HM Treasury

Consultation:

The Appointed Representatives Regime

HM Treasury

Consultation:

The Appointed Representatives Regime

February 2026

This publication is available at: www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at public.enquiries@hmtreasury.gov.uk

ISBN: 978-1-918417-19-7

PU: 3615

Contents

Chapter 1
Introduction

1.1 On 11 August 2025, the government published a policy statement setting out an approach intended to shore up confidence in the use of Appointed Representatives and to safeguard the future of the UK's Appointed Representatives regime. The policy statement included an initial explanation of proposals intended to achieve this. This consultation sets out more detail on the proposed changes and seeks the views of stakeholders.

1.2 The government views the Appointed Representatives (AR) regime as playing an important part in the provision of financial services, delivering a range of benefits to businesses and consumers. The regime provides a proportionate and cost-effective way for firms to engage in regulated activity without being authorised, allowing a broader range of providers to enter the marketplace. In doing so, the AR regime promotes competition, supports innovation and contributes to economic growth.

1.3 The government wants to ensure safe operation of the AR regime so that it can continue to deliver these benefits to firms, consumers and the UK economy. The government therefore intends to adapt the legislative framework for ARs to provide a proportionate level of protection for consumers of AR firms, while ensuring that the current broad scope of the AR regime is preserved, enabling the financial services sector, and the UK economy as a whole, to continue benefitting from the regime well into the future.

1.4 Targeted reforms to the legislative framework proposed in this consultation will:

- Help prevent misconduct involving ARs. Authorised firms wishing to use ARs will need to first obtain permission from the Financial Conduct Authority (FCA) – this will enable the FCA to ensure authorised firms have appropriate expertise and resource to effectively oversee their ARs and ensure they act responsibly.
- Provide appropriate consumer protection when things go wrong. Consumers will be able to take a complaint to the Financial Ombudsman Service (FOS) if they are unable to resolve a dispute involving an AR where an authorised firm is not responsible for the issue in dispute.
- Rationalise the conduct and fitness & propriety frameworks that apply to ARs so that they are better aligned with the frameworks applying to authorised firms; and so that the FCA

is empowered to reduce the administrative burden applying to ARs through those frameworks.

1.5 These proposals follow the approach set out in the government's Regulation Action Plan[1] . In particular, the proposals:

- **Support growth**: ensuring safe operation of the AR regime will promote confidence in the use of ARs and will enable the government to preserve the current scope of financial service activities that ARs can engage in.
- **Are targeted and proportionate**: Those authorised firms already using ARs will be able to continue to do so without having to apply for a new permission from the FCA – UK markets will continue to benefit, without disruption, from the c.34,000 AR firms currently operating in UK markets. Also, the vast majority of complaints to the FOS involving an AR are currently dealt with by the FOS investigating the authorised firm responsible for the AR. It is only in the relatively small number of cases where the authorised firm is not considered responsible for the issue in dispute that the FOS will, in future, be able to investigate the AR directly.
- **Are transparent and predictable**: the existing scope of the UK AR regime will not change and those firms currently using the AR regime can continue to do so without disruption.
- **Enable adaptation to keep pace with innovation**: a key strength of the regime is the ease with which it allows new firms with new ways of doing business to enter the market, while benefitting from the experience and expertise of established authorised firms – the proposed reforms will preserve the support that UK regulation provides for competition and innovation in financial services.

1.6 On 17 March 2025, the government announced a review of the FOS to ensure that the FOS operates as a simple, impartial dispute resolution service which quickly and effectively deals with complaints against financial services firms, and which works in concert with the Financial Conduct Authority. The conclusions of that review were published on 15 July 2025[2]. The proposed extension of FOS jurisdiction to ARs set out in this document will be designed and implemented to be consistent with the conclusions of the FOS review.

[1] https://www.gov.uk/government/publications/a-new-approach-to-ensure-regulators-and-regulation-support-growth

[2] https://www.gov.uk/government/consultations/fs-sector-strategy-review-of-the-financial-ombudsman-service

Chapter 2
Background

2.1 The Appointed Representatives (AR) regime is a longstanding and widely used feature of UK financial services regulation. It was first established by the Financial Services Act 1986 for investment services activity, before being adapted and applied to a broader range of financial services activity through the Financial Services and Markets Act 2000 (FSMA 2000). Since the regime began in 1986, the use of ARs has increased and spread across much of the financial services sector. There are now around 34,000 ARs operating under around 2,400 authorised firms.

