

# Introducing the Directory

**Consultation Paper**

CP18/19\*\*

July 2018



## How to respond

We are asking for comments on this Consultation Paper (CP) by 5 October 2018.

You can send them to us using the form on our website at: <https://www.fca.org.uk/cp18-19-response-form>

Or in writing to:  
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### How to navigate this document onscreen



returns you to the contents list



takes you to helpful abbreviations

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# 1 Summary

## Why we are consulting

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- 1.1** The Financial Services Register (FS Register) provides a public record of the firms we regulate and the individuals we and the Prudential Regulation Authority (PRA) have approved. This currently includes information on a firm's senior management, its control staff and customer facing roles. Publication of this information meets our obligations under the Financial Services and Markets Act 2000 (FSMA).
- 1.2** The FS Register will continue following the extension of the Senior Managers and Certification Regime (SM&CR) but will contain fewer individuals. This is because only specified Senior Manager roles at FSMA firms will then be approved and so appear on the FS Register.
- 1.3** In this Consultation Paper (CP), we propose to introduce the Directory – a new public register and user interface that would:
- make information public on additional individuals carrying out a wider range of roles (including those who we do not approve such as financial advisers, traders, portfolio managers and additional directors)
  - present information on these individuals and the Senior Managers we continue to approve in a way that is more accessible and user friendly
  - enable users to find information on these individuals in a single public location
- 1.4** To deliver these proposals, firms would need to provide the FCA with additional information on all relevant individuals who work on their behalf.
- 1.5** This CP focuses on establishing the Directory but also asks for wider feedback on the FS Register where we intend to make improvements.

## Who this applies to

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- 1.6** These changes would affect all relevant individuals who carry out work on behalf of almost every firm that offers financial services and is regulated by the FCA. Specifically, these firms are:
- banks, building societies, credit unions and PRA designated investment firms (banking firms)
  - insurers and reinsurers
  - all other firms authorised to provide financial services under the FSMA



- appointed representatives (AR) acting as agent for FCA authorised firms

**1.7** These proposals would affect 3 broad categories of individuals, referred to collectively in this CP as Directory Persons:

- all Certified staff (those holding a certification function under the Senior Managers and Certification Regime (SM&CR))
- non-Senior Manager Function (SMF) Directors – executive and non-executive
- other individuals who are sole traders or appointed representatives (including those within appointed representatives) where they are undertaking business with clients and require a qualification to do so

**1.8** Directory Persons would include roles that will no longer be made public on the FS Register, and would make public information on additional roles such as those providing advice on mortgages for the first time.

**1.9** The Directory would provide access to information on Directory Persons and the Senior Managers we and the PRA have approved at those firms.

**1.10** Every section of this CP is relevant for all firms and individuals in scope. This is because most of the proposals apply in the same way in all cases.

**1.11** Members of the public who are interested in our proposals need only read this summary which provides an overview of the proposed capabilities of the new Directory. Chapter 3 provides further detail on the features and operation of the Directory, including initial design work on the new user interface (UI).

## The wider context of this consultation

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### FS Register

**1.12** In the year to March 2017, the FS Register was accessed over 8 million times. Information on the FS Register is used by members of the public, firms, professional bodies, law enforcement agencies, the FCA and PRA, and many other stakeholders.

**1.13** It can be used to find out a variety of information on firms and their regulatory permissions, and individuals including information on their name, role, employment history and details of any regulatory sanctions and prohibitions.

**1.14** The FS Register was originally introduced to meet our obligations under the Financial Services and Markets Act 2000 (FSMA). However, the range of ways customers, firms and other stakeholders now wish to make use of the data has evolved beyond what the existing FS Register can effectively deliver.

**1.15** There are a number of areas where the information on the FS Register now needs to be made more accessible and easier to use. This was reflected in feedback received from the Work and Pensions Select Committee (WPSC)<sup>1</sup>.

<sup>1</sup> Work and Pensions Committee British Steel Pension Scheme Sixth Report of Session 2017-19, 15 February 2018, <https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/828/828.pdf>

- 1.16** In addition to our proposals to introduce a new UI as part of the Directory that would provide better access to much of the information currently available of the FS Register, we are also making changes to improve the FS Register itself.
- 1.17** This is to provide better access to the full record of information on authorised firms and the individuals we have approved we must maintain to meet our obligations under FSMA. These changes are set out in Chapter 2.
- 1.18** Both the FS Register and Directory would form part of the record we are required to maintain under section 347 of FSMA.

### **The Directory**

- 1.19** In March 2016, we introduced the SM&CR for banking firms. This limited the number of individuals we approve to the most senior individuals within those firms such as executive directors and heads of compliance.
- 1.20** Since the FS Register only makes public information on those individuals we have approved, information on fewer individuals is now made public at those firms.
- 1.21** Customer functions including individuals who provide financial advice or help with pension transfers now need to be assessed as fit and proper by firms rather than being approved by us. Consequently, they do not appear on the FS Register.
- 1.22** In July 2017, we published proposals to extend the SM&CR to almost all regulated firms, including this approach to the FS Register. In response to our proposals, we received substantial feedback on the public value of the FCA maintaining a central public record of certification staff and other important individuals in firms regulated by the FCA even though their suitability is assessed by firms rather than the FCA. This feedback is set out in Chapter 5.
- 1.23** Introduction of the Directory would also enable us to address the recommendation of the WPSC to give greater prominence to consumer protection information which relates to roles that would otherwise no longer be published in most cases.
- 1.24** On 26 February, we published a statement on the FCA's website confirming our intention to consult on introducing a new public register by summer 2018. Our intention was confirmed in the FCA's 2018/19 Business Plan<sup>2</sup>. This CP introduces those proposals.
- 1.25** Further information on why we are making these proposals including the wider effects and link to our objectives is set out in Chapter 2.

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2 [www.fca.org.uk/publication/business-plans/business-plan-2018-19.pdf](http://www.fca.org.uk/publication/business-plans/business-plan-2018-19.pdf)



## What we want to change

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**1.26** We propose that the Directory should have the following main characteristics:

### **Centrally hosted by the FCA and freely accessible to the public**

**1.27** We would host the Directory and publish it online. It would provide a single central location for information on Directory Persons and Senior Managers at all FSMA firms across multiple sectors regulated by the FCA. Customers, firms and other stakeholders would be able to freely access this.

**1.28** The information would be available in an aggregate form that can be extracted free of charge. This would support a wider range of uses such as market monitoring and analysis tools used by trade bodies.

**1.29** Our proposals are explained in Chapter 3.

### **Search capabilities to seek out suitable individuals**

**1.30** Customers, firms and other stakeholders would be able to use the Directory to more easily find and check the identity of relevant individuals.

**1.31** Customers in particular would benefit from greater information to inform their decisions on who to do business with using the following Directory features:

- **workplace location** – list of individuals active in specific areas
- **business qualified to carry on** – list of individuals who hold appropriate qualifications, for example, to provide mortgage advice
- **regulatory sanctions and prohibitions** – facility to check which individuals are prohibited by the FCA and PRA or have limitations placed the activities they are permitted to undertake

**1.32** Our proposals are explained in Chapter 3.

### **Firms responsible for keeping their information up to date**

**1.33** Firms would need to report certain information to us about their Directory Persons. This includes information on the individual's role, their workplace location and the types of business they are qualified to undertake.

**1.34** Firms would be responsible for the timely and accurate reporting of this information on an ongoing basis. Firms would also remain fully responsible for ensuring the suitability of Directory Persons where not subject to regulatory approval.

**1.35** Our proposals are explained in Chapter 4.

## Outcome we are seeking

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- 1.36** We aim to empower customers and other stakeholders to make sure they only deal with those who have been assessed by an authorised firm as fit and proper or otherwise suitable, and those who have appropriate qualifications. We would do this by making public information on additional individuals who will not appear on the FS Register.
- 1.37** This should:
- enable customers to be able to verify the identity of those selling or providing advice on financial products to help protect themselves from scams
  - help firms to easily cross-check references, make their staff known to customers and make it more difficult for unsuitable individuals to operate in the UK market
  - support the FCA, law enforcement, professional bodies and other regulators to monitor the market, build intelligence and target interventions
- 1.38** This in turn should help improve standards of conduct in the market.

## Measuring success

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- 1.39** The key measure of success would be that members of the public, firms and other stakeholders regularly access the Directory to find the information they need.

## Next steps

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- 1.40** We want to know what you think of our proposals. Please send us your feedback by 5 October 2018. You can do this using the form on our website, or by writing to the address on page 2.
- 1.41** Alongside the public consultation, we are also publishing a prototype version of the Directory user interface. This is an illustrative example with interactive features to allow users to explore how the Directory could work and to leave feedback on their experience.
- 1.42** We will consider all the feedback we receive and, subject to the outcome of the consultation, aim to publish final rules in the winter. Final system testing would then take place before accepting notifications from firms.



## 2 The wider context

### The harm we are trying to reduce/prevent

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- 2.1** This Consultation Paper (CP) makes policy proposals to maintain a central public record of Directory Persons and Senior Managers who carry out work on behalf of FSMA firms through a new public register and user interface ('the Directory').
- 2.2** These proposals are designed to reduce the potential harm arising to consumers, firms and other stakeholders in particular from:
- consumers falling victim to scams and other forms of financial crime
  - individuals who are not suitable to operate in the UK market
  - limited visibility for customers when trying to access a financial products or advice from all of those who provide relevant services.

### Feedback on FCA proposals to extend the SM&CR

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- 2.3** In July 2017, we sought feedback on consultation proposals to extend the Senior Managers and Certification Regime (SM&CR) to insurers and solo-regulated FSMA firms. We received substantial feedback on the public value of the FCA maintaining a central public directory of certified staff and certain other individuals.
- 2.4** Stakeholders highlighted in particular the importance of:
- customers being able to verify the identity of a financial adviser so that they are not left more exposed to financial scams than prior to the introduction of the SM&CR when such roles were published on the FS Register
  - customers having the confidence to do business with a firm's employees
  - firms being able to check references
  - these data for market monitoring and analysis, and in the case of law enforcement and other regulators, targeting regulatory interventions
- 2.5** A summary of the feedback received in response to [CP17/25](#) and [CP17/26](#) is set out in Chapter 5.

## Changes to the FS Register

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- 2.6** We are legally required to establish and maintain a public register of firms that we regulate. The Financial Services Register (FS Register) is available through our website and is maintained by us.
- 2.7** We acknowledge the FS Register can be improved. Work is underway to make the FS Register easier to use and understand. Changes will be made this summer to make clearer when requirements, including suspensions, apply to an entry. We also intend to make improvements to the search facility and present more simply some commonly searched information.
- 2.8** In early 2019, we expect to be able to provide a free Application Programme Interface from the Register. This would allow developers to provide services that can integrate FS Register data with other data which customers use.
- 2.9** In preparing these changes we have also considered the recommendation of the Work and Pensions Select Committee (WPSC):
- 'The FCA online register is a potentially valuable resource but is currently very confusing. Vital consumer protection information, such as the suspensions of permissions, must be given far greater prominence. The FCA has rightly acknowledged it must improve its website. We recommend that the FCA name firms and individuals suspended from providing pensions advice. It should take immediate action to make such suspensions clear at the top of register entries and in search results. We further recommend that it publish its broader plans to redesign the register'.**
- 2.10** While work is being undertaken to make changes to the FS Register itself, many of the individuals that currently appear on the FS Register would in future appear on the Directory. We have looked closely at the findings of the WPSC when considering how we can achieve the best user experience of the Directory.

## How introduction of the Directory links to our objectives

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- 2.11** The aim of the Directory is to reduce potential harm to consumers, strengthen market integrity and enhance competition in the following ways.
- Consumer protection**
- 2.12** The majority of Directory Persons would be certified staff who must be assessed as fit and proper by their firm to carry on their role<sup>3</sup>. Others such as directors, sole traders and appointed representatives also normally need to show they are suitable, competent or fit and proper either to the FCA or their firms under other requirements – referred to collectively in this CP as suitable individuals.
- 2.13** Customers would be able to find individuals who hold suitable qualifications. They would be able to check that the individual helping them to, for example, transfer their pension or to deal in securities on their behalf has a relevant role at an FCA authorised

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3 Sections 63E and 63F of FSMA.



firm. This would help to reduce the risk to consumers, particularly those that are vulnerable, receiving poor quality advice or falling victim to scams.

- 2.14** Customers would be able to filter these results by geographical location so that they are able to find someone to meet face to face if they wish. This would highlight the choice available to customers who might otherwise find it difficult to access financial products or advice.
- 2.15** We also propose to link published regulatory sanctions and prohibitions to the Directory, making it clearer who has been prohibited by the FCA and PRA, or has partial prohibitions that limit the types of activities they can carry on.

### **Market integrity**

- 2.16** Firms would easily be able to check the work history of potential new hires who have previously held roles that can have a significant impact on a firm and its customers. Firms would similarly be able to check quickly the fitness and propriety of potential counterparties, helping to reduce the risk of financial crime.
- 2.17** We would have greater visibility of a wider range of firms and individuals. This would enhance our capability to monitor and build intelligence on individuals as they move around the industry and to target regulatory interventions.
- 2.18** The Directory would support complementary activities of law enforcement, other regulators, and trade and professional bodies to protect and enhance the integrity of the UK financial system through their own market monitoring activities and interventions.
- 2.19** Taken together, these factors would make it more difficult for unsuitable individuals to operate in the UK market where they might otherwise engage in misconduct. This includes those with non-customer facing roles with senior or risk-taking responsibility who can cause harm through misconduct that may be detrimental to customers, firms and the market as a whole.

### **Competition**

- 2.20** Customers would be more easily able to find details about suitably qualified individuals from the whole of the market when searching for individuals who carry out any of the roles in scope of the Directory.
- 2.21** The Directory would maintain visibility and expand the range of roles made public. This includes making public information on mortgage advisers for the first time. This would make it easier for customers to access the services of all firms including new market entrants or those that are smaller in size.
- 2.22** Inclusion of such individuals on the Directory would reassure potential customers who can check the competence of individuals employed by or acting on behalf of authorised firms.

## Wider effects of this consultation

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### Effects of our intervention on Directory individuals

- 2.23** An effect of our proposals to make certain information publicly available on Directory Persons is that it has the potential to interfere with an individual's right to respect for their private and family life, their home and correspondence.
- 2.24** However, we believe the impact would be relatively small. It is already current practice to make public information on many of the roles to be included on the Directory through the FS Register. This already makes available information on an individual's name, employer, role, role history and applicable sanctions.
- 2.25** Additional information on workplace location would only be made available at the town/city level for customer facing roles. Information on the business a Directory Person with clients is carrying out where they require a qualification to do so, would not make information available on their specific qualifications or educational level.
- 2.26** We would expect this type of information to typically be disclosed as part of usual customer engagement or for example by firms on their websites or on Companies House for Directors.
- 2.27** Our proposals have a variety of aims, in particular, the protection of consumers, and economic well-being through market integrity and competition. We believe that the benefits of our proposals for the Directory outweigh the possible disadvantages to individuals with regards to their private lives. We believe that they are a proportionate means of achieving our aims.

