HM Treasury

Creating a Provisional Licences Authorisation Regime

Policy Update 2025

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Chapter 1
Introduction

1.1 On 24 December 2024, the Prime Minister, Chancellor and Secretary of State for Business and Trade wrote to the UK's key regulators to set out that regulation should enable growth and not hold back investment, and to ask regulators to come forward with concrete proposals on how their organisations could go further to prioritise growth and facilitate investment.

1.2 In response, Nikhil Rathi, CEO of the Financial Conduct Authority (FCA), proposed working with the Treasury to create a legislative framework that would enable relevant firms to conduct limited regulated activities with streamlined conditions, noting that some innovative start-ups find it hard to meet all the threshold conditions for authorisation immediately.

1.3 As part of the Regulation Action Plan published in March 2025, the government committed to working with the FCA to establish this "provisional licence regime". This aims to reduce the barriers firms face when seeking authorisation by enabling the FCA to grant them time-limited permissions so that they can get 'up and running' in a controlled environment with strong regulatory oversight, whilst working towards full authorisation.

1.4 This will support the government's ambition to reform the regulatory system to reduce unnecessary burdens on firms, and for the UK to be the world's most technologically advanced global financial centre, remaining a leading jurisdiction for Fintech firms to start up, scale and list.

1.5 Introducing a provisional licence regime will require primary legislation, which the Government will bring forward when Parliamentary time allows.

Chapter 2

Purpose and problem the regime is designed to address

2.1 The regulatory framework for financial services in the UK sets high standards for authorisations to ensure the market works well for consumers, and the integrity and stability of the wider financial services system is maintained. Currently, in order for the FCA to grant authorisation it must be satisfied that a firm is able to meet the Threshold Conditions - minimum standards set out in legislation (covering, for example, appropriate financial and non-financial resources, and the fitness and propriety of key individuals within the firm) – not only at the time of the authorisation decision, but on an ongoing basis.

2.2 However, some financial services start-up and early-stage firms find it challenging to satisfy all the necessary and appropriate conditions to meet these high standards and secure FCA authorisation right away. This can delay firms obtaining the FCA's permission to start to operate and prove their business model which can, in turn, reduce their ability to secure necessary funding or recruit the right skills and experience to grow.

2.3 By introducing a provisional licence regime, the government aims to enable such firms to undertake limited regulated business under close supervision for a defined, time-limited period – with the aim that by the end of that period, the firm be in a position to meet all the relevant Threshold Conditions on an ongoing basis and be granted full authorisation.

2.4 The regime is expected to be most appropriate for early-stage firms, particularly those with an innovative business model, that would otherwise struggle to meet the usual requirements to obtain authorisation in a reasonable timeframe. It can support the firm to provide "proof of concept". This may help to secure the additional fundraising required for full authorisation.

Chapter 3
Design of regime

3.1 This statement outlines how the government envisions provisional licences will operate, once established. The FCA, with input from industry and other interested stakeholders, will develop more detailed proposals to operationalise the regime.

3.2 The regime will retain the high standards necessary to operate financial services in the UK, and the FCA will operate the regime in line with its statutory objectives.

Scope and eligibility

3.3 The regime is intended for firms which are not already authorised by the FCA and are seeking permission under Part 4A of the Financial Services and Markets Act 2000 (FSMA) for activities that are already within the FCA's perimeter. It will not extend to authorised firms seeking variations of their permissions, or firms seeking permission(s) for activities that are being brought into regulation for the first time. The regime is not intended for firms that will be subject to dual regulation by the PRA and FCA. For these firms, the optional mobilisation route is available.[1]

3.4 Products or services delivered over a long or deferred timeframe, where harms to customers may well not emerge until after the expiry of the provisional licence period, are unlikely to be deemed suitable for the regime. This may mean that, for example, providing advice in relation to pensions would not be a suitable use of the regime.

3.5 The FCA will be responsible for determining eligibility for the regime, within the above parameters, and will do so in line with its statutory objectives, taking account of both operational and market considerations. Eligibility can be adjusted over time, and in particular the FCA may decide to initially focus on specific areas or products, to support a successful launch.