2.2 An AR is a firm or person who carries on a regulated activity or activities under the responsibility of an authorised financial services firm. An authorised firm which appoints ARs in this way is referred to as a 'principal'. In appointing an AR, the principal assumes responsibility for the regulated activities carried on by the AR that have been agreed with the AR.

2.3 The AR regime puts responsibility on the principal to ensure its ARs are carrying on regulated activities with a sufficient level of competence and are meeting relevant regulatory requirements. FSMA 2000 gives broad rule-making powers to the Financial Conduct Authority (FCA) to set binding regulatory requirements for authorised persons, including when authorised persons are acting in the capacity of principal.

2.4 As use of ARs has spread and evolved, challenges to safe operation of the regime have come to light. Work by the FCA in recent years has identified evidence of increased risk of detriment to consumers who engage with ARs (as compared with consumers who engage directly with authorised firms). The FCA has taken steps to address this concern and to minimise opportunities for abuse of the regime. This includes implementing new rules and guidance for principal firms aimed at strengthening principal firm oversight of ARs; enhancing FCA scrutiny of principal firms as they appoint ARs; and more targeted FCA supervision of principals, informed by improved data and analysis to identify where the risks with AR use exist.

2.5 The government welcomes the steps taken by the FCA, but following a review of the regime, has concluded that reform of the overall legislative framework for ARs is also needed. This review has taken into account responses to the Call of Evidence issued under the previous administration in December 2021, as well as the experience of the FCA and the Financial Ombudsman Service in dealing with supervisory challenges and complaints involving ARs.

Chapter 3
A principal permission

Gap in the regulatory framework: ensuring the suitability of authorised firms to act as principal

3.1 The oversight that principal firms must exercise over their ARs is central to the effective and safe operation of the AR regime. An AR is permitted to engage in regulated activity on the basis that its principal accepts responsibility for the regulated activities of the AR. The principal firm should therefore provide robust oversight to ensure the AR complies with relevant regulatory requirements and meets high standards of conduct. When dealing with an AR, the consumer must be able to trust that the principal firm will ensure its AR acts responsibly.

3.2 FCA rules require principals to satisfy themselves of certain matters, such as having robust systems and processes in place to ensure a prospective AR's suitability and to provide effective ongoing oversight of an AR once it is appointed. But under current legislation, any authorised firm is permitted to act as a principal and appoint ARs, with no further permission or approval needed from the FCA (subject to the limitations in legislation on the scope of business which ARs are permitted to carry on). As set out in the August policy statement, the government has concluded that this represents a gap in the regulatory framework and in the ability of the FCA to ensure appropriate oversight is maintained by principal firms.

3.3 Acting as principal and providing robust oversight of ARs is, of itself, an important activity which can have significant implications for maintenance of good conduct standards across many parts of the financial services sector. A firm may be able to meet its regulatory obligations as a directly authorised firm but may be ill equipped or lack appropriate arrangements to oversee the activities carried on by another firm. The government considers that the FCA should have the ability to better ensure an authorised firm wishing to act as a principal has the necessary expertise, resources and systems in place to provide effective oversight of ARs. This will help maintain high standards of principal firm oversight and promote confidence in the AR regime.

Proposal for reform: an FCA permission to act as principal

3.4 In the government's view, a regulatory gateway should operate for any activity important enough to have implications for the effective functioning of financial services regulation as a whole.

3.5 This principle was followed in the recent reform of the approval of financial promotions (introduced by the Financial Services and Markets Act 2023). Previously, any authorised firm could approve the financial promotions of an unauthorised firm, with no specific mechanism in place to ensure authorised firms engaging in this activity were suited to do so. FSMA 2000 was amended so that authorised firms wishing to approve financial promotions must seek permission from the FCA. This gives the FCA the opportunity to scrutinise applicant firms and ensure that authorised firms engaging in the activity are suited and properly equipped to do so to an appropriate standard.

3.6 The government has concluded that a regulatory gateway would also be appropriate for authorised firms wishing to act as principal. This would provide the FCA with a specific mechanism to scrutinise prospective principals and ensure they are suitable because they will have the necessary expertise, resources and systems in place to provide effective oversight of ARs. And by giving the FCA the ability to vary or withdraw permission to act as principal, the FCA would be more effectively empowered to act swiftly and in a more targeted way to limit or stop AR activity which might pose a material risk to consumers.