### Unintended consequences of our intervention

- 2.28** It is possible that criminals engaged in financial crime would try to use the additional information published on the Directory to pass themselves off as a listed individual.
- 2.29** To manage this risk, we propose that only FCA authorised firms would be able to update the Directory through a verified gateway. The firm contact details published on the FS Register would also be included on the Directory so that if customers are in any doubt, they would be able to use those details to contact the real rather than clone firm or individual. This would protect customers from fraudsters who try to appear genuine by claiming to represent a legitimate firm or individual but give their own phone number, address and website details.

## What we are doing

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- 2.30** Our proposals for the Directory are set out in Chapter 3.
- 2.31** Application to firms and transitional arrangements are set out in Chapter 4.



## Equality and diversity considerations

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- 2.32** We have considered the equality and diversity issues that may arise from the proposals in this Consultation paper. We consider this further in Annex 5 in our Equality Impact Assessment.

## 3 The Directory

- 3.1** This chapter sets out the design and features of the proposed Directory. This includes details of the information that we propose would be made public and the ways in which this can be used.

### Overview

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#### **What is the Directory**

- 3.2** This Consultation Paper (CP) proposes to introduce a new public directory to enable users to find information on a wider range of individuals, including those that would continue to appear on the FS Register.
- 3.3** We propose the Directory would have the following key features:
- 3.4** ***Centrally hosted by the FCA and freely accessible to the public***  
We would host the Directory and publish it online. This would allow us to provide a central location for information on individuals to be reported for all regulated firms in scope of the SM&CR.
- 3.5** Customers and other external stakeholders would be able to search the Directory without restriction. There would be no requirement to create an account or pay fees to access the information.
- 3.6** One of the objectives of making this information public is that it reaches and is used by all those who need it. The information would be available in an aggregate form that can be extracted free of charge. This would allow third parties to use the aggregated data that we make public as an input into their own systems and to support a wider range of uses. This could include, for example, to support financial adviser checking tools or market monitoring and analysis.
- 3.7** We welcome the important role that other organisations play in making a wider range of information available to the public. For example, AdviserCheck and VouchedFor allow customers to find information on a list of advisers. The Department of Work and Pensions provides a list of Pensions Advisers. Accredited bodies often provide information on their members and statements of professional standing. Many of these organisations who use source data from the FS Register to support their own tools would also be able to use the Directory data in the same way.
- 3.8** ***Search capabilities to seek out suitable individuals***  
Customers would be able to use the Directory to check the identity of an individual and to find suitably qualified individuals.



**3.9** We propose that the following additional information would be made available as part of search results.

- **Workplace location** – To help customers find someone to meet face to face it would be possible to find out which of those are based in the local area. This information would only be available for customer facing roles ie those subject to a qualification requirement or the client dealing function. Of course, advice and financial products are often accessed remotely so users would be able to decide whether to organise search results in this way.
- **Business qualified to carry on** – Users would be able to search the Directory to find suitably qualified individuals. For example, a customer would be able to search for a certain type of qualified individual – say someone who is a pensions transfer specialist or can advise on investments.
- **Regulatory sanctions and prohibitions** – Where such action has been taken and published by the FCA and PRA, these would appear in search results to make clear which individuals are prohibited or have limitations on the activities they are permitted to undertake.

### Scope of the Directory

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**3.10** The Directory would include information on relevant individuals working at or on behalf of all firms within scope of the SM&CR. This means banking firms who are already in scope of the SM&CR as well as insurers and solo-regulated firms, to whom the SM&CR is due to be extended, and their appointed representatives.

**3.11** The Directory would make public information on a wider range of individuals than are included on the FS Register. In addition to the Senior Managers who we have approved, the Directory would comprise 3 broad categories of individuals referred to collectively in this CP as Directory Persons:

#### **Certified staff**

**3.12** We propose to apply the Directory to all certified staff. This is because all of these roles can have a significant impact on customers, markets or the firm and the benefits of making information available on those individuals are wide-ranging.

**3.13** While Section 63E of FSMA allows the FCA and PRA to specify certification functions for dual-regulated firms, there is a single Certification Regime specified by both regulators. We therefore propose that all those in scope of the Certification Regime are included on the Directory.

#### **FCA Certified staff**

**3.14** As set out in PS18/14 and PS18/15, our Handbook will set out the roles that are Certification Functions. They are:

- significant management function
- proprietary traders
- CASS oversight function

- functions that are subject to qualification requirements
- client dealing function
- algorithmic traders
- Material Risk Takers (MRTs)
- anyone who supervises or manages anyone performing one of the functions above

### **PRA Certified Staff**

- 3.15** The scope of the PRA's Certified staff is closely aligned with the population that is identified for the purposes of applying a firm's remuneration policy.
- 3.16** For banking firms, this comprises those identified as significant risk takers. For dual-regulated insurers, the PRA has proposed to include i) all Key Function Holders (KFHs) for all Solvency II insurers and large NDFs along with Insurance Special Purpose Vehicles, ii) Material Risk Takers – this would only apply to large Solvency II insurers and large NDFs, and iii) individuals who are managing a Material Risk Taker.

### **Non-SMF Directors**

- 3.17** We propose to include all non-Senior Manager Function (SMF) Directors on the Directory.
- 3.18** Members of a firm's management body would not always hold SMF or Certification Functions. For example, non-executive directors who do not chair a board committee at an enhanced firm (Non-SMF NEDs) and executive directors at limited scope firms who do not perform an SMF role or certification function would be Directory Persons.
- 3.19** We believe it is important for firms, the FCA and other organisations to be able to maintain a view of these individuals as they move around industry separately from whether their present role is a specified function under the SM&CR.

### **Sole traders and appointed representatives where undertaking business requiring qualification in their capacity as an individual**

- 3.20** We propose to include all those performing a role requiring qualification even if they are not certified staff. We believe this is necessary to enable customers to find information on all those who can provide relevant products and services.
- 3.21** This affects 2 additional categories of individual where requiring qualification under Training and Competence Sourcebook<sup>4</sup>:
- 3.22** **Sole traders**  
Some of the firms we regulate are sole traders and are assessed and authorised by us. While the employees of a sole trader may be subject to the Certification Regime, an individual who is the sole trader is excluded from the Certification Regime even if they would otherwise perform a function requiring qualification. We propose that such sole traders should additionally appear on the Directory where they are undertaking business requiring qualification to align with other Directory Persons undertaking the same activities.

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4 The full list is set out in our Training and Competence Sourcebook.



### Appointed Representatives

**3.23** We do not have relevant powers under FSMA to bring all Appointed Representatives into scope of the SM&CR. Many of these continue to be in scope of the Approved Persons Regime and appear on the FS Register. Others, such as individuals who provide advice on mortgages, do not need to be approved by us.

**3.24** We propose that all such individuals are included on the Directory so that they appear in search results for customers.

**Q1: Do you agree with the proposed scope of the Directory? If not, which individuals should be additionally included or taken out?**

### Information to appear on the Directory

**3.25** The Directory would present the information set out in Table 1 below to most closely align with the needs of customers and other stakeholders. Once in place, we would have the option to consider and where appropriate add further functionality in future.

**Table 1: Information to appear publicly on the Directory**

Information	Explanation
Employer details	The same information that appears on the FS Register about a firm's principal place of business. This comprises the firm's name, firm reference number (FRN), address, contact telephone, fax, email and website.
Restrictions applying to a firm's regulated activities	Details of where the FCA or PRA has applied restrictions to a firm's activities or permissions.
Individual's name	The individual's full name including any middle names.
Individual reference number (IRN)	This is a unique identifier assigned to each individual by the FCA and PRA on the FS Register. We propose to extend this to individuals in scope of the Directory.
Relevant role(s) held	Each certification function held by certified staff, and designation as a non-SMF Director (executive and non-executive), and sole trader or appointed representative where they are undertaking business with clients requiring qualification.
Start and end dates of each role	These are the dates on which an individual began or ceased to perform each relevant role. Individuals who are employed by a firm and who have not been assessed as fit and proper to carry out a relevant role would not be displayed as holding an active role.
Type of business the individual is qualified to undertake (if requiring qualification)	The specific types of business requiring qualification for each individual where they have been assessed as suitable to carry out a relevant role. This includes, for example, mortgage advisers, retail investment advisers and pension transfer specialists <sup>5</sup>

<sup>5</sup> The full list is set out in our Training and Competence Sourcebook.

Information	Explanation
Workplace location(s)	The geographical location of an individual's workplace(s) displayed at the town/city line of the address where holding a customer facing role.
Regulatory sanctions and prohibitions	Public action taken such as through a Final Notice for a prohibition order under s.56 FSMA, withdrawal of approval under s.63 FSMA, penalty under s.63A FSMA or action under s.66 FSMA. The FCA and PRA already maintains a public record of this information in line with Section 347 of FSMA.
Date information was last updated	This is the date on which an individual's current employer last updated the Directory for relevant role holders at their firm.

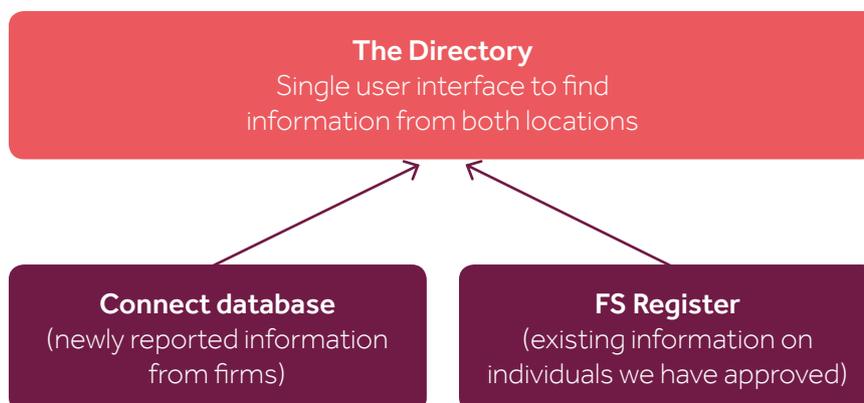
**Q2: Do you agree that the proposed information should be published on the Directory?**

Firms would need to report some of this information to the FCA. Other information is already held by the FCA so would not need to be reported by firms. Further information on what firms need to do is set out in Chapter 4.

## A new public user interface

- 3.26** Once the SM&CR has commenced for solo-regulated firms and insurers, the number of new individuals appearing on the FS Register will reduce to cover a smaller group of primarily Senior Managers at FSMA firms and Appointed Representatives. The FS Register will continue to operate for authorised firms and the individuals we have approved as now.
- 3.27** Information on Directory Persons would appear on the Directory alongside information on the Senior Managers of SM&CR firms. This includes where they continue to appear on the FS Register. All newly reported firm information needed for the Directory would be stored on the Connect database.
- 3.28** As shown in the mock UI screen shots in the design section below, we propose that information on the Directory would be presented in an easy-to-use and intuitive customer friendly layout. This would include an ability to search for data in a variety of ways and for search returns to be ordered by closest match. It would also allow 'fuzzy matching' results which are similar but not identical to the term searched.
- 3.29** Search returns would present relevant data held by the FCA whether those data are held exclusively on the Connect database, or is a combination of data held there and on the FS Register. This would enable those using the search tool to be presented with the full set of data held about the person searched for.

**Figure 1: System interaction**



- 3.30** This would usually be information about the past role history of the person or information about the firm for which they work. The table below outlines some scenarios of data which may be held on the Directory or FS Register and that could be presented in a single view.
- 3.31** The intention is that the Directory would become the primary location for users to find information on individuals at FSMA firms. We would put in place a clear communications plan to help direct users to the right place. There would also be links between the systems to allow users to go from one location to the other if they cannot find the information they are looking for.
- 3.32** The more related information that is presented in a single view and the wider the search parameters, the greater the volume of data which a single search is likely to return. This has the advantage of being more comprehensive and not producing a misleading result if the search term entered is slightly different to the data held. On the other hand, it has the disadvantage that it may present a large amount of data much of which is extraneous and which customers may find difficult to work their way through.
- 3.33** A search of items held in the Directory data would also return related information held on the FS Register in a single view. For example, an individual may have a past history as an approved person or they may also hold an approved Senior Manager role concurrent with being Certified staff. Both would be examples of where different data about the same person could appear in the Directory and in the FS Register.
- 3.34** Equally, a customer searching for information about an adviser may want to know not only about the certified status of the individual adviser but also about the authorised status of the firm for which they work. Again, the data about the firm would be held on the FS Register. So, the intention is that a search would return in a single view relevant data from both sources.
- 3.35** As the new system would present data from both the Directory and FS Register in an easy-to-use and intuitive customer friendly layout, users would be able to go to a single location to find information on individuals at a FSMA firm.

**Q3: Do you agree that the Directory user interface should display information stored on the FS Register and the new Connect database? If not, how should these datasets interact?**

**Q4: Do you agree that the search parameters should return a broader range of results than the current FS Register?**

**Table 2: Example data items that would be held on the Directory or FS Register**

Item searched for	Database held	Related information and where held
Named certified individual	Connect	Past approved person status – FS Register Authorised status of employing Firm – FS Register
Non-SMF Directors	Connect	Certified roles also held – Connect SMF roles held – FS Register Authorised status of employing Firm – FS Register Past approved person status – FS Register
Previously approved persons	FS Register	Certified roles past or present – Connect Authorised status of past or present employing Firm – FS Register SMF roles held – FS Register
Persons approved to hold Senior Manager functions	FS Register	Certified roles past or present – Connect Authorised status of past or present employing Firm – FS Register
Firm	FS Register	Details of past/present certified staff – Connect Details of past/present SMF roles – FS Register
Appointed Representatives	FS Register / Connect	Authorised firm for whom acting as AR – FS Register ARs who are mortgage advisers – Connect

**3.36** We aim to place the user experience at the heart of the design. Clarity and usability of the Directory are key considerations. We will look closely at the recommendations of the Work and Pensions Select Committee when considering how we can achieve the best user experience of the Directory.

### User testing

**3.37** As part of the development process for the public UI, we will carry out user testing following publication of this CP. This will allow users to try out a prototype version of the Directory based on the approach set out in this CP and to leave feedback on their experience.

**3.38** This would enable us to take account of this feedback when developing the final UI and rules to ensure the Directory meets different user needs.

### Design

**3.39** To provide readers of this CP with an indication of how the Directory could look, we have included screen shots of a mock UI below. Design work is still at an early stage so the final design is likely to look different.