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[1] For banks the New Bank Start-up Unit is available , and can be found here: https://www.bankofengland.co.uk/prudential-regulation/new-bank-start-up-unit/new-bank-authorisation-process

For insurers the insurer mobilisation process is available:

https://www.bankofengland.co.uk/prudential-regulation/new-insurer-start-up-unit/mobilisation-regime-for-insurers

Application

3.6 Relevant firms will be able to apply for a provisional licence through a new process that the FCA will establish. The FCA will set modified and proportionate expectations for these firms compared to those seeking full authorisation, meaning that the FCA will assess whether the firm can meet the threshold conditions only for the period of the provisional licence. Additionally, whilst firms seeking provisional licences will be required to be honest, open and willing to work cooperatively and constructively with the FCA, the FCA will not expect these firms to be at the same stage of readiness and organisation required for those seeking full authorisation.[2]

3.7 Firms will only be required to provide information relevant to the provisional licence application at this stage – with the aim that much of the detail required for full authorisation can be deferred, and addressed during the provisional licence period.

Assessment and conditions that must be met

3.8 The FCA's assessment of applications for provisional licences against the threshold conditions will be proportionate, i.e. its judgements will be tailored to both the firm's stage of development (for example, its capital reserves and risk, compliance and audit arrangements, and the possibly immature or evolving nature of its business model) and the fact that the firm has applied for a time-limited authorisation.

3.9 Firms will need to demonstrate that they can meet the threshold conditions, for the period of the provisional licence. This will include having appropriate financial and non-financial resources for the period of the provisional licence only, allowing them the time and flexibility to build these up further over the provisional licence period (e.g. build and implement systems, recruit senior management functions and key staff, secure appropriate funding, put outsourcing arrangements in place, finalise policies and procedures and test operations) in order to demonstrate that they can meet the required standards on an ongoing basis, as is required for full authorisation.

3.10 The FCA will expect firms to be able to demonstrate that they will be able to wind down in an orderly manner and minimise the risk of disruption or consumer detriment at the end of the provisional licence period, where that is necessary.

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2 The FCA's Ready Willing and Organised expectations are set out here: https://www.fca.org.uk/firms/authorisation/apply

Duration of provisional licence and other restrictions

3.11 The provisional licences regime will apply a fixed duration of up to 18 months. There will be provision for extensions in limited circumstances (see below).

3.12 The FCA will impose restrictions on the amount and type of business a firm can undertake during this provisional licence period – for example, firms may be subject to a volume or value limit on the business they can do using the provisional licence and they may be restricted from conducting long-term business that would last beyond the end of the licence period.

Requirements on firms during provisional licence period

3.13 Firms will be required to comply with relevant rules and continue to meet the threshold conditions during the provisional licence period, and the FCA will have its full suite of supervisory and enforcement powers in relation to these firms. The FCA will maintain engagement with the firm throughout the provisional licence period; this will include enhanced monitoring and close oversight when compared to a fully authorised firm of an otherwise similar nature.

Full authorisation

3.14 The purpose of the provisional licence regime is to support firms to reach full authorisation during or at the end of the provisional licence period; they will exit the provisional licence regime upon achieving full authorisation. The FCA will develop a bespoke application and assessment process for firms with a provisional licence, which will take into account the information provided during the provisional licence application and will involve ongoing dialogue with the firm and the FCA providing detailed feedback. The FCA is keen to gather input from industry on the detailed design of this process to ensure it is workable for firms as they work towards meeting the high standards that the FCA rightly expects for firms gaining full authorisation.

End of permissions where full authorisation is not granted

3.15 If firms have not achieved full authorisation by the end of the provisional licence period, their permissions will expire and the firms will have to cease undertaking regulated activities. Firms will be required to wind down any live products and to work with the FCA to do this.

3.16 Where, by exception, a firm has applied for full authorisation in good time before the end of its provisional licence period and complied with requests from the FCA, but has not received a decision from the

FCA by the end of the provisional licence period, an extension to the provisional licence period will be available.

Chapter 4
Next steps

4.1 Introducing a provisional licence regime will require primary legislation, and the government will take this forward when parliamentary time allows.

4.2 The FCA will engage with industry on the design of the regime and consult as necessary.

HM Treasury contacts

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If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gov.uk