Financial Services Authority

# Becoming an appointed representative

The only exemption to the requirement to being authorised by the FSA to carry on regulated activities that applies to all firms is to be an appointed representative (AR) of an authorised firm (the principal).

## What does being an AR mean?

The AR acts as an agent for the Principal. The Principal must be a firm that is FSA authorised. The Principal must accept full responsibility including any liabilities that might arise for ensuring that the AR complies with the FSA's regulation. There must be a written contract between the Principal and the AR documenting this arrangement.

### The FSA's role includes:

- **reviewing how the Principal is complying with the applicable regulatory requirements, in particular its oversight of its ARs (see below).**

### The Principal's responsibilities include:

- **ensuring its own business, and its AR(s)'s business(es), complies with the relevant regulatory requirements;**
- **indemnifiying any liabilities that arise from these businesses;**
- **keeping the FSA notified of who their ARs are; and**
- **reporting to the FSA, where appropriate, on their activities and those of their ARs.**

### The Principal's supervisory responsibilities:

At all times the Principal must have adequate controls and resources to ensure that its AR(s) are fully compliant. For example, the Principal is responsible for ensuring that its AR(s) at the time of appointment and on an ongoing basis are:

- **'fit and proper' to deal with clients;**
- **able to deliver the same level of protection to clients as if clients had dealt with the Principal itself and if the AR is not, the Principal must provide that protection itself; and**
- **to be solvent, suitable and without close links which would be likely to prevent the effective supervision of the AR(s) by the Principal.**

The FSA

The Principal

Appointed

**The AR's responsibilities include:**

- **understanding and complying with the regulatory requirements relevant to the business they carry on for the Principal;**
- **providing the Principal with access to staff, premises and records to enable the Principal to carry out its supervisory responsibilities; and**
- **ensuring the AR has the relevant approved person(s), where this is required. (See factsheet '*becoming an approved person*' for information on when an appointed representative is required to have an approved person(s) at http://www.fsa.gov.uk/pubs/other/factsheet_approved.pdf.)**

If an AR has a query about the regulatory requirements relating to the regulated activities they are carrying on for the Principal, this query should be directed, in the first instance to the Principal.

## How do I become an appointed representative?

## Step one: consider which regulated activities you carry on

Depending on whether you do investment, mortgage or non-investment insurance business, there are some limitations on which regulated activities you can carry on for a Principal.

| | General insurance contract | Pure protection contract | Mortgages and investment business |
|---|---|---|---|
| Arranging deals – pre-contractual activities | ✔ | ✔ | ✔ |
| Advising | ✔ | ✔ | ✔ |
| Dealing as agent – concluding contracts | ✔ | ✔ | ✘ |
| Assisting in the administration and performance of a contract | ✔ | ✔ | ✘ |

- For more information about these different regulated activities, please read factsheets at: http://www.fsa.gov.uk/smallfirms/your_firm_type/gi/library/index.shtml; and
- http://www.fsa.gov.uk/pubs/other/ins_reg.pdf; and
- http://www.fsa.gov.uk/smallfirms/your_firm_type/mortgage/library/index.shtml

## Step two: appointed representative or an introducer appointed representative?

If all your business does is to introduce customers in relation to general insurance to a firm or members of the firm's group and/or distribute certain kinds of marketing material (i.e. non-real time financial promotions[1]) in relation to general insurance, you can become an Introducer Appointed Representative (IAR).

Fewer rules apply to an IAR, but the relationship between you and your Principal is the same and both parties have the same responsibilities – as set out above.

An example of an IAR is a vet who gives out information on pet insurance to customers and passes on the details of an interested customer to an authorised firm to arrange for the customer to be provided with the insurance.

If you are carrying on any investment regulated activities, you must be an AR.

- Please note that introducing mortgage business is outside the scope of regulation if certain conditions apply ie you will not have to be either a AR or an IAR if this is all that your business does.

## Step three: how many Principals?

You can have more than one Principal. The number of Principals allowed will depend on both the type of business you are carrying on (see table below); and the type of customers you deal with. It is your responsibility to find a suitable Principal(s) and to make your arrangements directly with that Principal. You ought to consider which Principal(s) best suits your business requirements. Please note we do not provide a list of Principals.

| Investment business | Mortgage business | Non-investment insurance |
|---|---|---|
| Private Customer | Customer | Retail Customer |
| A single Principal for both packaged and non-packaged products (including long-term care insurance) | Up to two Principals – one for regulated mortgages and one for lifetime mortgages | No limits on the number of Principals for general insurance and pure protection products |

There are no limits on the number of Principals you may have if you are an IAR or deal only with commercial customers.

1 For the definition of 'non-real time financial promotion', see the FSA Handbook Glossary;

# Step four: what contracts will you need to have in place?

## Contract between an AR and Principal

To be an AR you must enter into a written contractual agreement with your Principal(s). This is likely to cover both:

- arrangements to enable both you and your Principal to fulfil your regulatory duties; and
- other commercial arrangements.

The precise terms of the commercial arrangements you make with a Principal are a matter for agreement between you. If you have any issues with regard to the terms of your agreement with your Principal, you may need to consider getting your own professional legal advice.

## Multiple Principal Agreements

If you want to have more than one Principal, then all your Principals must enter into a 'multiple principal agreement'.

So if you want an additional Principal, you will have to ask your existing Principal(s) for their agreement to this new arrangement. If they agree, you will have to provide them with details of your new Principal so they can make a multiple principal agreement with each other.

The multiple principal agreement requires one of the Principals to act as a 'lead principal' for complaint handling. This Principal must be identified in your complaints procedures as the person the customer can complain to where the customer does not wish to complain about a specific product or is unsure who to contact. This 'lead principal' requirement does not apply if you are an IAR.

# Step five: notification of AR arrangements

The Principal must notify the FSA who their ARs are. This information is then put on the FSA Register which is available to the general public, via the FSA website, to search for all firms, individuals and other bodies carrying on regulated activities.

If the AR is required to have approved persons, the Principal will need to apply for approval of these individuals. If such an arrangement is terminated, the Principal will need to notify us.

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