



A.G. PAPHITIS & CO LLC
LAW OFFICES

United Kingdom Financial Services & Markets Act 2000

The
**LEGAL
500**
E M E A

LEADING FIRM

2013

“ A.G. Paphitis & Co. LLC Law Office’s chief strength is its expertise in banking and investment regulations. It is in a continuous process of acquiring Cyprus Securities and Exchange Commission (CySEC) licences for investment management firms. ”

The LEGAL 500, 2013 edition

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Capital Requirements for STP – Straight through processing

On the basis of the following permissions:

- arranging deals in investments;
- dealing in investments as agents; and
- holding client money/safeguarding and administering financial instruments;

the firm would be classified as a BIPRU 125k firm (Building Societies and Investment Firms) and as a limited licence firm. This means that its capital requirements would be equivalent to €125,000.

Staff Requirements

Under paragraph 2B of Schedule 6 to the Financial Services and Markets Act 2000, the firm's head office AND registered office must be in the UK. Under paragraph 2C, the firm must be capable of being effectively supervised by the FCA having regard to all the circumstances.

These make up two of the threshold conditions proscribed by the Act which must be met before authorisation can be granted.

According to the FCA's COND manual 2.2.3, the FCA will judge each application on a case-by-case basis. The key issue in identifying the head office of a firm is the location of its central management and control, that is, the location of:

- a) the directors and other senior management, who make decisions relating to the firm's central direction, and the material management decisions of the firm on a day-to-day basis; and
- b) the central administrative functions of the firm (for example, central compliance, internal audit).

These must therefore reside within the UK in order for the firm to meet basic requirements for authorisation by the FCA. On the basis of the above guidance a firm should ensure that their Board of Directors, who will approve the firm's central direction, and the senior management, who are responsible for management decisions on a daily basis are located in the UK.

With regards to the ability of the FCA to effectively supervise the firm, the FCA will look at all the circumstances including:

- a)** the nature (including the complexity) of the regulated activities that the firm carries on or seeks to carry on;
- b)** the complexity of any products that the firm provides or will provide in carrying on those activities;
- c)** the way in which the firm's business is organised;
- d)** if the firm is a member of a group, whether membership of the group is likely to prevent the FCA's effective supervision of the firm;
- e)** whether the firm is subject to consolidated supervision required under any of the relevant directives;
- f)** if the firm has close links with another person ("CL")-
 - (i) the nature of the relationship between the firm and CL;
 - (ii) whether those links are or that relationship is likely to prevent the FCA's effective supervision of the firm; and
 - (iii) if CL is subject to the laws, regulations or administrative provisions of a territory which is not an EEA State ("the foreign provisions"), whether those foreign provisions, or any deficiency in their enforcement, would prevent the FCA's effective supervision of the firm.

A firm has close links with CL if-

- a)** CL is a parent undertaking of the firm;
- b)** CL is a subsidiary undertaking of the firm;
- c)** CL is a parent undertaking of a subsidiary undertaking of the firm;
- d)** CL is a subsidiary undertaking of a parent undertaking of the firm;
- e)** CL owns or controls 20% or more of the voting rights or capital of the firm; or
- f)** The firm owns or controls 20% or more of the voting rights or capital of CL.

