the applicant source its customers?

No additional notes

## All business activities

### 3.4 Does the applicant, or any entity of the group of which the applicant is a member (if applicable), intend to carry on any unregulated business activities?

No additional notes

### 3.5 Does the applicant firm intend to generate income from any other activities?

No additional notes

### 3.6 Is the applicant currently taking over the business of any other firm or are there any plans for the applicant to do so?

No additional notes

### 3.7 Does the applicant intend to use third party lead generators?

No additional notes

### 3.8 How will the applicant firm be remunerated?

No additional notes

### 3.9 How does the firm communicate all the fees it charges to its customers?

No additional notes

### 3.10 How many clients does the applicant expect to have in relation to its regulated activities?

No additional notes

## Products and target market

### 3.11 Please give an overview of all the funeral plan contracts, and/or related services the applicant intends to provide.

No additional notes

### 3.12 How will the applicant firm identify the target market for each funeral plan contract?

No additional notes

### 3.13 How will the applicant firm make sure that customers are only sold funeral plan contracts and services that are suitable for their individual needs?

No additional notes

**3.14 Does the applicant firm provide advice in relation to the sale of funeral plan contracts?**

If the firm does provide advice, it must make sure that it has applied for the permission to undertake the regulated activity of Advising on investments (excluding pension transfers and opt outs). Please make sure your firm has selected this regulated activity from the Permission Profile in Question 3.1.

If the firm seeks to undertake this regulated activity, it must explain how its advisors are deemed competent and qualified to do so.

**3.15 What type of firm is the applicant?**

Firms will be required to complete questions specific to their firm type throughout the application. The firm types are as below:

**Funeral plan provider**

Firms that have applied for permission to undertake the regulated activities of entering as provider into a funeral plan and/or carrying out a funeral plan contract as provider will fall under this definition and must answer the questions relevant to this business type.

**Funeral plan intermediary**

Firms which have applied for permission to undertake the regulated activities of making arrangements with a view to transactions in investments, arranging (bringing about) deals in investments, dealing in investments as agent and/or advising on investments and have not applied to undertake funeral plan provider activities will fall under this definition and must answer the questions relevant to this business type.

**Funeral plan providers****How are the applicant firm's funeral plan contracts backed?**

Select from the list as appropriate. The firm should select one option only. We expect that most firms will provide funeral plan contracts backed by only one mechanism. However, if the firm provides funeral plan contracts for which payments are made to contracts of insurance and also provides funeral plan contracts for which payments are held on trust, it should select 'Both'.

**Insurance-backed plans****3.16 Which insurer provides the underlying insurance? Which regulatory body supervises the insurer? How did the firm select the insurer?**

Please give all relevant details for the insurer e.g. insurer name, address, firm reference number (if available) or other unique identifier. Please give these details for all the insurers the firm currently has contracts of insurance with.

**Please provide copies of the firm's agreements with each of its insurance providers together with any related documents and agreements such as a service level agreement**

No additional notes

**3.17 When was the last actuarial review conducted? Who conducted it, what was the outcome and what steps has the firm taken to address any findings raised in the actuarial review? What processes and procedures has the firm implemented to satisfy itself, on an ongoing basis, that its**

**insurance arrangements are sufficient to cover its funeral plan contract liabilities?**

No additional notes

**3.18 Please provide a detailed and comprehensive explanation of the insurance product structures the underlying insurers uses to back the firm's funeral plan contract offering?**

No additional notes

### **Trust-backed plans**

**3.19 What is the name of the underlying trust or trusts for the funeral plan contracts the applicant firm provides?**

No additional notes

**3.20 The applicant must provide details of each of its trusts and their trustees. Please do so using this template (<https://www.fca.org.uk/sites/default/files/publications/forms/funeral-plan-trustee-details-document-template.xlsx>) and attach**

No additional notes

**3.21 Please give the date of formation for each trust the firm uses and any significant changes to date, for example a change of trustee, change to terms and any other matters the firm believes the regulator should be aware**