Figure 2: Search bar

The screenshot shows the top of the FCA/PRA Directory website. At the top left are the logos for the Financial Conduct Authority (FCA) and the Bank of England Prudential Regulation Authority (PRA). To the right is a 'Visit' button with links for FCA and PRA. Below the logos is a breadcrumb 'Home /' and the main heading 'The Directory'. A search bar is present with a text input field 'Enter search term', a 'Postcode/Town' field, and a 'Search' button with a magnifying glass icon. Below the search bar is an 'Advanced search' link with a checkmark icon and a disclaimer: 'By clicking the SEARCH button or using the Directory, I agree to the Terms of Use.' Below the search bar are 'Popular searches' for 'Pension provider' and 'Mortgage adviser'. A 'Summary Disclaimer' section follows, stating that the information is not guaranteed and is provided as is. At the bottom of the page is a dark purple footer with a table of links for 'Extract service', 'Legal information', 'Freedom of information', 'Privacy policy statement', and 'Contact us', with columns for 'FCA Head Office' and 'PRA Head Office'. A 'Back to top' button is also present.

	FCA Head Office	PRA Head Office
Extract service		
Legal information	X	X
Freedom of information	X	X
Privacy policy statement	X	X
Contact us		

Figure 3: Search results

**FINANCIAL CONDUCT AUTHORITY**

**BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY**

**Visit**

FCA [↗](#)

PRA [↗](#)

---

Home / Search results / Surname

## The Directory

Enter a company's or individual's name, role, firm reference number or location and click 'search'

Search

[Advanced search](#)

Found **25** results for **"Surname"** Save as PDF Print page

Filter by:

**Samantha Jayne Surname** IRN: 0004 Current

**Individual notices**

P Prohibitions apply

AP Approved by regulator

C/A Other-Certified/Assessed by the firm

CQ Deals with clients and holds relevant qualifications

**Firm: Samantha Surname Wealth Management Ltd** FRN: 4000

**Firm notices**

R Restricted activities
 - Hide contact details

**Location**  
Scunthorpe

**Distance**  
1.1 miles

[View Map](#)

**Contact details**

**Website**  
www.websitesurname.com

**Email**  
Contact@Surname.com

**Telephone**  
00 000 0000

**Fatima Surname** IRN: 0002 Current

**Individual notices**

P Prohibitions apply

AP Approved by regulator

C/A Other-Certified/Assessed by the firm

CQ Deals with clients and holds relevant qualifications

**Firm 1: Fatima Surname Wealth Management Ltd** FRN: 2001

**Firm notices**

+ Show contact details

**Firm 2: FS Wealth Management Ltd** FRN: 2001

**Firm notices**

R Restricted activities
 + Show contact details

---

**Pete Surname** IRN: 0005 Current

**Individual notices**

AP Approved by regulator

C/A Other-Certified/Assessed by the firm

**Firm: Pete Surname Wealth Management Ltd** FRN: 5000

+ Show contact details

---

**Claire Anne Surname** IRN: 0009 Past

**Individual notices**

CQ Deals with clients and holds relevant qualifications

**Firm: Claire Anne Wealth Management Ltd** FRN: 9000

**Firm notices**

R Restricted activities

F Fines

+ Show contact details

---

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2
3
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5
6
7
>



Figure 4: Individual screen

**FINANCIAL  
CONDUCT  
AUTHORITY**

**BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY**

**Visit**

FCA [↗](#)

PRA [↗](#)

Home / Search results / Surname / Fatima Surname

## The Directory

Enter a company's or individual's name, role, firm reference number or location and click 'search'

[Advanced search](#) ⌵

⌵ Back to results
Save as PDF 
Print page

**Fatima Surname** IRN: 0004 i
Current i

**Individual notices**

P Prohibitions apply

AP Approved by regulator

C/A Other-Certified/ Assessed by the firm

CQ Deals with clients and holds relevant qualifications

### Associations with firm(s)

Fatima Surname Wealth Management Ltd	FS Wealth Management Ltd
--------------------------------------	--------------------------

**Contact details**

<b>Firm telephone</b> 00 000 0000	<b>Firm email</b> Contact@Surname.com	<b>Firm website</b> www.fatimasurname.com
<b>Location</b> Scunthorpe	<b>Distance</b> 1.1 miles	<a href="#">View Map</a>

### Current role(s)

**Role:** Client dealing

**Start date:** 02 September 2017

**Types of business undertaking:**

Safeguarding and administering investments or holding client money  
Functions requiring qualification +

### Past role(s)

**Role:** CF30 - Customer function

**Start date:** 01 September 2015

**End date:** 01 September 2017

**Types of business undertaking:**

Safeguarding and administering investments or holding client money +

**Details last updated on:** 02 September 2017
i

P Prohibitions apply

This is an individual who we have prohibited from performing all or certain functions in relation to all or certain regulated activities.

---

AP Approved by regulator

Individual has been approved by the FCA or PRA and FCA to perform their role. This concerns Approved Persons and Senior Manager roles.

---

C/A Other-Certified/ Assessed by the firm

The individual has been assessed or certified by the firm to perform the relevant role or function.

---

CQ Deals with clients and holds relevant qualifications

The individual is performing a role in which they deal with customers or their property and requires a specific qualification to do so.

## 4 Application to firms and transitional arrangements

- 4.1** This chapter sets out what firms would need to do before we implement the Directory and when they need to do this by.

### Overview

---

- 4.2** The Directory would make public information on some individuals who currently appear on the FS Register and some who do not. This information is set out in Chapter 3.
- 4.3** We would need firms to report certain information to us on Directory Persons, including any appointed representatives. This would be less information than is currently required for an application of approval. This is because the firm rather than the FCA would be required to assess their suitability so no information on fitness and propriety would need to be reported to the FCA.
- 4.4** Since firms are responsible for the suitability of their staff, making these individuals public on the Directory would help to reinforce the robustness of firms own suitability assessments including for Certified staff where annual fitness and propriety checks are required.
- 4.5** Firms would need to update the information held when an individual undertakes a relevant role, when their circumstances change or when they cease to perform a relevant role on an ongoing basis. This would mean that the Directory would contain a current and up to date list of relevant individuals.
- 4.6** Firms would be responsible for reporting accurate and timely information and we propose to introduce new rules and measures to support this. Firms would also be responsible for ensuring they comply with applicable data protection legislation.

### What needs to be reported

---

- 4.7** To support the functionality of the Directory set out in Chapter 3, firms would need to report the following information to the FCA:
- individual's full name
  - individual reference number (IRN) where the employee has one
  - relevant role(s) held (eg which SHF the individual holds or whether the individual is a non-SMF Director)
  - start and end dates of each role



- type of business the individual is qualified to undertake (if requiring qualification) in accordance with TC App 1.1.
- workplace location(s) – post code(s) for customer facing roles only
- unique identifiers – passport number, national insurance number and date of birth

**4.8** Firms are already required to report some of the information that we propose to include on the Directory such as their email, website and contact telephone number. The Directory would be automatically populated with this information.

**4.9** Similarly, the Directory would keep a record of when it was last updated which would appear publicly without requiring further action from firms.

**4.10** Disciplinary sanctions issued by the FCA or PRA would not need to be added by firms. This information is already made public by the FCA and PRA following engagement with the firm and individual concerned. See Chapter 3, Table 1 for more detail.

### Timing of reporting

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**4.11** The Directory should be kept up to date by firms so that users can rely on the information contained in it at any point in time.

**4.12** To achieve this, firms would need to update the information held for joiners, leavers and when their circumstances change without undue delay.

**4.13** To report to the FCA that an individual is performing a relevant role, firms would first need to have made sure that the individual is suitable to perform that role in accordance with relevant existing requirements. For individuals performing a Certification Function, this means that once firms have assessed the employee as fit and proper and issued them with a certificate, they would need to notify the FCA so that the Directory can be updated.

**4.14** This report would need to be completed no later than the end of an individual's first business day performing a relevant role. Similarly, when an individual leaves a role, firms would need to update the Directory no later than 1 business day after the individual has left their role (including if they remain employed in another capacity).

**4.15** We believe this timeframe is appropriate. In most cases firms would have advance notice, for example as they go through the onboarding process or a leaver working their notice period. Once start or end dates have been agreed, the Directory can be updated with a future start or end date.

**4.16** In exceptional cases where no notice period is given, the person needed to complete the submission is unexpectedly taken ill, or urgent appointments need to be made, we propose that firms should update the Directory no later than 3 business days after beginning or ceasing to undertake a role.

**4.17** For changes in circumstance that do not affect an individual's role or fitness or propriety, for example where an individual gets married and that results in a change

to their family name or where the workplace location changes, firms would have to update the Directory no later than 3 business days after being notified of the change.

- 4.18** In the event of FCA systems outages of more than one hour on the day that reporting falls due, firms would need to submit their notification on the next business day when reporting is possible.

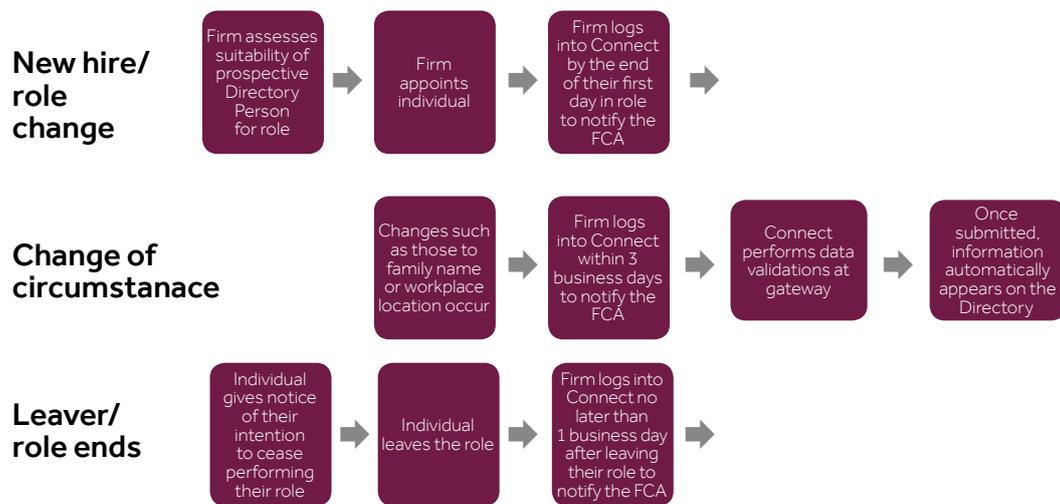
**Q5: Do you agree with the proposed number of business days for reporting when an individual begins undertaking a relevant role, when their circumstances change or when they cease to perform a relevant role? If not, what timeframe do you think would be more suitable?**

### Submission Process

---

- 4.19** We propose that the information to be made publicly available on the Directory would be submitted by firms using the Connect system. This is an existing FCA system used for firms to make applications and notifications to us. Examples of existing reporting include information on firm details, Approved Persons and Appointed Representatives.
- 4.20** Many firms will already have registered access to Connect and firms should make sure that access to Connect is only given to staff that have authority to access and amend applications.
- 4.21** We would not edit the information that firms submit for inclusion on the Directory before publication. This is because they would be notifications rather than applications for approval. So, firms would need to ensure the information they report about individuals is accurate. Our measures to support the accuracy of the Directory are set out below.
- 4.22** The information firms submit would appear on the Directory shortly after submission and in most cases no later than the next business day.
- 4.23** Firms would be able to log in at any time to amend and update the information held on Directory Persons.
- 4.24** We would introduce a method to allow firms to submit the requested information for all relevant individuals, and to provide subsequent updates on multiple staff at once. This would enable firms to maintain their records in a single location.

**Figure 5: Notification process**



## Commencement and transitional arrangements

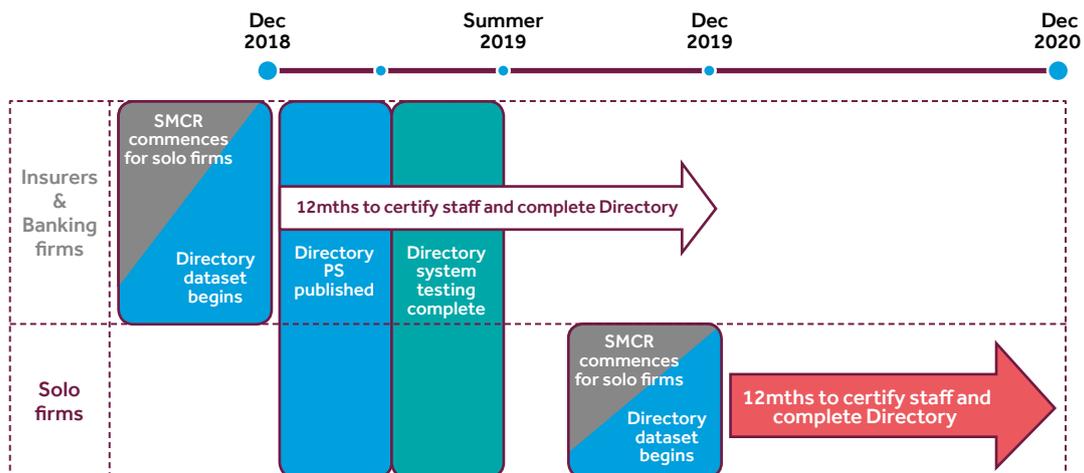
- 4.25** The changes in scope brought about by the extension of the SM&CR will mean that only Senior Managers at FSMA firms will continue to appear as active on the FS Register on commencement of the SM&CR. The records of other Approved Persons currently at those firms will continue to be displayed on the FS Register but their role will not be active.
- 4.26** Appointed Representatives who are Approved Persons and Directory Persons would appear on the FS Register and the Directory.
- 4.27** Under the SM&CR, firms have 12 months from when the regime commences to certify relevant employees. Consistent with this, we propose that firms update the Directory after having certified those employees as fit and proper or otherwise having assessed their suitability as applicable.
- 4.28** This means that a firm would need to report Directory information in respect of all individuals who are or who become Directory Persons on or after final rules come into force; the firm has until the end of the transition period to report information about such a person. Anyone who joins the firm during the transitional period would benefit from any remaining time under the transitional arrangements.
- 4.29** Since the SM&CR will be extended to dual-regulated insurers on 10 December 2018 and solo-regulated firms on 9 December 2019, the Directory data for individuals at these firms would commence on different dates.
- 4.30** The SM&CR came into effect for banking firms from March 2016. To ensure consistency across dual-regulated firms, we propose to align the data start dates and upload deadlines for banking firms with insurers. We do not propose to backdate the data reporting for banking firms prior to December 2018.

**4.31** Once we have considered the feedback to this consultation, we expect to be able to publish final rules and complete system testing by summer 2019. Firms would then be able to submit their notifications through Connect which would appear publicly on the Directory. Firms would not be required to take action before final rules are made.

**Table 3: Commencement dates**

Type of firm	Start date for Directory data	Deadline for upload to the Directory
Banks, building societies, credit unions and PRA designated investment firms and their appointed representatives	10 December 2018	10 December 2019
Insurers and reinsurers and their appointed representatives	10 December 2018	10 December 2019
All other firms authorised to provide financial services under the Financial Services and Markets Act 2000 (FSMA) ie all those currently subject to the Approved Persons Regime including sole traders.	9 December 2019	9 December 2020

**Figure 6: Anticipated Commencement Timeline**



**Q6: Do you agree with the proposed timing of commencement and transitional arrangements? If not, which timeframes would be more appropriate?**

### How we would ensure compliance

**4.32** We would take steps to help make sure firms meet their obligations to report complete and accurate information to us on a timely basis. These are set out below.