3.7 **Question 1: do you agree that a regulatory gateway should operate for principal firms, with authorised firms needing a permission from the FCA to act as principal?**

Amendments to FSMA 2000

3.8 To create a new gateway to act as principal, the government proposes to amend FSMA 2000 to introduce a new permission regime for the activity of an authorised person acting as principal. The government intends to model the new permission regime on section 55NA of FSMA 2000 which establishes the permission regime for authorised persons wishing to approve the financial promotions of non-authorised persons. In particular, the new permission regime for principals will include the features set out below.

3.9 Authorised firms will be prohibited from acting as principal if they have not been granted permission by the FCA. An authorised firm acting as principal without the FCA's permission will be taken to have contravened a requirement imposed by the FCA. The usual supervision and enforcement tools provided by FSMA 2000 will be available to the FCA to deal with such a breach.

3.10 The FCA will be able to grant, vary and cancel permission to act as principal on the application of an authorised person or on the application for Part 4A permission as follows:

i. The FCA may grant a permission which includes specific terms or restrictions, which can either be terms/restrictions set out in an application to the FCA or terms/restrictions which the FCA considers appropriate;

ii. The FCA will be able to vary or cancel a permission it has granted to act as principal, either in response to an application it has received from the principal or on the FCA's own initiative;

iii. The FCA will be able to refuse to grant, vary or cancel a permission to act as principal if it appears to the FCA that it is desirable to do so in order to advance one or more of its operational objectives; and

iv. The FCA will be required to consult the PRA before granting, varying, or withdrawing a permission to act as principal if the person concerned is regulated by the PRA (or would be regulated by the PRA once an application for a part 4A permission is granted).

3.11 By ensuring that ARs are only appointed and overseen by authorised firms, which have been specifically assessed as suitable to act as a principal, the regulatory framework would place greater emphasis on prevention of AR misconduct and would provide the FCA with a more effective means to achieve this. With the ability to vary or withdraw an authorised firm's permission to act as principal, the FCA would be empowered to act swiftly and in a more targeted way to limit or stop AR activity which might pose a material risk to consumers.

3.12 **Question 2: do you agree with the proposed design of the permission regime for principal firms?**

Operation of the AR exemption under section 39 FSMA 2000

3.13 Section 19 of FSMA 2000 establishes the 'general prohibition' – this prohibits the carrying on of regulated financial services activity unless a person is authorised or unless the person is exempt. Section 39 of FSMA then sets out the exemption from the general prohibition for ARs. Section 39(1) requires that, as a condition of the application of the exemption, there must be:

i. a contract between the principal and its AR which both permits the AR to carry out the applicable regulated activities and which meets certain detailed requirements in secondary legislation; and;

ii. an acceptance of responsibility in writing by the principal for the AR's activities.

3.14 Regulation 3 of The Financial Services and Markets Act 2000 (Appointed Representatives) Regulations 2001[3] sets a number of

[3] https://www.legislation.gov.uk/uksi/2001/1217

detailed requirements that a contract between principal and AR must meet.

3.15 Sections 39(1A), (1AA) and (1BA) of FSMA also require that ARs carrying on certain types of business must be entered onto the Financial Services Register maintained by the FCA as a condition of the application of the exemption. This is required for some types of regulated business but not for others.

3.16 The government considers that a more coherent and user-friendly regime would be delivered by having any detailed requirements relating to the contractual relationship between principals and their ARs, as well as the inclusion of ARs on the Financial Services Register, set out in FCA rules. This will also allow the FCA flexibility to tailor these requirements as necessary, including, for example, according to the nature of regulated activities ARs are carrying on. The government intends to amend section 39 of FSMA and the Financial Services and Markets Act 2000 (Appointed Representatives) Regulations 2001 to achieve this.

3.17 The government does not intend to amend section 39 of FSMA 2000 so that a person seeking to be an AR is only exempt if the authorised person appointing them has been granted a permission from the FCA to act as principal. The government considers it is more proportionate for such issues to be addressed by the FCA with the principal firm (which will be taken to have breached an FCA requirement if it has not secured permission from the FCA to act as principal) rather than creating the situation where an AR, which has otherwise met the conditions of the section 39 exemption, is breaking the general prohibition.

