Payments and Digital Assets Authorisations Video Transcript - Prudential framework: Part 2

Louis Myers

- Thank you for joining us for the second part of our video on the Prudential framework. We'll now spend some time with Joshua to talk through the application process. Now we know where to find the applicable rules, it's probably helpful if we talk about the application process itself. What does a firm need to submit to demonstrate its compliance with the rules and when they apply?

Joshua Olukoya

- Preparing for your application, there are several key bits of financial information that we require from you. Firstly, we'll need three years of historical financials if your firm has been operating. Secondly, we'll require three years of financial forecasts. We'll also need you to demonstrate how you've arrived at your Prudential resource requirement and how you'll be meeting it. So the own funds and the liquid assets that you'll be holding, how will those meet the resource requirements that you've calculated? All of this information forms part of the financial template, which standardises the data that we receive from you and ensures that we'll be able to assess it efficiently.

Louis Myers

- Now that we know what you have to do to submit an application, are there any common pitfalls that firms should be aware of? What are the things that you've noticed in the past where firms could have done a little bit more to help make their application process a little bit smoother?

Joshua Olukoya

- Yeah, absolutely, good question. So there are four common pitfalls. Firstly, your firm should ensure that historical financial information, so from your regulatory returns or your financial statements, matches with the data that you put in your financial template. Any differences should be explained to us clearly. Secondly, your financial forecasts should make sense when looked at together with the products and the services that you plan to undertake in your application. Thirdly, the financial instruments that you plan to use to meet your adequate financial resources should meet the rules set out under COREPRU. And finally, the information that you submit should match the legal entity that's applying for authorisation. We won't be accepting financial information representing only a portion of a legal entity.

Louis Myers

- There's quite a lot of things for firms to take in there. There are resources available, so where can people find that information?

Joshua Olukoya

- So you can refer to the webpage on our screen here, which sets out our baseline financial information expectations of firms at application stage. On our website, you can also find the financial templates that I've mentioned a couple of times already. This template standardises the data so that we receive the right data in the right format, and this will reduce unnecessary back and forths with the case officer.

Louis Myers

- Thanks, Joshua. So to recap, the new Prudential rules are designed to make sure crypto asset firms have the financial resources they need to stay resilient, protect their clients, and build trust in the market. We know this may be new territory for some firms, but you don't need to navigate it alone. The resources Joshua mentioned, including the financial template and the FCA guidance page, are there to help you prepare a strong application from the start. In our next video, we'll walk you through the financial template in detail so you'll know exactly what to submit and why.