### Reporting Requirements

**4.33** Firms would be required to report the information set out in Chapter 4 of this CP in accordance with the draft rules set out in Appendix 2.



**4.34** We are able to take all necessary action to ensure compliance in accordance with FSMA including the use of disciplinary powers, imposition of penalties and public censure. These powers would be exercised proportionately in the public interest.

**4.35** As with other reporting requirements, there is a £250 administrative fee for late or inaccurate data to cover the costs of the work undertaken by our staff to resolve the missed reporting. This fee would also apply where errors or missing information are reported to us at any time.

### **Accountability**

**4.36** Under the SM&CR, there are specific responsibilities defined in our Handbook that a firm must give to a Senior Manager. These are known as Prescribed Responsibilities (PRs). PR(b) – Performance by the firm of its obligations under the Certification Regime – must be allocated to a Senior Manager<sup>6</sup> for all firms in scope of this CP except limited scope firms.

**4.37** This individual is responsible for all aspects of the Certification Regime. We propose amending PR(b) so as to provide that this prescribed responsibility also covers the reporting requirements for individuals who are to be included in the Directory.

**4.38** While Limited Scope firms do not need to allocate Prescribed Responsibilities, these firms would still need to ensure clear allocation of responsibilities within their firm and make sure they have adequate systems, processes and controls in place to support compliance. Individuals holding the SMF 29 – Limited Scope Function also need to establish and maintain controls under SYSC 4.1.1 R of our Handbook.

### **Confirmation of accuracy**

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**4.39** Firms that have not made any changes to their population within 12 months would be required to confirm the information is still up to date for all Directory Persons on Connect.

**4.40** This would allow us to differentiate a firm that has simply not had any leavers/joiners or changes from one who has not notified the FCA, for example where it has ceased trading. This reduces the risk of ghost records where the identity of someone who works at a firm that has ceased performing a role but has not been deleted from the Directory is used by a fraudster.

**4.41** We would contact the relevant organisation, or if necessary close the record directly.

**4.42** The date the information was last updated would also be made public on the Directory to allow other users to see how recently the firm has updated it.

**4.43** Since this would only apply to firms that have made no change, it would not prevent errors for particular individuals. However, we believe this is a proportionate use of this measure in conjunction with the other measures to ensure accuracy.

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6 See CP17/25 and CP17/26.

## System features

- 4.44** The Connect system itself would be designed to support data accuracy, including in the following ways.

**Table 4: System features to support data accuracy**

System feature	Explanation
Usability	The Connect interface would be designed to be straight forward and user friendly, supported by a clear layout and instructions.
Limitations on data fields	There would be a limited number of pre-defined data fields that firms must complete.
Data validations	The Directory would include a series of data validations. These would include prevention of submission of information where necessary fields are left blank or have been completed in the wrong format, eg where a number has been entered in place of name or a national insurance number has the incorrect number of characters.  These would not be used to check the suitability of the individual. This is the responsibility of the firm.
Automated reminders	We would endeavour to send out an automated reminder to the registered user(s) of Connect to complete their confirmation of accuracy, where applicable, ahead of the annual reporting deadline. However, it is not intended for this to be relied upon as the trigger for notifying the FCA since a firm's data would anyway need to be kept up to date at all times.

- 4.45** This CP does not include detailed proposals on this interface since the design would depend on the feedback received to this CP.

## Error resolution

- 4.46** While we would not routinely review the information entered into Connect by firms before it appears on the Directory, we expect there to be cases where firms complete one or more data fields incorrectly. Where this occurs, error reports may be made by users of the data (including by firms, staff at the FCA or the individual concerned). In this case, we would contact the relevant firm to request resubmission. We would expect firms to correct the data as soon as possible in accordance with applicable data protection legislation.
- 4.47** Such cases could also involve a breach of relevant data protection legislation. Firms would therefore need to ensure any inaccuracies are corrected in accordance with such laws.
- 4.48** In the event that a firm is unable to rectify the error, for example where the error results from a conflict between the information provided by the current and previous employer, we would work with relevant parties to correct the error.

**Q7: Do you agree that our proposed measures for ensuring data accuracy are appropriate? If not, please provide details of any additional measures you believe should be taken.**



## 5 Feedback on extending the SM&CR: Changes to the Financial Services Register

- 5.1** This chapter summarises the feedback we received on changes to the Financial Services (FS) Register arising from our consultation on the extension of the SM&CR to insurers and solo-regulated firms.

### Introduction

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- 5.2** In July 2017, we consulted on extending the SM&CR to almost all FCA solo-regulated firms in Consultation Paper 17/25 (CP17/25) and to insurers in Consultation Paper 17/26 (CP17/26)<sup>7</sup>.
- 5.3** These CPs included our proposals on how the extension of the SM&CR would affect the FS Register.
- 5.4** This chapter of the CP summarises the feedback we received in response to CP17/25 and CP17/26 where it relates to the FS Register. All other feedback is set out in our Policy Statements - PS18/14 and 18/15 on extending the SM&CR to FCA firms and insurers.

### Our proposals

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- 5.5** We proposed that, for firms subject to the SM&CR, only details of people holding Senior Management Functions would be included on the FS Register. This is because Senior Management Functions would be the only roles approved by the FCA under the new regime. Under these proposals, people performing Certification Functions would not appear on the FS Register following the extension of the SM&CR.
- 5.6** At the same time, we noted that there had been some preliminary concerns raised with us about the fact that people performing Certification Functions would not appear on a public register. We invited feedback on those concerns.

### Summary of feedback and our response

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- 5.7** 86 respondents to CP17/25 and 13 respondents to CP17/26 provided feedback on proposed changes to the Register.
- 5.8** We welcome the high level of engagement we have received from firms, trade bodies and other interested parties.

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<sup>7</sup> CP17/26 – Individual accountability – extending the Senior Managers and Certification Regime to insurers

- 5.9** Only a small minority of respondents agreed with our proposals, or alternatively that the identity of people performing Certification Functions should instead be made public by firms. The majority responded that we should publish information on a wider range of individuals in a central location.
- 5.10** We have listened to this feedback and are making further proposals for the introduction of a Directory in this CP. Detailed proposals are set out in Chapter 3.

## Feedback Received

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- 5.11** In question 9 of CP17/25 and question 18 of CP17/26, we asked:

**Do you think the identity of people performing Certification Functions should be made public by firms? If so, which Certification Functions should be made public?**

### Making information public

- 5.12** Most respondents supported making information public on a wider range of individuals than Senior Managers.
- 5.13** The main reasons were:
- to make sure that customers are not left more exposed to financial scams (although a few respondents were concerned this could make an identity easier to copy)
  - to provide customers with the confidence to do business with a firm's employees
  - to enable firms to cross-check references
  - that there was considerable reliance on this data from industry
- 5.14** A large number of respondents expressed strong views on the importance of our role in maintaining an independent, standardised and credible reference point for firms and the public.
- 5.15** Many respondents suggested that firms making information available on their own websites would be impractical. This is because there would be too many locations for a customer to check easily, it would create cost burdens for firms checking references and there would be no consistent dataset or unique identifier such as our Individual Reference Number (IRN) to track an individual throughout their career.
- 5.16** The majority of respondents fed back that the benefits of maintaining a central source of information could not be replicated through publication by individual firms. Some respondents also felt this was true of trade bodies where scope and access to the data could be limited. Some others felt the opposite.
- 5.17** Other respondents pointed to the administrative burden for firms involved in updating records on their websites and liaising with each other for regulatory references. Information available on the FS Register had already been built into firms' systems and controls.



- 5.18** A number of respondents acknowledged there would be costs arising from the FCA maintaining a central public record but felt these would be outweighed by the benefits. If firms were to make this information public individually, calls to firms directly could increase the cost on firms and create a '2 step' verification mechanism where a customer first has to check the FS Register to find the firm and then the firm's website to find the individual.
- 5.19** A small number of respondents questioned the value and legitimacy of making public information on the FS Register that the FCA has not vetted.

## Our response

### **Making information public**

We recognise the high degree of support from respondents to make information public on a wider range of individuals than Senior Managers. We have listened to this feedback and are making proposals for a new public Directory in this CP.

We believe that doing so would reduce the risk of customers being exposed to scams or poor quality advice. Firms would be able to more easily to check references and counterparties. The FCA and other organisations engaged in activities complementary to our objectives such as law enforcement, other regulators and professional bodies would be better able to monitor the market, build intelligence and target interventions.

To prevent fraudsters using the information in the Directory to take on someone's identity, customers would be encouraged to make contact with the firm directly using the information the FCA already holds on the FS Register.

More detail on how these proposals would reduce potential harm and advance our statutory objectives is set out in Chapter 2.

### **Publication by the FCA**

We agree with respondents that we would be best placed to make information public on individuals.

There are considerable practical benefits in us doing so. We can provide a central location that is well recognised and freely accessible by the public and other stakeholders. We can establish a consistent dataset to track individuals over the course of their careers. We have statutory powers to ensure whole of market coverage. Since we already host the FS Register, we would be able to leverage existing systems and processes to achieve cost efficiencies.

Before making proposals in this CP, we considered other options for making this information public. These included publication by firms and other organisations through different arrangement, including through outsourcing arrangements. We concluded that these could not fully replicate the benefits of us hosting the Directory centrally.

We note concerns that including individuals who have not been approved by the us on the FS Register could give 'false legitimacy' to this information. That is why we propose to publish this information in the Directory – a new system that would make clear that information on these individuals is provided and maintained directly by firms. Firms would be responsible for meeting their obligations under data protection legislation and for making sure that data errors are swiftly resolved. In Chapter 4 of this CP, we have proposed a series of mechanisms aimed at ensuring a high quality and reliable dataset.

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### Certification functions to be made public

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- 5.20** The majority of respondents who expressed a view on which roles should be made public suggested that all certified staff should be included. The main feedback was that the benefits of transparency are wider than those of publishing customer functions for consumers. All certification functions have been identified as having 'a significant impact on customers, the firm and/or market integrity'.
- 5.21** However, several respondents suggested it should be just customer facing roles that should be made public since those are the roles that customers will be interested in. Suggestions included capturing the current Customer Function (CF30) under the Approved Persons Regime, and client dealing functions and functions requiring qualification under the SM&CR, including mortgage advisers who had been proposed and agreed under the Mortgage Market Review but had not yet been included on the FS Register.
- 5.22** Some respondents indicated that the scope should include other individuals who do not hold Certification Functions. Suggestions were made to include all those subject to qualification requirements to provide financial advice and non-executive directors. One respondent suggested that the Pensions Transfer Specialist (CF24 role) should be re-established.
- 5.23** A number of firms fed back that including the wider population of the Certification Regime than the current Approved Persons Regime could introduce cost burdens. However, several respondents suggested that narrowing the scope for banking firms had created higher costs in Curriculum Vitae (CV) checking.
- 5.24** Several respondents suggested publishing the names of Senior Managers was adequate. One respondent felt that the requirement for firms to certify their employees as fit and proper provided sufficient competency safeguards.

#### Our response

##### Certification functions

We agree with the majority of respondents who said the benefits of a public record of Certification Functions go beyond customer facing roles. While customer facing roles can cause harm directly to consumers, misconduct detrimental to customers, firms and market integrity can



also be caused by the actions of individuals in senior and risk taking roles who are not fit and proper.

A public directory of all certification roles would support market integrity by making it more difficult for individuals who are not fit and proper to do business in the UK market. It would also enhance the ability of the FCA and other organisations such as law enforcement, other regulators and professional bodies to monitor individuals as they move around the UK market and take action to reduce potential harm.

### Other roles

The FS Register is set in line with our statutory obligations to maintain a public record of the firms we regulate and the individuals we have approved. FSMA also requires us to maintain a record of every person falling within such a class as we may determine and to include such information as we consider appropriate<sup>8</sup>. We consider that publishing in the Directory certain information about those individuals falling within those classes of person identified in Chapter 3 will help advance our statutory objectives, reduce harm and help align with the culture and governance priority set out in our 2018/19 Business Plan<sup>9</sup> and the Mission<sup>10</sup>.

We agree there are benefits to including other individuals beyond those holding Certification Functions. For example, including sole traders and Appointed Representatives who would carry out a function requiring qualification if they were individually subject to the SM&CR and would allow a customer to find, for example, a mortgage adviser or pensions transfer specialist regardless of the regulatory regime they are in scope of. Including non-SMF directors would make it possible to track senior staff as they move around the industry regardless of the capacity in which they carry out that senior role.

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## Other comments

- 5.25** One respondent suggested that the regime should be tied to an individual's certification and any changes or withdrawals with a notice period of 30 days. Another suggested that this could operate as a database which firms must maintain at all times to reinforce responsibility and ensure accuracy.
- 5.26** Some comments were received on the need for any FCA solution to use plain English and to take account of the comments of the Department of Work and Pensions Select Committee which identified areas in which the FS Register could be more user friendly.
- 5.27** One respondent indicated it would no longer be able to hire employees before receiving references from the previous employer.

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8 Section 347(1)(i) and (2) of FSMA.

9 [www.fca.org.uk/publication/business-plans/business-plan-2018-19.pdf](http://www.fca.org.uk/publication/business-plans/business-plan-2018-19.pdf)

10 [www.fca.org.uk/publication/corporate/our-mission-2017.pdf](http://www.fca.org.uk/publication/corporate/our-mission-2017.pdf)

## Our response

### Timeframe for updating the FS Register

For the Directory to be a useful resource and to comply with data protection legislation, we agree with feedback that it would need to be updated in response to issuance of a certificate by a firm, changes in circumstances or withdrawal of an individual's certificate. We propose that this should be kept up to date on an ongoing basis using an active database.

### Findings of the Work and Pensions Select Committee

The FCA is carrying out work to look at how the FS Register can be improved, including in those areas highlighted by the WPSC. Changes to the FS Register to improve accessibility are set out in Chapter 2.

### Regulatory references

There appeared to be some misunderstanding around the extent to which the FS Register can help firms with obtaining references.

We agree that the FS Register provides a quick way to cross-check references, for example, to find out whether an individual has failed to disclose some of their past employment history. However, the information currently included on the FS Register is not sufficient to complete a firm's due diligence. This is because it does not contain all of the information relevant to a firm's fit and proper assessment.

Our rules require that the hiring firm request a reference from all previous employers in the past 6 years for Senior Managers, Certification Functions and non-approved non-executive directors (except in Limited Scope firms) using a standard template. This includes information on disciplinary action taken due to breaches of the Conduct Rules.