3.18 **Question 3: do you agree that all of the detailed requirements applying to the contractual relationship between principals and their ARs, as well as requirements relating to the Financial Services register, should be set out in FCA rules?**

Implementation of a principal permission

3.19 The AR regime plays an important role in the provision of financial services, with c.34,000 ARs used across the sector for a wide range of services. Consistent with the government's aim of preserving the benefits provided by the AR regime, the government is committed to ensuring that introduction of the new permission does not disrupt the business activity of existing principals and ARs and does not introduce undue administrative burdens for suitable firms wishing to use ARs in the future. The government is therefore proposing that the introduction of the new gateway will:

i. Not require existing principal firms to apply for the new permission. These firms will be deemed to have permission from the FCA and will be able to maintain their existing AR appointments, as well as appoint new ARs as necessary.

However, the FCA will have the ability to vary or withdraw such permission in the future if that proves necessary to maintain high standards of AR oversight and to protect consumers from harm.

ii. Potentially limit certain existing principal firms to a permission for appointing Introducer ARs only. FCA rules currently apply a more proportionate regulatory regime to principals of Introducer ARs (IARs) whose activities are limited to certain limited introducing activities. The granting of permission to existing principals may reflect this distinction. Such principals of IARs only may need to apply to the FCA to vary the permission if, in the future, they wish to appoint ARs for other regulated activities that 'full ARs' carry on.

iii. Embed the principal permission in the new firm authorisation process (authorisation under Part 4A of FSMA 2000) so that there will not be a separate application process for a new firm to follow if the applicant firm seeks permission to act as principal at the point of authorisation.

3.20 Once the necessary changes to the legislative framework for ARs have been made, the government and the FCA will set out a more detailed plan and timetable for implementation.

3.21 **Question 4: do you agree with the overall implementation approach proposed for the principal permission?**

3.22 **Question 5: Are there other factors that need to be considered to avoid any disruption to existing principals and ARs?**

Tied agents - repeal of section 39A of FSMA 2000

3.23 Under the EU's Markets in Financial Instruments Directive (MiFID), a tied agent is a person or firm under the responsibility of an authorised MiFID investment firm on whose behalf it acts. A tied agent can provide certain investment and/or ancillary services to clients of a MiFID investment firm. As part of the EU's single market for financial services, tied agents are able to establish and provide services outside of the home member state of the MiFID firm by which they are appointed, in reliance on the 'passport' of that MiFID firm. MiFID imposes certain obligations on firms which appoint tied agents, including with respect to their registration.

3.24 The UK largely implemented MiFID's regime for tied agents through the existing AR framework. However, it was possible that firms authorised under MiFID in the UK (UK MiFID investment firms) might appoint tied agents which did not carry on regulated activity in the UK (and did not therefore require the benefit of the exemption from the general prohibition which the AR regime provides) because the tied agent only provided services to persons in other EEA member states. Section 39A was inserted into FSMA 2000 in 2007 to ensure that the UK

fully transposed the requirements in the first MiFID (2004/39/EU) for firms appointing tied agents undertaking business outside of the UK in another EEA member state.

3.25 Once the UK left the EU, it was no longer part of the single market for financial services. Section 39A was therefore amended to remove references to tied agents of UK MiFID firms carrying on business, or being registered in, other EEA Member States. This left a provision in section 39A which only regulates UK MiFID firms engaging non-authorised persons established in the UK to carry on investment services business outside of the UK. Section 39A requires UK MiFID firms to take responsibility for their tied agents and to register them with the FCA.

3.26 The government views section 39A as no longer serving any purpose. For an agent of a UK MiFID investment firm to carry on regulated activity in the UK, the agent would need to meet the conditions to act as an AR under section 39 of FSMA 2000. How a UK MiFID firm or its agent carries on activity in an overseas jurisdiction would be a matter for the overseas jurisdiction – UK regulation of such activity is unnecessary. The government therefore proposes to repeal section 39A of FSMA 2000.

3.27 **Question 6: do you agree with the proposal to repeal section 39A of FSMA 2000?**

Chapter 4

Extension of FOS jurisdiction to ARs

Gap in the regulatory framework: FOS coverage of ARs that act outside of the business for which their principal firm is responsible

4.1 Within the UK's financial services regulatory framework, the Financial Ombudsman Service (FOS) provides consumers and firms with a quick and cost-effective way of resolving disputes. In doing so, it promotes consumer confidence in regulated financial services, providing reassurance that there is a straightforward process for dealing with disputes when something goes wrong.