No additional notes

**3.22 Please provide information on any other relationships that exist between the trustee(s) and the applicant or its distribution channels**

Please provide details of any relationships that exist between the trustees and the applicant

**3.23 Has the trust appointed a trust actuary?**

No additional notes

**3.24 Has the trust appointed an authorised investment manager?**

No additional notes

**3.25 Has the trust appointed an auditor of the trust accounts?**

No additional notes

**3.26 Has the appointed actuary for each trust(s) produced a Solvency Assessment Report (SAR) within the last 12 months?**

Without this document, your application cannot be deemed to be Complete.

**3.27 Please attach a copy of the latest SAR obtained from the appointed actuary for each trust**

You must obtain the most recent SAR for each of the trusts you use and provide a copy to us

**3.28 Please attach a copy of the terms of reference and/or the instructions agreed with the appointed actuary for the conduct of the actuarial valuation report**

No additional notes

**3.29 What is the longest-term funeral plan contract the firm currently provides?**

This refers to contracts available in the firm's current offering. Please provide information on both the firm's longest-term funeral plan contract by length of instalment plan and the longest-dated funeral its funeral plan contracts currently provide. Do not include products that the applicant no longer sells but continues to administer.

**3.30 Please attach a copy of the firm's funeral plan summary document to be issued to customers prior to the conclusion of a funeral plan contract**

This is a summary of a funeral plan contract in the format and containing the information in FPCOB 9 Annex 1.

**3.31 Please attach a copy of the firm's nominated representative document to be to a customer's nominated representative within five business days of the date of the conclusion of the funeral plan contract**

This is a document in the format and containing the information in FPCOB 9 Annex 2.

# 4 Financial Resources

## Core capital Resource Requirement

**Please attach a copy of the firm's calculation of its core capital resources requirement**

No additional notes

### 4.1 In relation to its funeral plan contracts business, will the firm be a provider or an intermediary?

No additional notes

### 4.2 What is the applicant firm's resource requirement?

Where a firm has a Part 4A permission to carry on one or more regulated funeral plan provider activities, its core capital requirement is the higher of:

- (a) £20,000
- (b) 2.5% of the firm's annual income; or
- (c) The sum of:
  - 1) the number of undrawn funeral plan contracts backed by trust arrangements, multiplied by the median amount due to be paid from the trust fund(s) to the firm when the funeral is required, multiplied by 0.5%; and
  - 2) the number of undrawn funeral plan contracts backed by a whole of life insurance policy that have yet to be redeemed against a funeral, multiplied by the median death benefit payable under each funeral plan contract valued at the most recent accounting reference date, multiplied by 0.5%

Where a funeral plan provider also has Part 4A permission to carry on other regulated activities, the capital resources requirement is the higher of:

- (1) the core capital resources requirement; and
- (2) a capital resources requirement (however described) applied to the firm by any other rule or requirement

### 4.3 Has a review been conducted within the last 12 months of the adequacy of assets available to ensure that customers receive, when needed, the benefits and services they have purchased?

Without this document, your application cannot be deemed to be Complete.

### 4.4 What is the applicant firm's resource requirement?

Where a firm has a Part 4A permission to carry on one or more funeral plan intermediary activity and does not also carry on a regulated funeral plan provider activity, its core capital resources requirement is the higher of:

- (a) £10,000; or
- (b) 2.5% of the firm's annual income

**4.5 You must confirm that the firm will meet and continue to meet its capital resource requirement on an ongoing basis and have projections available to prove so.**

No additional notes

# 5 Supporting documents

**5.1 Please attach and list below any other documents you have provided.**

You must attach any other documents you have included that you consider to be relevant to your application.

**5.2 Please provide any details on supporting documents if necessary.**

No additional notes

### **Other information**

**5.3 Is there anything else you would like to tell us or should tell us about this application?**

No additional notes