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## Annex 1

### Questions in this paper

- Q1:** Do you agree with the proposed scope of the Directory? If not, which individuals should be additionally included or taken out?
- Q2:** Do you agree that the proposed information should be published on the Directory?
- Q3:** Do you agree that the Directory user interface should display information stored on the FS Register and the new Connect database? If not, how should these datasets interact?
- Q4:** Do you agree that the search parameters should return a broader range of results than the current FS Register?
- Q5:** Do you agree with the proposed number of business days for reporting when an individual begins undertaking a relevant role, when their circumstances change or when they cease to perform a relevant role? If not, what timeframe do you think would be more suitable?
- Q6:** Do you agree with the proposed timing of commencement and transitional arrangements? If not, which timeframes would be more appropriate?
- Q7:** Do you agree that our proposed measures for ensuring data accuracy are appropriate? If not, please provide details of any additional measures you believe should be taken.
- Q8:** Do you have any feedback on this CBA?
- Q9:** Do you agree that these proposals would not result in any direct discrimination against any of the protected groups? Please provide any additional feedback you believe is relevant.

## Annex 2

# Cost benefit analysis

1. FSMA requires us to publish a cost benefit analysis (CBA) of our proposed rules. Specifically, section 138I requires us to publish a CBA of proposed rules, involving an analysis of the costs, together with an analysis of the benefits that would arise if the proposed rules are made and an estimate of those costs and benefits.
2. This analysis presents estimates of the significant impacts of our proposal. We provide monetary values for the impacts where we believe it is reasonably practicable to do so. For others, we provide estimates of outcomes in other dimensions. Our proposals are based on carefully weighing up these multiple dimensions and reaching a judgement about the appropriate level of consumer protection, taking into account all the other impacts we foresee.

### Market analysis and role of the Directory

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#### Current use of the FS Register

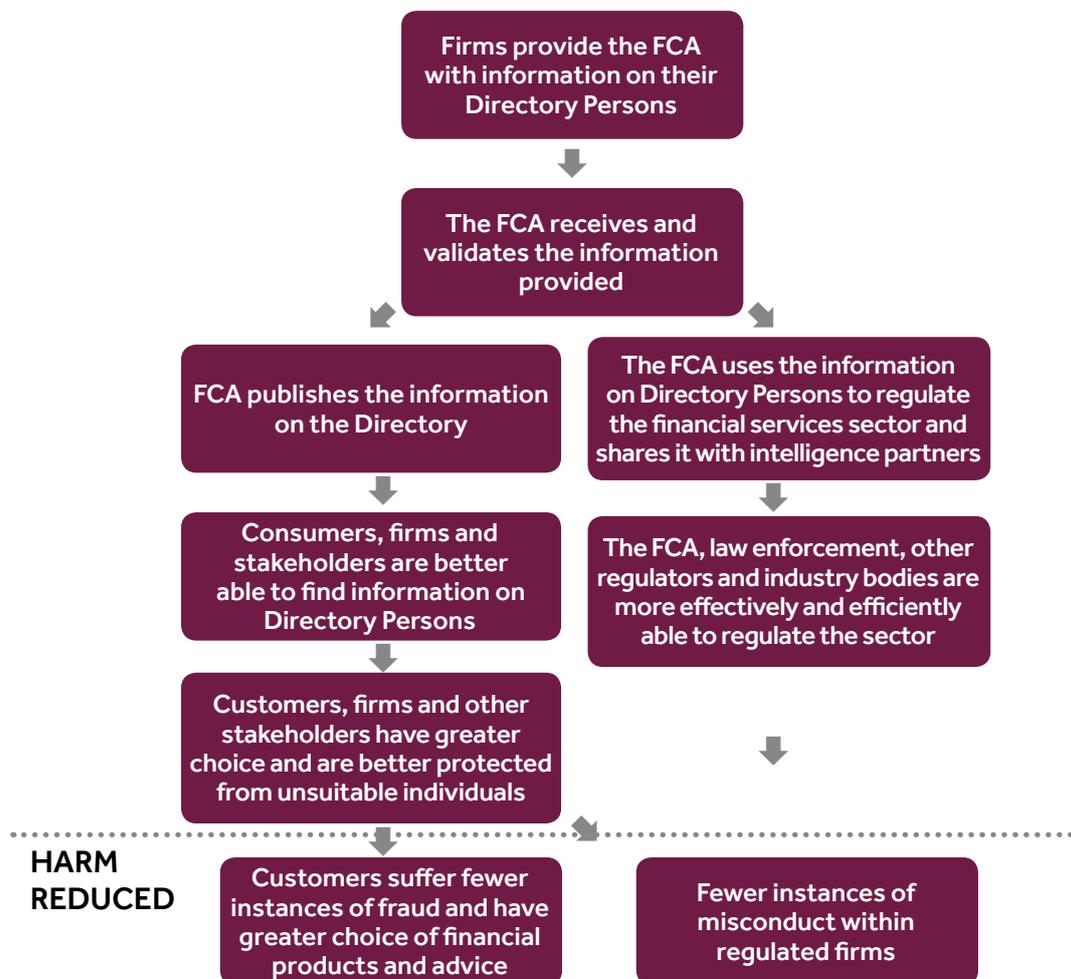
3. The FS Register currently facilitates the transfer of information from firms into the public domain. It was accessed 8 million times by 3 million users in the 12 months to March 2017. Over 75% of sessions were from the UK.
  4. This does not include searches of extracted data accessed through third parties. The data extract service was used by over 100 third party organisations to obtain a full copy of the information over the same period.
  5. Of the searches carried out on the FS Register, 35% were new visitors in the period and 65% were returning visitors (including those behind corporate proxies). This suggests that the information is being used by a wide range of users, including customers who do not need to run frequent searches. The largest single users by volume are large firms, information services, consultants and the FCA.
  6. The design of the current FS Register does not make it possible to clearly distinguish searches for firms vs those for individuals since there is a single search bar and some information is presented on individuals and firms on the same page. However, sample analysis carried out between March 2016 and February 2017 found that 8% of total pages viewed related solely to individuals. This would equate to information on individuals being looked up 663,200 times over an annual period. This is likely to understate the interest in individuals given the ability to view some of this information on the firm information page.
- #### Market failure
7. Information currently available on the FS Register delivers public value by enabling customers to verify firms and their employees, enabling firms to check counterparties, references and to give confidence to customers and to enable a range of other users including regulators, professional bodies, and law enforcement to monitor market practice and target interventions.



8. Without this information the likelihood of consumers being harmed increases. The lack of information on potential employees may increase the chances that firms employ individuals who lack the integrity or necessary skills or knowledge to work in financial services.
  9. It may also mean regulators would have less information about the individuals working in financial services and be less able to identify individuals who may not comply with rules and engage in behaviour that harms consumers.
  10. It also means consumers may be less able to choose between providers or make sure that the financial services firm they are dealing with is regulated. So they may be less able to protect themselves against fraud or other risks of using unregulated firms.
  11. Even though there has been strong demand for FS Register data, no other third parties have entered the market to provide a similarly wide-ranging public service.
  12. There are a number of potential reasons for this:
    - Organisations establish registers to serve a particular purpose linked to certain markets or product categories.
    - Without statutory powers to put in place reporting requirements, any register needs to be voluntary. This means that they are unable to offer information on all firms or individuals where they do not choose to participate.
    - There may be insufficient commercial driver for third parties to take on the costs of collecting, storing and publishing information if made freely accessible to the public. The data is a public good.
  13. Current participants in the UK market can be divided broadly into 2 categories:
    - Registers linked to firms and trade bodies. Examples include Elixir 2000 (a private platform established to share information on individual financial advisers in the life insurance industry) or the Employers Liability Tracing Office (a public register of employers' liability insurance).
    - Independent service providers (such as VouchedFor and Unbiased.co.uk that allow the public to find information on financial advisers).
- Remedy**
14. We can play a unique role by providing this public good across all authorised firms.
  15. The proposed Directory is being designed to address market failure by:
    - making sure information that is currently publicly available on individuals remains so after the introduction of the SM&CR
    - making information available on a wider range of individuals and including additional detail on customer facing roles where we believe this would be useful to consumers (workplace location, sanctions information and the business individuals are qualified to undertake)

- introducing a new user interface that makes information easier to access
- making the data available to other service providers to enhance their own product offerings, which may include more advanced feature sets

**Figure 7: Causal chain**



## The Baseline

16. It is necessary to establish a baseline, or counterfactual, against which to assess the costs and benefits of an intervention to make sure that only those attributable to the intervention are considered.
17. This CBA considers the costs and benefits of making public the additional information proposed in this Consultation Paper (CP) from a post-implementation perspective of the SM&CR. This means that we look at the costs of the change as if the SM&CR has already been implemented for all FSMA firms.



## Costs

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### For firms

18. The requirement for firms to report information to the FCA would result in an increase in reporting costs. These arise from increased staff costs from activities such as locating information stored in different locations, reviewing or amending the data, logging in and entering it into FCA system, training, or devising more automated systems.
19. We used information from firm surveys and audit data for 45 past changes to FCA reporting requirements to estimate the expected costs of reporting the necessary information for inclusion on the Directory. The benchmarks used were those where information could be reported without further calculation that might arise for example in relation to risk reporting.
20. Firms would need to familiarise themselves with the new policy and the legal instrument. We expect this to incur costs from relevant legal and compliance staff to understand the new obligations imposed on firms and what must be submitted. These are included in the CBA.
21. In the first year, firms would need to submit this information for all Directory Persons since they would not have notified the FCA about this individual previously. We estimate that across all FSMA firms, this information would need to be reported for 210,000 individuals<sup>11</sup>. We would then expect to receive around 66,000 notifications per year based on the rate at which similar notifications and applications are submitted for current Approved Persons.

### For the FCA

#### *Data correction*

22. The data reported to us for inclusion on the Directory would be uploaded directly by firms through an FCA interface (Connect). While this CP includes measures to counter inaccurate data, firms may still submit incorrect information or fail to update the information in a timely manner.
23. If errors are reported to us, for example by customers or the individuals concerned, we would contact the firm to request resubmission, and take further action as appropriate. It may also be necessary in some cases for us to investigate and resolve data conflicts where firms are unable to.

### Systems

24. Changes would be needed to our systems to facilitate firm reporting and publication on the Directory. Costs would arise from the building of a new FCA reporting interface (including automatic data validations), adaptation of existing FCA IT infrastructure and development of a new public Directory user interface. Since the volume of data to be held is small, no additional running costs are expected from holding the data in the foreseeable future, though there would be some opportunity cost from utilising our existing storage capacity.

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11 This includes certified staff, non-SMF directors, sole traders and appointed representatives where carrying out a role requiring qualification.

### Contact Centre

25. The consumer helpline receives an average of 9000 contacts per month, of which approximately 800 are FS register specific. The majority of consumer contacts involve a review of the FS register in some form. The firm helpline receive approximately 260 FS register specific contacts each month.
26. The introduction of the Directory is expected to roughly double the number of individuals on who we hold data. While the complexity of the data held would be reduced, there would be a new public facing user interface, and firms would also need to log on more frequently to Connect to report data in real time. This is expected to increase costs.

**Table 5: Best estimate costs**

Costs	One-off (£m)	Ongoing (£m)
To FSMA Firms	£8.7	£2.2
To the FCA	£2.0	£2.9
<b>Total</b>	<b>£10.6</b>	<b>£5.1</b>

27. While Table 2 sets out the best estimate costs, we have estimated that total costs could range between £11.5m to 20.1m depending on the frequency and volume of notifications made.

## Benefits

28. We expect there to be a range of benefits for firms, customers, the FCA and many other third parties. Since the Directory would affect almost every firm and sector we regulate, we believe it is not reasonably practicable to estimate these benefits. The main benefits we have identified are set out below.

### For Consumers

29. Customers would be able to use the Directory to more quickly find individuals who are suitably qualified (eg as a pensions transfer specialist or to deal in securities) and who have a relevant role at an FCA authorised firm.
30. Verifying that individuals work for an authorised firm and whether they are covered by the Financial Ombudsman Service and Financial Services Compensation Scheme (FSCS) would help protect consumers. It would reduce the risk that consumers, particularly the vulnerable, receive poor quality advice or fall victim to financial crime (eg phishing, fraud, identity theft) and are unable to recover their money from an authorised firm.
31. Including the proposed information reduces the likelihood of consumer harm. Without this information the risk increases that firms will employ individuals who lack the integrity, necessary skills or knowledge to work in financial services. These individuals could breach the Conduct Rules and cause harm to customers.



32. The proposed capability to search based on an individual's proximity would enable customers to identify all those available to meet face to face. This would particularly help older customers and those less able to access telephone and internet services, such as those with disabilities.
33. Consumers would be more able to choose between providers and check those they are dealing with are regulated so they can protect themselves against fraud or other risk of using unregulated firms. With greater choice, customers may also be better able to secure value for money.
34. Efficiency savings to the FCA and other third parties engaged in complementary activities, discussed below in this CBA, would help ensure better regulated financial markets. This would ultimately reduce the potential risks to consumers.

#### **For firms**

35. Firms would more cheaply and easily be able to check references against the information supplied by a potential new employee and their previous employer through their regulatory reference. This would be particularly useful where an individual provides a missing or incomplete work history. This would help to rule out unsuitable candidates and reduce future financial and reputational costs accruing to the new employer that may arise from poor conduct.
36. By creating a single trusted location for customers to check the customer facing roles associated with an authorised firm, smaller and less well known firms would more easily be able to reassure customers of the legitimacy of their services.
37. As with customers, firms would be more quickly and cheaply able to find and verify the identity of potential counterparties. This would help reduce the risk that they fall victim to financial crime.
38. By making it more difficult for individuals to be recruited after having been subject to disciplinary action for breaches of the Conduct Rules, the standards and reputation of UK financial services would improve, making the UK market a more desirable place to do business.

#### **For the FCA**

39. The additional information held on the Directory would enhance and support the cost-effectiveness of the FCA's regulatory activities in the following ways. These benefits would accrue to customers and firms from better functioning financial markets.

#### ***Monitor, build intelligence and target regulatory interventions***

40. We regulate over 56,000 firms, employing hundreds of thousands of employees. Information on the staff of over 48,500 firms in scope of the Directory would help us prioritise cases based on those who hold more senior and risk taking roles, including those who deal directly with customers.
41. Making information on individuals available through the Directory would reduce the time taken to locate information held or obtain records from firms.