4.2 Overall, the ability of the FOS to consider complaints involving ARs is consistent with the operation of the AR regime. Just as the FCA regulates principal firms to ensure they are providing effective oversight of their ARs, the FOS will consider complaints against principal firms, including in relation to the activities performed by their ARs, provided the principal is responsible for the acts or omissions of its AR which are relevant to a complaint.

4.3 Under section 39(3) of FSMA 2000, a principal is responsible, to the same extent as if he had expressly permitted it, for anything done or omitted by the AR in carrying on the business for which the principal has accepted responsibility.

4.4 Linked to is the FOS's ability to consider complaints against a principal when they arise from the acts or omissions of its AR, as long as that principal is responsible for such acts or omissions under section 39(3) of FSMA 2000, or is otherwise responsible, for instance according to agency law. But this ceases to be the case where the AR's conduct giving rise to the complaint falls outside the scope of activities for which the principal is responsible under FSMA 2000, or where responsibility cannot otherwise be established. This currently means that the FOS has to conclude the complaint is outside of its compulsory jurisdiction once it becomes clear that the principal firm is not responsible.

4.5 Although this circumstance currently arises in a relatively small percentage of FOS cases, the government's view is that it is unfair to leave consumers in these cases without access to the FOS to resolve disputes, as it leaves them unprotected in a way they are very unlikely to anticipate. The government has concluded that the FOS should have jurisdiction to consider complaints made in relation to the carrying on

of relevant regulated activities, regardless of whether the regulated activity is carried on by an authorised firm or an AR.

4.6 The proposed changes to the FOS's compulsory jurisdiction set out below are intended to apply to complaints brought to the FOS that concern the acts or omissions of an AR which occurred after a specified implementation date in the future. Once the necessary changes to legislation have been made, the government will work with the FOS and the FCA to set out a plan for implementation of these changes.

Proposal for reform: ensuring the FOS can consider any complaint involving regulated activities carried on by an AR

4.7 The government intends to implement a targeted extension of the FOS compulsory jurisdiction to ensure that all consumers of regulated financial services, whether dealing with an authorised firm or an AR, have access to the FOS on a consistent basis. As is the case now, the FOS will continue to handle a complaint involving an AR by investigating the principal firm which has responsibility for the AR. Where the FOS determines that a principal firm is responsible for misconduct involving its AR and upholds a complaint against the principal, the FOS will continue to direct any appropriate redress measures to the principal firm.

4.8 But in cases where the FOS determines that a principal firm cannot be held responsible for its AR's acts or omissions, the FOS will be able to directly consider the complaint against the AR itself. If the FOS upholds a complaint against such an AR, the FOS will then be able to direct any appropriate redress measures to the AR.

4.9 Amendments to FSMA 2000 will be needed to extend the scope of the FOS's compulsory jurisdiction to ARs, including at section 226 and Schedule 17 of FSMA 2000, as appropriate. The intention is to provide, through a combination of changes to legislation and scheme rules made by the FOS, that the FOS will exercise jurisdiction to deal with complaints against ARs directly where:

i. the complaint relates to the acts or omissions of a person who was an appointed representative of an authorised person at the time of the conduct complained of; and

ii. the authorised person (the principal) is not found responsible for the acts or omissions of the appointed representative giving rise to the complaint under section 39 of FSMA 2000, or otherwise, for instance according to principles of agency law.

4.10 This approach is intended to ensure that consideration and determination of a complaint against an AR directly is only triggered in the very particular circumstance of a complaint that relates to the acts or omissions of an AR for which the principal firm is not responsible. The proposed reform is not intended to affect or diminish the control and

oversight duties principal firms have with regards to their ARs. That responsibility includes the principal taking reasonable steps to ensure that its AR is only carrying on regulated activities for which the principal has accepted responsibility, in accordance with FCA rules. Rather the government sees this targeted extension of FOS compulsory jurisdiction to be triggered as a measure of last resort.

