

Handbook changes: Segregation of client money on loan-based crowdfunding platforms

Financial Conduct Authority (FCA)

RPC rating: validated

Description of the measure

In 2016, the FCA made a series of changes to its Handbook in relation to client money transactions on loan-based crowdfunding platforms and advising on peer to peer agreements, to align the regulatory framework with changes in legislation made by HMT and HMRC. The FCA consulted business on these changes, which extend the obligations of advisers providing advice to clients on the above products. The changes also extend existing rules on handling Innovative Finance ISAs (IFISAs), which can invest in such platforms.

As a result of the changes, the FCA has provided clarifying guidance on information already available to firms via FCA's consultation documents.

Impacts of the measure

The FCA estimates that around 170 operators of peer to peer and crowdfunding platforms or IFISAs will be affected by the extension of rules on handling of client monies once these markets have fully developed. Around 15,500 financial advisors are in principle affected by the extension of rules on advice; the FCA estimates that only around 1,400 will be affected in practice, as only a few firms advise on such investments.

The FCA argues that additional costs imposed on business were negligible in both cases, as businesses can easily deploy existing systems to cover these new activities. It supports this argument with evidence from consultations with relevant businesses.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of £0.0 million. This is a qualifying regulatory provision that will score under the Business Impacts Target.

Quality of submission

The FCA has provided sufficient evidence to support its estimate of the impact of the measure. The assessment makes appropriate use of footnotes and links to provide

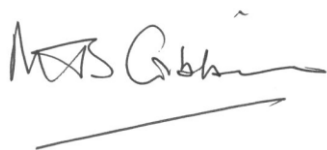
detailed support for the analysis. The assessment would have benefited from a summary of these links.

Regulator assessment

Classification	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	£0.0 million
Business net present value	£0.0 million

RPC assessment

Classification	Qualifying regulatory provision
EANDCB – RPC validated ¹	£0.0 million
Business Impact Target (BIT) Score ¹	£0.0 million



Michael Gibbons CBE, Chairman

¹ For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.