42. In combination with data already reported to us such as on breaches of the conduct rules, or intelligence arising from supervisory activities, the Directory would allow us to better track individuals with poor conduct around the industry. This would support action against firms and individuals to protect consumers from harm where non-compliance is identified.
43. For example, we receive thousands of notifications about potential market abuse each year. When suspicious trading is identified before a market announcement, it is not always clear whether there was an insider who inappropriately shared inside information with others who then traded on this information. Information on previous roles and if individuals worked together at previous firms would help identify such connections.
44. We also routinely use intelligence submitted on Approved Persons to monitor IFAs and brokers in the market who may be involved in poor conduct or criminality. The Directory would support our work to identify and detect issues without making requests to the firms themselves. This would reduce the risk of 'tipping off' that could prejudice cases or result in the destruction of evidence. This would reduce costs and increase the success rate of interventions, helping to reduce harm and protect markets.
- Big data**
45. As highlighted in our Mission, we must make decisions on when and how to use our limited resources. Big data analysis, through the use of machine learning and predictive algorithms, has the potential to allow us to identify more accurately the firms and individuals who can cause the greatest potential harm and to act more quickly to address it.
46. Over the longer-term, the Directory data and the information held on those individuals internally could have considerable benefits. For example, in areas such as identifying which financial advisers are more likely to be involved in misconduct, financial crime, insider trading, market manipulation and money laundering.
- Compliance with FCA requirements**
47. The system would bring benefits by prompting firms to make sure they have assessed staff carrying out their Certification Functions as fit and proper, and that they have completed their reassessment at least annually. Additionally, by requiring complete information to be submitted and subjected to the measures set out in this CP to ensure accuracy, assessments are likely to be carried out to a higher standard. This would help to reduce the risk that unsuitable candidates are incorrectly certified and permitted to cause harm to customers or markets.
48. Certified staff would be visibly listed on the Directory in connection with each firm. This more direct association with their brand may increase the reputational risk to firms due to misconduct and create an incentive to ensure they only allow those who are suitable to carry out roles in scope of the Directory.
- Information Requests**
49. Since we are subject to the Freedom of Information Act, we may receive requests for the information we hold on individuals. Similarly, since we would be holding the personal data of individuals, we may receive requests for details of this information under the Data Protection Act.



50. These costs would be saved by publication since the information would already be publicly available.

#### **Shared Intelligence participants**

51. We have information gateways in place to share information and intelligence externally on individuals at firms we regulate. These include regulators, solicitors, accountancy firms, police, the Pensions Regulator and London Stock Exchange.
52. The information gateways are due to continue irrespective of the information reported to us but the scope of individuals covered and usefulness for external stakeholders would increase with the introduction of the Directory.
53. By continuing to support complementary activities of other organisations we can help protect consumers and enhance market integrity.

#### **Other stakeholders**

54. There are many other stakeholders who have activities complementary to our objectives of supporting efforts to reduce potential harm to consumers, protecting market integrity and supporting effective competition.
55. Professional, trade and accredited bodies use the Register Extract Service to check members are still fit and proper and are not doing a role they are not qualified for.
56. Consultants and legal firms are also high volume users of the FCA Register. Compliance advisory services provided by these organisations help draw the attention of clients to recent FCA publications, support firms in making the necessary changes to their systems and controls to achieve compliance and play a role in sharing and developing market practice.

### **Comparison of the costs and benefits**

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57. In this cost benefit analysis, we have produced estimates of the costs for firms and the FCA. These have been set out against the expected benefits to stakeholders.
58. While it was not practicably possible to estimate the value of the wide ranging benefits of this intervention, the key benefits identified to customers, firms, the FCA and wider stakeholders are material. We believe that the reduction in potential harm brought about by the introduction of the Directory would outweigh the expected costs of this market intervention.

**Q8: Do you have any feedback on this CBA?**

## Annex 3

# Compatibility statement

### Compliance with legal requirements

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1. This Annex records our compliance with a number of legal requirements applicable to the proposals in this consultation, including an explanation of our reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA).
2. When consulting on new rules, we are required by section 138I(2)(d) FSMA to include an explanation of why we believe making the proposed rules is (a) compatible with our general duty, under s. 1B(1) FSMA, so far as reasonably possible, to act in a way which is compatible with our strategic objective and advances one or more of our operational objectives, and (b) our general duty under s. 1B(5)(a) FSMA to have regard to the regulatory principles in s. 3B FSMA. We are also required by s. 138K(2) FSMA to state our opinion on whether the proposed rules would have a significantly different impact on mutual societies as opposed to other authorised persons.
3. This Annex also sets out our view of how the proposed rules are compatible with the duty on the FCA to discharge our general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (s. 1B(4)). This duty applies in so far as promoting competition is compatible with advancing our consumer protection and/or integrity objectives.
4. In addition, this Annex explains how we have considered the recommendations made by the Treasury under s. 1JA FSMA about aspects of the economic policy of Her Majesty's Government to which we should have regard in connection with our general duties.
5. This Annex includes our assessment of the equality and diversity implications of these proposals.
6. Under the Legislative and Regulatory Reform Act 2006 (LRRRA) we are subject to requirements to have regard to a number of high-level 'Principles' in the exercise of some of our regulatory functions and to have regard to a 'Regulators' Code' when determining general policies and principles and giving general guidance (but not when exercising other legislative functions like making rules). This Annex sets out how we have complied with requirements under the LRRRA.

### The FCA's objectives and regulatory principles: Compatibility statement

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7. The proposals set out in this consultation are primarily intended to advance our operational objective of consumer protection. They are also relevant to our market integrity and competition objectives.



8. We have had regard to s.1C(2)(a)-(h) FSMA to ensure these proposals secure an appropriate degree of protection for consumers. In particular, the Directory would provide additional information to all consumers on the individuals who are appropriately qualified and have been assessed as suitable to help them access a range of financial services products or advice. This empowers consumers to more easily access the market and inform their own decisions.
9. We have also had regard to the matters in s.1D(2) FSMA and s.1E(2)(a)-(e) to advance our market integrity and competition objectives. More information on how we are advancing our operational objectives are set out in Chapter 2 of this Consultation Paper (CP).
10. We believe these proposals are compatible with our strategic objective of ensuring that the relevant markets function well because they aim to address the market failure that no other providers have entered the market to provide a similarly wide-ranging public dataset in response to strong demand. For the purposes of our strategic objective, 'relevant markets' are defined by s. 1F FSMA.
11. In preparing the proposals set out in this consultation, we have had regard to the regulatory principles set out in s. 3B FSMA.

#### **The need to use our resources in the most efficient and economic way**

12. The cost benefit analysis (CBA) in Annex 2 identifies the benefits in using FCA resources to facilitate the central reporting and publication of information on a wider range of individuals than would be included on the FS Register.

#### **The principle that a burden or restriction should be proportionate to the benefits**

13. The proposals in this CP respond to calls from industry to act to make public information on a wider range of individuals. Doing so involves additional cost burdens on firms and the FCA. The CBA in Annex 2 identifies significant benefits that we consider outweigh these costs.

#### **The desirability of sustainable growth in the economy of the United Kingdom in the medium or long term**

14. These proposals are expected to have a number of positive impacts on sustainable growth of the UK economy. In particular, making it more difficult for scammers and individuals who are not fit and proper to operate here should enhance the attractiveness of the UK as a place to do business. The information made available would increase the speed and cost to firms in areas such as checking references and counterparties. Customers would be more easily able to find individuals who are suitable and qualified with whom to do business, increasing choice and competition which should drive improvements in products, service and price.

#### **The general principle that consumers should take responsibility for their decisions**

15. These proposals are intended to support decision-making and consumer responsibility by giving them the information they need to make more informed decisions.

### **The responsibilities of senior management**

16. Publishing information on the individuals who firms have assessed as fit and proper would help reinforce the responsibility for senior management for the implementation of the Certification Regime since there would be a greater impact on firms if those individuals are engaged in misconduct or are subject to regulatory sanction or prohibitions.

### **The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation**

17. In considering application to all FSMA firms, we have been mindful of the need to take a proportionate approach given the range of types of business in scope. As shown in the CBA smaller firms typically have fewer employees so would need to report and update information to us less often.

### **The desirability of publishing information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information**

18. This CP proposes to make public additional information on different categories of staff subject to requirements under FSMA in terms of their desirability. This is set out in Chapter 2 of this CP.

### **The principle that we should exercise of our functions as transparently as possible**

19. In formulating these proposals, we have had regard to the importance of taking action intended to minimise the extent to which it is possible for a business carried on (i) by an authorised person or a recognised investment exchange; or (ii) in contravention of the general prohibition, to be used for a purpose connected with financial crime (as required by s. 1B(5)(b) FSMA).
20. This aim is advanced through disclosure of additional information on the Directory.

### **Expected effect on mutual societies**

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21. We do not expect the proposals in this paper to have a significantly different impact on mutual societies. This is because the proposals apply to all firms that have employees and directors regardless of their business model or structure.

### **Compatibility with the duty to promote effective competition in the interests of consumers**

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22. In preparing the proposals as set out in this consultation, we have had regard to our duty to promote effective competition in the interests of consumers. As set out above, the proposals in this CP are intended to advance our competition objective.



## Equality and diversity

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- 23.** We are required under the Equality Act 2010 in exercising our functions to 'have due regard' to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Act, advance equality of opportunity between persons who share a relevant protected characteristic and those who do not, to and foster good relations between people who share a protected characteristic and those who do not.
- 24.** As part of this, we ensure the equality and diversity implications of any new policy proposals are considered. The outcome of our consideration for these matters in this case is stated in our Equalities Impact Assessment in Annex 5.

## Legislative and Regulatory Reform Act 2006 (LRR)

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- 25.** We have had regard to the principles in the LRR for the parts of the proposals that consist of general policies, principles or guidance and consider that these have been carried out in a way that is transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed.
- 26.** We have had regard to the Regulators' Code for the parts of the proposals that consist of general policies, principles or guidance.

## Annex 4

### Abbreviations in this document

<b>CBA</b>	Cost Benefit Analysis
<b>CF24</b>	Pension Transfer Specialist
<b>CF30</b>	Customer Function
<b>CP</b>	Consultation Paper
<b>FRN</b>	Firm Reference Number
<b>FSCS</b>	Financial Services Compensation Scheme
<b>FSMA</b>	Financial Services and Markets Act 2000
<b>FS Register</b>	Financial Services Register
<b>FCA</b>	Financial Conduct Authority
<b>IRN</b>	Individual Reference Number
<b>KFH</b>	Key Function Holder
<b>LRRA</b>	Legislative and Regulatory Reform Act 2006
<b>NED</b>	Non-executive Director
<b>NDF</b>	Non-Directive Firm
<b>MRT</b>	Material Risk Taker
<b>PR</b>	Prescribed Responsibility
<b>PRA</b>	Prudential Regulation Authority
<b>SHF</b>	Significant Harm Function
<b>SM&amp;CR</b>	Senior Managers and Certification Regime
<b>SMF</b>	Senior Management Function
<b>SMO</b>	Secondary Markets Oversight
<b>SMR</b>	Senior Managers Regime
<b>TPR</b>	The Pensions Regulator
<b>WPSC</b>	Work and Pensions Select Committee



### Disclaimer

We have developed the policy in this Consultation Paper in the context of the existing UK and EU regulatory framework. The Government has made clear that it will continue to implement and apply EU law until the UK has left the EU. We will keep the proposals under review to assess whether any amendments may be required in the event of changes in the UK regulatory framework in the future.

We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

You can download this Consultation Paper from our website: [www.fca.org.uk](http://www.fca.org.uk).

All our publications are available to download from [www.fca.org.uk](http://www.fca.org.uk). If you would like to receive this paper in an alternative format, please call 020 706 0790 or email: [publications\\_graphics@fca.org.uk](mailto:publications_graphics@fca.org.uk) or write to: Editorial and Digital team, Financial Conduct Authority, 12 Endeavour Square, London E20 1JN

## Annex 5

# Equality Impact Assessment

1. We have considered the equality and diversity issues that may arise from the proposals in this Consultation Paper (CP). We have identified that the publication of an individual's name, their role, the types of business they are undertaking where requiring qualification, geographical location and whether they are subject to regulatory sanction or prohibition could have potential equality and diversity implications.
2. We have considered our proposals results for all of the groups with protected characteristics, ie age, disability, sex, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment.

### Potential positive impact on different groups

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3. The FCA ScamSmart website highlights that scammers would usually call without prior contact or permission, but contact can also come by email, post, word of mouth or at a seminar or exhibition. This is more likely to impact older people (those over 65) who are more likely to have land lines and be at home during the day.
4. Just under half (47%) of those who have experienced investment fraud made their investment following unsolicited contact. More than a quarter of over 55s falling victim to investment fraud are scammed via an unauthorised firm selling unregulated products, such as wine, diamonds and land.
5. Those with disabilities are also more likely to be at home. Those with cognitive issues such as learning difficulties have been found to be less financially capable in previous Equality Impact Assessments (EIAs) such as in CP16/20 on PPI complaints consulted on in August 2016.
6. Publication of information on the wider range of individuals on a Directory hosted by us would therefore particularly benefit these groups. This is because they would be able to check a single location to see if the person contacting them is currently associated with a regulated firm, holds an appropriate function, is qualified to undertake relevant areas of business, whether they are subject to any regulatory sanction or prohibition and if they are based locally.
7. In addition to making this information available online, it would also be available over the phone through our Contact Centre so would also assist those without the internet access, computer literacy or those with disabilities or cognitive issues who may not be able to view the information directly through the Directory.
8. The geographical search capability would facilitate face to face meetings. We believe this would be most beneficial for vulnerable groups including the elderly, those with disabilities or those with cognitive issues who may otherwise have a higher propensity to access financial services through someone approaching them.



9. By including published information on regulatory sanctions and prohibitions, including on individuals who we have prohibited on the Directory, we would further protect vulnerable consumers who otherwise would be at higher risk of being given false reassurance that someone is fit and proper when they are not.

### Potential negative impact on different groups

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10. It is known that individuals can hold unconscious bias towards other individuals, including those with protected characteristics. These may prejudice the decisions those individuals take when deciding who to do business with.
11. The proposals in this CP would make it possible for individuals to make decisions that favour or discriminate against individuals based on the information that is published on the Directory. For example, it would be possible for individuals who hold prejudices to determine with some certainty someone's sex, race and to a lesser extent their religion and belief based on their name.
12. However, we do not consider any of our proposals to result in an increase in any existing level of discrimination arising from conscious or unconscious bias towards a firm's employees held by potential customers. This is because in order to sell financial products or give advice to a customer, information on an individual's name and identity is already disclosed.

### Conclusion

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13. Overall, we believe our proposals would have a positive impact, particularly for those with physical or mental disabilities. We do not believe that any of our proposals result in direct discrimination for any of the groups with protected characteristics, ie age, disability, sex, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment.
14. We will continue to consider the equality and diversity implications of the proposals during the consultation period, and would revisit them when publishing the final rules.

**Q9: Do you agree that these proposals would not result in any direct discrimination against any of the protected groups? Please provide any additional feedback you believe is relevant.**



# Appendix 1

## Draft Handbook text

**REPORTING OF INFORMATION ABOUT DIRECTORY PERSONS  
INSTRUMENT 2018**

**Powers exercised**

- A. The Financial Conduct Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
    - (a) section 39 (Exemption of appointed representatives);
    - (b) section 59 (Approval for particular arrangements);
    - (c) section 60 (Applications for approval);
    - (d) section 62A (Changes in responsibilities of senior managers);
    - (e) section 63E (Certification of employees by authorised persons);
    - (f) section 63F (Issuing of Certificates);
    - (g) section 137A (The FCA’s general rules);
    - (h) section 137T (General supplementary powers);
    - (i) section 139A (Power of the FCA to give guidance);
    - (j) section 347 (The record of authorised persons etc); and
    - (k) paragraph 23 (Fees) of Schedule 1ZA (The Financial Conduct Authority); and
  - (2) the other rule and guidance-making powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions sourcebook (GEN) of the FCA’s Handbook.
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force as follows:

Annex	Date comes into force
Annex A	[Commencement of this instrument]
Part 1 of Annex B	[Commencement of this instrument]
Part 2 of Annex B	[Immediately after the main commencement date for solo-regulated firms in the Individual Accountability (FCA-Authorised Firms) Instrument 2018]
Annex C	[Commencement of this instrument]

**Amendments to the Handbook**

- D. The modules of the FCA's Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2):

(1)	(2)
Glossary of definitions	Annex A
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex B
Supervision manual (SUP)	Annex C

**Citation**

- E. This instrument may be cited as the Reporting of Information about Directory Persons Instrument 2018.