4.11 **Question 7: do you agree that the FOS should have jurisdiction to consider a complaint against an AR where the principal is not responsible for the acts or omissions of the AR?**

Implications for initial complaint handling by firms

4.12 Authorised firms receiving complaints from their customers must handle them in accordance with rules set by the FCA at Chapter 1 of the Dispute Resolution and Complaints sourcebook (DISP 1). These rules establish the framework applicable to authorised firms in handling and resolving complaints, with a view to ensuring that complaints are dealt with fairly, transparently, and efficiently. If consumers remain dissatisfied with a firm's response to their complaint (or if the relevant time period for a final response has passed, which is typically 8 weeks from when the complaint is made), consumers are able to bring their complaint to the FOS.

4.13 As explained above, the extension of FOS's compulsory jurisdiction to an AR will only be triggered in the particular situation of a complaint relating to the acts or omissions of an AR for which the principal is not responsible. This means that the FOS will continue to deal with the vast majority of cases involving ARs by considering the complaint against the principal firm and directing any redress measures to that firm.

4.14 The government therefore does not intend to extend the ability for the DISP 1 complaint handling rules to apply to ARs. The extension of the compulsory jurisdiction is not intended to diminish the high level of responsibility that principal firms have for their ARs, including their duties to deal with customer complaints arising from the activities of their ARs.

4.15 However, the FCA will consider whether to make changes to the DISP 1 rules to ensure that, where a complaint relates to the actions or omissions of an AR, the principal will make the AR aware of the complaint; and will consider whether to place an obligation on the principal firm to ensure that its AR cooperates with the FOS.

4.16 **Question 8: do you agree that complaint handling arrangements should remain the responsibility of principal firms?**

Implications for FOS investigations and determinations

4.17 In the vast majority of complaints involving an AR, the principal does not dispute its responsibility for the actions of its AR. As is the case

now, the FOS will consider and determine such complaints against the principal and will be able to make any award it considers fair or decide to give any direction it considers just and appropriate to be complied with by the principal firm.

4.18 Where a complaint involves an AR and the principal firm disputes its responsibility for the AR's actions, it is important that the FOS is able to investigate and determine the issue of principal firm responsibility as quickly and effectively as possible. It is also important that the AR has the ability to make its own representations to the FOS.

4.19 The government therefore anticipates that the FOS (with FCA approval) will make scheme rules which ensure such an AR is joined as a party to the FOS complaint. This will ensure the AR has access to representations made by the complainant and the principal firm; will give the AR access to any relevant provisional or final determination made by the FOS; and will provide the opportunity for the AR to make its own representations to the FOS.

4.20 Where the FOS subsequently determines that the principal is responsible for its AR's actions, the FOS may uphold the complaint against the principal firm and will be able to make any award it considers fair or decide to give any direction it considers just and appropriate to be complied with by the principal.

4.21 In those exceptional cases where the FOS determines that the principal is not responsible for the AR's actions, and if the complainant indicates that they would like their complaint to be considered against the AR, the FOS will commence consideration of a complaint against the AR. Should the FOS uphold the complaint, the FOS will be able to make the same sort of awards and/or directions in respect of the AR that it would be able to make against an authorised firm.

4.22 The government will amend FSMA 2000, as necessary, to ensure the FOS's power to make scheme rules can deliver the approach to case handling set out above for complaints involving the actions of an AR.

4.23 **Question 9: do you agree that the FOS should be able to involve an AR in the investigation of a complaint, as set out above, where a complaint relates to the acts or omissions of the AR?**

Potential implications for the Financial Services Compensation Scheme (FSCS)

4.24 FSMA 2000 provided for the creation of the FSCS as the UK's statutory compensation fund of last resort for selected regulated financial activities. The FSCS was first established by the Financial Services Authority, which has now been replaced by the FCA and the Prudential Regulation Authority (PRA). The FCA and the PRA make the rules which govern their relevant parts of the scheme. The FSCS pays compensation, up to certain limits, to eligible customers of financial services firms that are in default - that is firms who are unable, or likely

to be unable, to satisfy claims made against them. The scheme is free for consumers to use and is independent.

4.25 Currently, and provided all relevant other conditions are met, a claim for compensation by the FSCS can be made in respect of an AR that is in default. This can include an AR which has acted outside the scope of activities agreed with its principal. One key condition for compensation is that the consumer must have a protected civil claim, against this AR, in connection with them carrying on a regulated activity protected by the FSCS. The FSCS may postpone paying compensation to the consumer if it considers that the consumer should first make and pursue an application for compensation against the live principal.

4.26 The proposed extension of the FOS compulsory jurisdiction to cover complaints against ARs where the principal is not responsible would enable the FOS to direct an award for compensation against an AR. However, many ARs are small concerns and they might not always have the financial capacity to meet the cost of substantial redress awards. If the cost of redress led to the failure of an AR, the consumer might then consider if they have an eligible claim with the FSCS. It is therefore possible that the proposed extension of FOS jurisdiction could result in additional claims for compensation being met by the FSCS.

4.27 Consumers seeking redress against an AR can currently do so through the courts. If such a consumer is successful and the cost of redress results in an AR's failure, the consumer may be eligible to seek assistance from the FSCS. A consumer seeking FSCS assistance if the cost of FOS redress causes the failure of an AR is, in principle, no different. While the extension of FOS jurisdiction may result in additional claims to the FSCS, the government does not expect such claims to have a material impact on the overall cost of FSCS compensation – the number of FOS cases involving an AR where the FOS concludes the principal firm cannot be held responsible is very small and has been declining in recent years.

4.28 After consulting the FSCS and the FCA, the government considers that the extension of FOS compulsory jurisdiction to ARs does not warrant any changes to be made to the FSCS framework, including the FSCS funding model. Nevertheless, HM Treasury will work with the FSCS, the FOS and the FCA to monitor the impact of FOS jurisdiction changes on the FSCS and will keep the issue under review.

4.29 **Question 10: do you agree that the proposed extension of FOS jurisdiction is not likely to have a material impact on the role of the FSCS, or the level of FSCS compensation to be provided?**

Chapter 5

Bringing ARs within scope of the Senior Managers and Certification Regime

Inconsistent conduct, fitness & propriety and accountability frameworks for principal firms and ARs

5.1 Ensuring high standards of conduct for ARs is key to promoting confidence in the AR regime. It is principal firms that are responsible for making sure AR staff are fit & proper and that they uphold high standards of conduct. The reforms proposed in chapter 2 will leave the FCA better equipped to ensure that principal firms discharge this duty effectively. But there is also a question about the frameworks which set the conduct, fitness & propriety and accountability standards that ARs and their principals should meet.

5.2 The Senior Managers and Certification Regime (SM&CR) is the framework which sets these standards for authorised firms and it has become an important element of the regulatory framework for financial services. It consists of three core elements: the Senior Managers Regime, the Certification Regime and the Conduct Rules. The Senior Managers Regime ensures individual accountability of senior managers for their areas of responsibility within firms and ensures that firms and the relevant individuals within them are clear on who is responsible for what. The Certification Regime covers key functions in financial services firms that can have a significant impact on a firm or its customers, and firms must themselves certify that the individuals performing these roles are fit and proper to do so. The Conduct Rules apply general standards of conduct to all staff working in authorised firms (except for ancillary staff).

5.3 The SM&CR has now completely replaced an earlier framework which applied to authorised firms – the Approved Persons Regime (APR). While the SM&CR applies to all authorised firms, including principal firms, the earlier APR still applies to ARs. The government believes this inconsistent approach for principals and ARs serves no useful purpose, sets different standards for similar or identical activities depending on the status of the firm performing them, and results in unnecessary administrative burdens for both firms and the FCA.

Proposal for reform: harmonising the frameworks for conduct, fitness & propriety and accountability by bringing ARs within scope of the SM&CR

5.4 The government can see no justification for different and inconsistent frameworks applying to principal firms (which are covered by the SM&CR) and their ARs (which are covered by the APR). A comparison of the APR's approval of controlled functions and the SM&CR's certification regime illustrates the disparity of the two frameworks. Roles that under the APR are still Controlled Functions in ARs, such as the CF30 – Customer Function, require FCA to approve the individuals performing those roles. Under the SM&CR, many of these functions are roles for which the firm has to certify that the individuals performing them are fit and proper, but the individuals do not need to be approved by the FCA.

5.5 The government considers that it would be advantageous for principals and their ARs to operate under the same conduct, fitness & propriety and accountability frameworks. The government therefore proposes to bring ARs within scope of the SM&CR. This streamlined regulatory approach will make it easier for principals to ensure their ARs are meeting appropriate standards and would result in a level playing field for all firms carrying on regulated activities.

5.6 As part of the Leeds Reforms, the government has consulted on amendments to the legislative framework relating to the SM&CR. These changes would leave space for the FCA and PRA to use their rule-making powers to develop a more flexible and proportionate regime.