By order of the Board

[*date*]

## Annex A

## Amendments to the Glossary of definitions

Insert the following new definitions in the appropriate alphabetical positions. The text is not underlined.

- appointed representative* (1) An individual who falls within paragraph (2) but is not a *certification employee*.
- Directory person* (2) An individual falls within this paragraph if they:
- (a) are:
    - (i) (subject to paragraph (4)) an *appointed representative* or *tied agent* of an *SMCR firm*; or
    - (ii) employed or appointed by a *person* falling within sub-paragraph (i);
  - (b) perform the function specified in paragraph (3); and
  - (c) require a qualification under *TC App 1.1* (Activities and Products/Sectors to which TC applies subject to Appendices 2 and 3) to do so.
- (3) The function is one that will involve the *person* dealing with:
- (a) *customers* of:
    - (i) the *firm* (A); or
    - (ii) the *appointed representative* (B); or
  - (b) property of *customers* of A or B,
- in relation to the carrying on of a *regulated activity* by A or B from an establishment maintained by A or B in the *United Kingdom*.

For these purposes, “dealing with” includes having contact with *customers* and extends beyond “dealing” as used in the phrase “dealing in investments” which is used in Schedule 2 of the *Regulated Activities Order* (see also *SUP 10A.10.6G*).

- (4) *A person does not fall within paragraph (2)(a)(i) if they are an EEA registered tied agent.*

*Directory*

the record of *Directory persons* which the *FCA* is (amongst other things) required to:

- (1) maintain under section 347(1) of the *Act*; and
- (2) make available for public inspection in accordance with section 347(5) of the *Act*.

*Directory person*

an individual who is:

- (1) an *appointed representative Directory person*;
- (2) a *certification employee*;
- (3) a *non-SMF director Directory person*; or
- (4) a *sole trader Directory person*.

*non-SMF director Directory person*

an individual who is a *director* of an *SMCR firm* but is not:

- (1) an *SMF manager*; or
- (2) a *certification employee*.

*sole trader Directory person*

(1) An individual who:

- (a) is a *sole trader* who is an *SMCR firm*;
- (b) performs the function specified in paragraph (2); and
- (c) requires a qualification under *TC App 1.1* (Activities and Products/Sectors to which *TC* applies subject to Appendices 2 and 3) to do so.

(2) The function is one that will involve the *person* dealing with:

- (a) *customers* of the firm (A); or

(b) property of *customers* of A,

in relation to the carrying on of a *regulated activity* by A from an establishment maintained by it in the *United Kingdom*.

For these purposes, “dealing with” includes having contact with *customers* and extends beyond “dealing” as used in the phrase “dealing in investments” which is used in Schedule 2 of the *Regulated Activities Order* (see also *SUP* 10A.10.6G).

## Annex B

## Amendments to the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)

In this Annex, underlining indicates new text and striking through indicates deleted text.

## Part 1: Comes into force on [commencement of this instrument]

## 23 Senior managers and certification regime: Introduction and classification

...

## 23.3 Overview of the senior managers and certification regime

...

## 23.3.3 G Table: Summary of the senior managers and certification regime

Description of component of the regime	Handbook provisions
...	
The certification regime	
...	
A <i>firm</i> should ask for a regulatory reference before appointing someone to perform an <i>FCA certification function</i> (or a <i>PRA</i> equivalent) and give one if asked to by another <i>firm</i> doing so	SYSC 22 (Regulatory references)
<u>A <i>firm</i> must report information to the FCA about its <i>Directory persons</i>, including its <i>certification employees</i>.</u>	<u>SUP 16.25</u>
Conduct rules (applies to all firms)	
...	

...

**24 Senior managers and certification regime: Allocation of prescribed responsibilities**

...

**24.2 Allocation of FCA-prescribed senior management responsibilities: Main allocation rules**

...

What the FCA-prescribed senior management responsibilities are

...

24.2.6 R Table: FCA-prescribed senior management responsibilities

<b>FCA-prescribed senior management responsibility</b>	<b>Explanation</b>	<b>Reference letter</b>
...		
(2) Responsibility for the <i>firm's</i> performance of its obligations under the employee certification regime	<p>The employee certification regime means the requirements of sections 63E and 63F of the <i>Act</i> (Certification of employees) and all other requirements of the <i>regulatory system</i> about the matters dealt with in <u>or relating to</u> those sections, including:</p> <p>...</p> <p>(2) the requirements in SYSC 22 (Regulatory references) so far as they relate to the employee certification regime, including the giving of references to another <i>firm</i> about a <i>certification employee</i> or former <i>certification employee</i>; <del>and</del></p>	(b)

	<p>(3) the corresponding <i>PRA</i> requirements; and</p> <p><u>(4) the requirements in SUP 16.25 (Reporting of information about Directory persons), which require a firm to report information to the FCA about its <i>Directory persons</i>.</u></p>	
...		

...

**27 Senior managers and certification regime: Certification regime**

...

**27.2 Requirements of the certification regime**

...

Issuing and renewing certificates

...

27.2.14 G (1) ...

...

(6) Although a firm does not need to issue multiple certificates for an employee who performs several different certification functions, under the requirements in SUP 16.25 (Reporting of Directory persons) the firm will need to specify each of the certification functions which the employee has been assessed as fit and proper to perform and for which the employee has a certificate at the time of the report.

...

**Part 2: Comes into force immediately after commencement of the Individual Accountability (FCA-Authorised Firms) Instrument 2018**

**23 Senior managers and certification regime: Introduction and classification**

...

**23.3 Overview of the senior managers and certification regime**

...

**23.3.3 G Table: Summary of the senior managers and certification regime**

<b>(1) Description of component of the regime</b>	<b>(2) Handbook provisions</b>	<b>(3) Application to solo-regulated firms</b>
...		
The certification regime		
...		
<i>A firm must report information to the FCA about its Directory persons, including its certification employees.</i>	<i>SUP 16.25</i>	<u><i>Applies to all SMCR firms</i></u>
Conduct rules (applies to all firms)		
...		

...

## Annex C

## Amendments to the Supervision manual (SUP)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

## 12 Appointed representatives

...

### 12.4 What must a firm do when it appoints an appointed representative or an EEA tied agent?

...

MiFID optional exemption appointed representatives and structured deposit appointed representatives

#### 12.4.13 G ...

Reporting of information about Directory persons

12.4.14 G (1) SUP 16.25 (Reporting of information about Directory persons) requires an SMCR firm that has appointed an appointed representative to report information to the FCA in respect of any individual who is an appointed representative Directory person.

(2) The firm should ensure that appropriate arrangements are in place so that the firm is able to report all relevant information about each such appointed representative Directory person to the FCA within the specified timeframes, in accordance with the requirements of SUP 16.25 (Reporting of information about Directory persons).

...

## 16 Reporting requirements

### 16.1 Application

...

16.1.1F R The rules and guidance in SUP 16.25 (Reporting of information about Directory persons) apply to an SMCR firm.

16.1.2 G (1) ~~The~~ Subject to (2), the only categories of firm to which no section of this chapter applies are:

- ~~(1)~~ (a) an *ICVC*;
- ~~(2)~~ (b) an *incoming EEA firm* or *incoming Treaty firm*, unless it is:
  - ~~(a)~~ (i) a *firm* of a type listed in *SUP 16.1.3R* as a type of *firm* to which *SUP 16.6*, *SUP 16.7A*, *SUP 16.9*, *SUP 16.12*, or *SUP 16.14* applies; or
  - ~~(b)~~ (ii) an *insurer* with *permission* to effect or carry out *life policies*; or
  - ~~(c)~~ (iii) a *firm* with *permission* to *establish, operate or wind up a personal pension scheme* or a *stakeholder pension scheme*; or
  - ~~(d)~~ (iv) a *payment service provider* to which *SUP 16.22* applies; and
- ~~(3)~~ (c) a *UCITS qualifier*.

(2) *SUP 16.25* applies to a *firm* which is an *SMCR firm* (see *SUP 1.6.1FR*).

16.1.3 R Application of different sections of SUP 16 (excluding SUP 16.13, SUP 16.15, SUP 16.16, SUP 16.17, ~~and~~ SUP 16.22 and SUP 16.25)

(1) Section(s)	(2) Categories of firm to which section applies	(3) Applicable rules and guidance
...		
Note 2: = The application of <i>SUP 16.13</i> is set out under <i>SUP 16.13.1G</i> ; the application of <i>SUP 16.15</i> is set out under <i>SUP 16.15.1G</i> ; the application of <i>SUP 16.16</i> is set out <i>SUP 16.16.1R</i> and <i>SUP 16.16.2R</i> <del>and</del> the application of <i>SUP 16.17</i> is set out in <i>SUP 16.17.3R</i> and <i>SUP 16.17.4R</i> ; <u>and the application of <i>SUP 16.25</i> is set out in <i>SUP 16.25.1R</i>.</u>		
Note 3: = ...		

...

**16.3 General provisions on reporting**

...

## Structure of the chapter

16.3.2 G This chapter has been split into the following sections, covering:

...

- (18) annual financial crime reporting (*SUP 16.23*); ~~and~~
- (19) retirement income data reporting (*SUP 16.24*); and
- (20) *Directory persons* information reporting (*SUP 16.25*).

After SUP 16.24 (Retirement income data reporting) insert the following new section, SUP 16.25. The text is not underlined.

## 16.25 Reporting of information about Directory persons

### Application

16.25.1 R This section of the *FCA Handbook* applies to an *SMCR firm*.

- 16.25.2 G
- (1) This section requires an *SMCR firm* to report information about its *Directory persons* to the *FCA*.
  - (2) An *SMCR firm* will need to report information about all of its *Directory persons*. A *firm* may also need to report information if it is a *sole trader* or if it has appointed an *appointed representative*.
  - (3) This section is also relevant to a *Directory person* whose name is or will be included in the *Directory*.

### Purpose

- 16.25.3 G
- (1) Section 347(1) of the *Act* requires the *FCA* to maintain a record of various categories of *person*, such as *authorised persons* and *approved persons* as well as every *person* falling within such other classes as the *FCA* may determine (see section 347(1)(i)).
  - (2) The *FCA* has determined that individuals who are *Directory persons* should be included on the record required by section 347(1) of the *Act* (see section 347(1)(i) of the *Act*).
  - (3) The *FCA* is required to make the record available for inspection by members of the public in legible form at such times or places as the *FCA* may determine (see section 347(5) of the *Act*).
- 16.25.4 G The *FCA* expects there to be a number of benefits from the *Directory* being available for public inspection. For example, a *client* will be able

to verify information about a *Directory person* who it is proposed will be involved in the provision of a service to them. Or a *firm* might cross-check information about a *Directory person* before that individual is hired by the *firm*.

- 16.25.5 G (1) This section contains *rules* which require an *SMCR firm* to report specified information to the *FCA* about its *Directory persons* for the purposes of that information being included in the *Directory*.
- (2) This section also contains *rules* which require reporting of additional information to the *FCA* about *Directory persons*. This includes a *Directory person's* passport number, national insurance number and date of birth. The *FCA* needs this to ensure that information which is reported by a *firm* about a particular individual is as accurate as possible, for example, to prevent confusion between individuals with similar names. The information will also help the *FCA* in carrying out of its functions, for example, in its arrangements for supervising and enforcing compliance with relevant *rules* or requirements. However, this additional information will not be made available to the public through the *Directory*.

Reporting requirements: complete and accurate information

- 16.25.6 R (1) An *SMCR firm* must submit a duly completed and accurate report to the *FCA* for each *Directory person* in accordance with the provisions of this section.
- (2) The report for each *Directory person* must be:
- (a) submitted online through the appropriate system which is accessible from the *FCA* website; and
- (b) in the appropriate format set out in *SUP 16 Annex 44AR*.
- 16.25.7 R (1) When submitting a report to the *FCA* in respect of a *Directory person* an *SMCR firm* must confirm that all the information being reported to the *FCA* in respect of that *Directory person* is complete and accurate.
- (2) That confirmation must be given online through the appropriate system which is accessible from the *FCA* website.
- 16.25.8 G (1) The information reported by the *firm* in respect of a *Directory person* which is to be included in the *Directory* will be uploaded onto the *Directory* shortly after the report is submitted.
- (2) It is the responsibility of a *firm* to ensure that any information that it reports about relevant *Directory persons* is accurate and complete.

- (3) The *FCA* will not verify the information about *Directory persons* which is reported by a *firm*.
- (4) If a *firm* becomes aware of any inaccuracies or errors in the information reported about a *Directory person* it must rectify that information in accordance with applicable *data protection legislation*.

16.25.9 G There are notes which accompany *SUP 16 Annex 44AR* (*Directory persons report*) which are intended to help *firms* report the required information. The notes are in *SUP 16 Annex 44BG* (*Guidance notes for Directory persons report in SUP 16 Annex 44AR*).

16.25.10 R *SUP 16.3.11R* (*Complete reporting*) applies to the submission of *Directory persons reports* by an *SMCR firm*.

Frequency and timing of reports: general

- 16.25.11 R
- (1) A *firm* must submit a report required by this section in the frequency, and so as to be received by the *FCA* no later than the due date, specified for such a report.
  - (2) If a *firm* becomes aware of any inaccuracies or errors in the information reported about a *Directory person* it must rectify that information as soon as possible in accordance with applicable *data protection legislation* (see also *SUP 16.25.6R* and *SUP 16.25.8G*).

Frequency and timing of reports: certification employees

16.25.12 R In respect of a *certification employee*, an *SMCR firm* must submit a report:

- (1) within one *business day* of the *certification employee* commencing performance of a *certification function*;
- (2) within one *business day* of the *certification employee* ceasing performance of a *certification function*; or
- (3) within three *business days* of the *firm* becoming aware of any other change to the information last reported to the *FCA* in respect of that *certification employee*.

16.25.13 G An example of when an *SMCR firm* would need to submit a report to the *FCA* under *SUP 16.25.12R(3)* is where the individual changes their name.

Frequency and timing of reports: non-SMF director *Directory person*

16.25.14 R In respect of a *non-SMF director Directory person*, an *SMCR firm* must submit a report:

- (1) within one *business day* of that *person* becoming a *non-SMF director Directory person* at the *firm*; or
- (2) within one *business day* of that *person* ceasing to be a *non-SMF director Directory person* at the *firm*; or
- (3) within three *business days* of the *firm* becoming aware of any other change to the information last reported to the *FCA* in respect of that individual.