5.7 The government proposes to bring ARs within scope of the reformed SM&CR and enable the FCA to apply its requirements to ARs in ways with fit with the overall responsibility that principal firms have for their ARs. The three core elements of the SM&CR would be applied as follows:

i. The SM&CR general conduct rules would be applied directly to ARs so that the rules will apply to all individuals in an AR (except ancillary staff), or individuals who are themselves ARs. This will mean that relevant individuals in principal firms and in their ARs, as well as in other authorised firms carrying on similar regulated activities, will be required to meet the same general conduct standards.

ii. The FCA would use its existing rule-making power to require principal firms to apply fit & proper requirements, as judged necessary by the FCA, to their ARs. This should result in a considerable reduction of the c.38,000 persons within ARs that currently need FCA approval under the APR.

iii. The FCA would have the ability to create a new dedicated AR Senior Management Function (SMF) in principal firms. This

would reflect the responsibility that principal firms take on when appointing ARs, with senior management functions within principal firms held to account for overseeing the principal's ARs.

5.8 **Question 11: do you agree that bringing ARs within scope of the SM&CR, as proposed above, would provide more coherent and proportionate conduct, fitness & propriety and accountability arrangements for ARs and their principals?**

Chapter 6

Responding to the consultation

6.1 This consultation will remain open for 8 weeks, closing on 9 April 2026. We are inviting stakeholders to provide responses to the questions set out above.

Who should respond?

The government is interested in receiving representations from all interested parties and stakeholders.

How to submit responses

6.2 Please submit responses via email to:

AppointedReps@hmtreasury.gov.uk

Or post to:

Financial Services Strategy

HM Treasury

1 Horse Guards Road

SW1A 2HQ

Processing of personal data

6.3 This section sets out how we will use your personal data and explains your relevant rights under the UK General Data Protection Regulation (UK GDPR). For the purposes of the UK GDPR, HM Treasury is the data controller for any personal data you provide in response to this consultation.

Data subjects

6.4 The personal data we will collect relates to individuals responding to this consultation. These responses will come from a wide group of stakeholders with knowledge of a particular issue.

The personal data we collect

6.5 The personal data will be collected through email submissions and are likely to include respondents' names, email addresses, their job titles and opinions.

How we will use the personal data

6.6 This personal data will only be processed for the purpose of obtaining opinions about government policies, proposals, or an issue of public interest.

6.7 Processing of this personal data is necessary to help us understand who has responded to this consultation and, in some cases, contact respondents to discuss their response.

6.8 HM Treasury will not include any personal data when publishing its response to this consultation.

Lawful basis for processing the personal data

6.9 Article 6(1)(e) of the UK GDPR; the processing is necessary for the performance of a task we are carrying out in the public interest. This task is consulting on the development of departmental policies or proposals to help us to develop effective government policies.

Who will have access to the personal data

6.10 The personal data will only be made available to those with a legitimate business need to see it as part of consultation process.

6.11 Consultation responses, including personal identifiers, will be shared with other government departments where relevant for the purposes of this policy development.

6.12 As the personal data is stored on our IT infrastructure, it will be accessible to our IT service providers. They will only process this personal data for our purposes and in fulfilment with the contractual obligations they have with us.

How long we hold the personal data for

6.13 We will retain the personal data until work on the consultation is complete and no longer needed.

Your data protection rights

6.14 Relevant rights, in relation to this activity are to:

- request information about how we process your personal data and request a copy of it
- object to the processing of your personal data
- request that any inaccuracies in your personal data are rectified without delay
- request that your personal data are erased if there is no longer a justification for them to be processed
- complain to the Information Commissioner's Office if you are unhappy with the way in which we have processed your personal data

How to submit a data subject access request (DSAR)

6.15 To request access to your personal data that HM Treasury holds, please email: dsar@hmtreasury.gov.uk

Complaints

6.16 If you have concerns about Treasury's use of your personal data, please contact our Data Protection Officer (DPO) in the first instance at: privacy@hmtreasury.gov.uk

6.17 If we are unable to address your concerns to your satisfaction, you can make a complaint to the Information Commissioner at casework@ico.org.uk or via this website: https://ico.org.uk/make-a-complaint

HM Treasury contacts

This document can be downloaded from www.gov.uk

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