Frequency and timing of reports: sole trader Directory person or appointed representative Directory person

- 16.25.15 R In respect of an *appointed representative Directory person* or a *sole trader Directory person*, an *SMCR firm* must submit a report:
- (1) within one *business day* of that *person* commencing performance of a function which requires a qualification under *TC App 1.1* (Activities and Products/Sectors to which TC applies subject to Appendices 2 and 3);
  - (2) within one *business day* of that *person* ceasing to perform a function which requires a qualification under *TC App 1.1* (Activities and Products/Sectors to which TC applies subject to Appendices 2 and 3); or
  - (3) within three *business days* of the *firm* becoming aware of any other change to the information last reported to the *FCA* in respect of that individual.

Frequency and timing of reports: exceptional circumstances

- 16.25.16 R (1) Notwithstanding the *rule* in *SUP 16.25.12R*, an *SMCR firm* may, in exceptional circumstances, submit a report in respect of a *certification employee* within three *business days* of the *person* commencing or ceasing performance of a *certification function*.
- (2) Notwithstanding the *rule* in *SUP 16.25.14R*, an *SMCR firm* may, in exceptional circumstances, submit a report in respect of a *non-SMF director Directory person* within three *business days* of the *person* becoming or ceasing to be a *non-SMF director Directory person* at the *firm*.
- (3) Notwithstanding the *rule* in *SUP 16.25.15R*, an *SMCR firm* may, in exceptional circumstances, submit a report in respect of an *appointed representative Directory person* or a *sole trader Directory person* within three *business days* of the *person* commencing or ceasing performance of a function which requires a qualification under *TC App 1.1* (Activities and Products/Sectors to which TC applies subject to Appendices 2 and 3).

- 16.25.17 G An example of an exceptional circumstance in *SUP* 16.25.16R could be where a *firm* needs to appoint an individual in an emergency (see *SYSC* 27.5 (Exclusions for emergency and temporary appointments)) or an individual leaves the *firm* without giving notice.
- 16.25.18 R (1) If the *FCA*'s information technology systems fail and online submission of the reports required under this section is not possible on the reporting day (see paragraph (3)), the time period for submission of reports is extended in accordance with paragraph (2).
- (2) If on the reporting day, the online submission of reports is not possible for more than one hour, the *firm* must submit the relevant report on the first *business day* on which the online submission of reports is next possible.
- (3) In this *rule*, the 'reporting day' is the day on which the *firm* must submit a report under this section as determined in accordance with *SUP* 16.25.12R to *SUP* 16.25.16R.

Frequency and timing of reports: reporting to the *FCA* at least once every twelve months

- 16.25.19 R (1) Paragraph (2) applies where an *SMCR firm* has not submitted any reports to the *FCA* in respect of a *Directory person* in accordance with the provisions of this section within the relevant period (see *SUP* 16.25.20R).
- (2) An *SMCR firm* must submit a report to the *FCA* confirming that the information previously reported by the *firm* in respect of its *Directory persons* remains accurate and up-to-date.
- (3) The confirmation to be submitted to the *FCA* under paragraph (2) must be submitted on the first *business day* following the end of the relevant period (see *SUP* 16.25.20R).
- 16.25.20 R (1) For the purposes of *SUP* 16.25.19R, the 'relevant period' is the period which:
- (a) starts on the day on which the *SMCR firm* last:
- (i) submitted a report to the *FCA* in respect of any of its *Directory persons*; or
- (ii) submitted a confirmation in accordance with *SUP* 16.25.19R; and
- (b) subject to (2), ends 364 days after the day specified in (a).

- (2) If the relevant period includes the 29 February of a given year, the period ends 365 days after the day specified in paragraph (1)(a).

Failure to submit a report

- 16.25.21 R *SUP* 16.3.14R (Failure to submit reports) applies to the failure by an *SMCR firm* to submit a complete report about its *Directory persons* in accordance with the *rules* set out in this section by the date on which it is due.
- 16.25.22 G Failure to submit a report in accordance with the *rules* in, or referred to in, this chapter or the provisions of relevant legislation may also lead to the imposition of a financial penalty and other disciplinary sanctions.
- 16.25.23 G The *firm* is responsible for ensuring delivery of the required report by the relevant due date. If a report is received by the *FCA* after the due date and the *firm* believes its delivery arrangements were adequate, it may be required to provide proof of those arrangements.

After SUP 16 Annex 43BG (Guidance notes for completion of the Retirement income flow data return ('REP015') and the Retirement income stock and withdrawals flow data return ('REP016')) insert the following new annexes SUP 16 Annex 44AR and 44BG. The text is not underlined.

**SUP 16 Annex 44AR – Directory persons report**

(1)	(2)
Date information reported:	Confirm information being reported is accurate and complete

(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Individual Reference Number (IRN)	Passport number	National insurance number	Date of birth	First name	Middle names (if known)	Last name	Date started role	Date role ended	Relevant roles currently held	Activities which the Directory person carries on and for which they hold the relevant qualifications	Workplace location(s) (post code(s)) for any Directory person who deals with customers and requires a qualification to do so
									[FCA CF] (1) CASS oversight function	2. Giving personal recommendations on securities which are not stakeholder pension schemes, personal pension schemes or broker funds	

(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Individual Reference Number (IRN)	Passport number	National insurance number	Date of birth	First name	Middle names (if known)	Last name	Date started role	Date role ended	Relevant roles currently held	Activities which the Directory person carries on and for which they hold the relevant qualifications	Workplace location(s) (post code(s)) for any Directory person who deals with customers and requires a qualification to do so
									[FCA CF] (2) Benchmark submission and administration	3. Giving personal recommendations on derivatives	
									[FCA CF] (3) Proprietary trader	4. Giving personal recommendations on retail investment products which are not broker funds	
									[FCA CF] (4) Significant management	6. Giving personal recommendations on Friendly Society tax-exempt policies (other than Holloway sickness policies where the Holloway policy special application conditions are met)	
									[FCA CF] (5) Functions	7. Giving personal	

(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Individual Reference Number (IRN)	Passport number	National insurance number	Date of birth	First name	Middle names (if known)	Last name	Date started role	Date role ended	Relevant roles currently held	Activities which the Directory person carries on and for which they hold the relevant qualifications	Workplace location(s) (post code(s)) for any Directory person who deals with customers and requires a qualification to do so
										requiring qualifications	recommenda tions on long-term care insurance contracts
									[FCA CF] (6) Manager of certification employee	8. Giving personal recommenda tions on investments in the course of corporate finance business	
									[FCA CF] (7) Material risk taker	9. Advising on syndicate participation at Lloyd's	
									[FCA CF] (8) Client dealing	9A. Advising on P2P agreements	
									[FCA CF] (9) Algorithmic trading	10. Broker fund adviser	
									[PRA CF] Material risk taker	11. Pension transfer specialist	

(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Individual Reference Number (IRN)	Passport number	National insurance number	Date of birth	First name	Middle names (if known)	Last name	Date started role	Date role ended	Relevant roles currently held	Activities which the Directory person carries on and for which they hold the relevant qualifications	Workplace location(s) (post code(s)) for any Directory person who deals with customers and requires a qualification to do so
									[PRA CF] Key function holder	12 Giving personal recommendations on and dealing in securities which are not stakeholder pension schemes, personal pension schemes or broker funds	
									[PRA CF] Managing a material risk taker	13. Giving personal recommendations on and dealing in derivatives	
									Director of firm who is not a certification employee or a SMF manager	14 Managing investments	
									Sole trader dealing with clients for which they	15. Operating a collective investment scheme or undertaking the	

(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)		(13)		(14)
Individual Reference Number (IRN)	Passport number	National insurance number	Date of birth	First name	Middle names (if known)	Last name	Date started role	Date role ended	Relevant roles currently held		Activities which the Directory person carries on and for which they hold the relevant qualifications		Workplace location(s) (post code(s)) for any Directory person who deals with customers and requires a qualification to do so
										require a qualification		activities of a trustee or depositary of a collective investment scheme	
										Appointed representative dealing with clients for which they require a qualification		16 Safeguarding and administering investments or holding client money	
										17. Administrative functions in relation to managing investments			
										18 Administrative functions in relation to effecting or carrying out contracts of insurance which are life policies			

(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Individual Reference Number (IRN)	Passport number	National insurance number	Date of birth	First name	Middle names (if known)	Last name	Date started role	Date role ended	Relevant roles currently held	Activities which the Directory person carries on and for which they hold the relevant qualifications	Workplace location(s) (post code(s)) for any Directory person who deals with customers and requires a qualification to do so
										19. Administrative functions in relation to the operation of stakeholder pension schemes	
										20. Advising or arranging (bringing about) regulated mortgage contracts for a non-business purpose	
										21. Advising or arranging (bringing about) equity release transactions	
										21A. Designing scripted questions for execution-only sales of regulated mortgage contracts for a	

(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Individual Reference Number (IRN)	Passport number	National insurance number	Date of birth	First name	Middle names (if known)	Last name	Date started role	Date role ended	Relevant roles currently held	Activities which the Directory person carries on and for which they hold the relevant qualifications	Workplace location(s) (post code(s)) for any Directory person who deals with customers and requires a qualification to do so
										non-business purpose	
										22. Designing scripted questions for execution-only sales of equity release transactions	
										23. Overseeing execution-only sales on a day-to-day basis in relation to equity release transactions	

**16 Annex 4BG Guidance notes for Directory persons report in SUP 16 Annex 44AR**

1. In (1), the *firm* must specify the date on which the information being submitted about the particular *Directory person* is reported to the *FCA*.
2. In (2), the *firm* must confirm that the information being reported in respect of the particular *Directory person* is accurate and complete. Each *firm* is responsible for ensuring that any information reported about a *Directory person* is accurate and complete. The *FCA* will not verify the information about *Directory persons* which is reported by the *firm*. If a *firm* becomes aware of any inaccuracies or errors in the information reported about a *Directory person* it must rectify that information as soon as possible in accordance with applicable *data protection legislation*.
3. It is only necessary to report a *Directory person*'s individual reference number (IRN) in (3) if the *person* has one.
4. The information in (4), (5) and (6) will be used to cross-check the identity of the *Directory person* against other information held by the *FCA*. It will not be published on the *Directory*.
6. In (10) and (11), for each role which the *Directory person* performs, specify the dates when the individual starts and stops performing the role.
7. In (12), the *firm* should specify every role performed by the *Directory person*.
  - (a) For a *certification employee* this will be the particular *certification function* or functions which the individual has been assessed as being fit and proper to perform and performing for which the employee has a certificate at the time of the report.
  - (b) For a *non-SMF director Directory person* this will be 'Director of firm who is not a certification employee or a SMF manager'.
  - (c) For a *sole trader Directory person*, this will be 'Sole trader dealing with clients for which they require a qualification'.
  - (d) In respect of an *appointed representative Directory person*, this will be 'Appointed representative dealing with clients for which they require a qualification'.
8. Although a *firm* does not need to issue multiple certificates for any employee who performs several different *certification functions* (see SYSC 27.2.14G(6)), in (12) the *firm* must select all relevant *certification functions* which are performed by the individual (both *FCA certification functions* and *PRA certification functions*).

9. In (13) select all the relevant qualifications (see *TC App 1.1 (Activities and Products/Sectors to which TC applies subject to Appendices 2 and 3)*) which the *Directory person* requires and holds to carry on the role that they perform.
10. For example, if the *Directory person* is an *appointed representative* who holds the necessary qualifications to be able to *advise on investments* and advise on *regulated mortgage contracts* but has been appointed by the *firm* only to advise on *regulated mortgage contracts*, the *firm* should select only '20. Advising or arranging (bringing about) regulated mortgage contracts for a non-business purpose'.
11. In relation to (14), the post code of the *Directory person's* workplace location only needs to be reported where the *Directory person* deals with customers and requires a qualification under *TC App 1.1* to do so.

Amend the following as shown.

**TP 1 Transitional provisions**

...

**TP 1.12 Reporting of information about Directory persons**

<u>(1)</u>	<u>(2)</u> <u>Material to which the transitional provision applies</u>	<u>(3)</u>	<u>(4) Transitional provisions</u>	<u>(5)</u> <u>Transitional provision: dates in force</u>	<u>(6)</u> <u>Handbook provision coming into force</u>
1	SUP 16.25	R	<p><u>(1) This rule applies to:</u></p> <p>(a) <u>an SMCR banking firm; and</u></p> <p>(b) <u>an SMCR firm which is in the insurance sector for the purposes of Part 1, SYSC 23 Annex 1 (see SYSC 23 Annex 1 4.1R and 4.2R).</u></p> <p><u>(2) The reporting and timing requirements in SUP 16.25 are modified in accordance with paragraphs (3) to (5) for a firm to which this rule applies.</u></p> <p><u>(3) The firm must submit a report about each individual who is or becomes a Directory person on or</u></p>	<p><u>From [commencement of this instrument] to [12 months after commencement of the Individual Accountability (Dual-Regulated Firms) Instrument 2018]</u></p>	<p><u>[Commencement of this instrument]</u></p>

			<p>after <u>[commencement of this instrument]</u>.</p> <p><u>(4) The firm must submit to the FCA all reports about the Directory persons specified in (3) by [12 months after commencement of Individual Accountability (Dual-Regulated Firms) Instrument 2018] in the appropriate format, which is set out in Part 1, SUP 16 Annex 44AR (Directory persons report).</u></p> <p><u>(5) SUP 16.25.12R to SUP 16.25.19R apply only on and from [12 months after commencement of Individual Accountability (Dual-Regulated Firms) Instrument 2018].</u></p>	
2	<u>SUP 16.25</u>	<u>R</u>	<p><u>(1) This rule applies to an SMCR firm which is not:</u></p> <p>(a) <u>an SMCR banking firm; or</u></p> <p>(b) <u>an SMCR firm which is in the insurance sector for the purposes of Part 1, SYSC 23 Annex 1 (see SYSC 23 Annex 1 4.1R and 4.2R).</u></p> <p><u>(2) The reporting and timing requirements in SUP 16.25 are</u></p>	<p><u>From [main commencement of the Individual Accountability (FCA-Authorised Firms) Instrument 2018] to [12 months after main commencement of the Individual Accountability (FCA-Authorised Firms) Instrument 2018]</u></p> <p><u>[Main commencement of the Individual Accountability (FCA-Authorised Firms) Instrument 2018]</u></p>

modified in accordance with paragraphs (3) to (5) for a firm to which this rule applies.

(3) The firm must submit a report about each individual who is or becomes a *Directory person* on or after [main commencement of the Individual Accountability (FCA-Authorised Firms) Instrument 2018].

(4) The firm must submit to the FCA all reports about the *Directory persons* specified in (3) by [12 months after main commencement of the Individual Accountability (FCA-Authorised Firms) Instrument 2018] in the appropriate format, which is set out in Part 1, SUP 16 Annex 44AR (*Directory persons report*).

(5) SUP 16.25.12R to SUP 16.25.19R apply only on and from [12 months after main commencement of the Individual Accountability (FCA-Authorised Firms) Instrument 2018].

