

All firms



FSA
Financial Services Authority

Becoming an approved person

What is an approved person?

An approved person is someone who is approved to perform a controlled function for an authorised firm or an appointed representative firm. In order to be approved to perform a controlled function, an individual must:

- satisfy the FSA that he/she can meet, and maintain, the criteria for approval (the fit and proper test (FIT)); and then
- perform their controlled function in accordance with a set of standards (the Statements of Principle and Code of Practice for Approved Persons (APER))

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What is a controlled function?

The controlled functions are those roles for a FSA regulated business that have a particular regulatory significance. For example, a governing controlled function such as being a director of a regulated firm or a required controlled function such as overseeing the firm's systems and controls and being responsible for compliance with the FSA's rules. No firm will need all the controlled functions performed as there are different controlled functions relevant to different businesses, depending on the particular regulated activities they carry on. You can find a list of all the controlled functions and an explanation of each one, in Chapter 10 of the Supervision Manual (SUP) of our Handbook (<http://www.fsahandbook.info/FSA/html/handbook/SUP/10>).

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How do I become an approved person?

Your firm must apply on your behalf.

Application

For authorisation by a firm



Application

For approval of individuals within the business performing a controlled function

In this application, your firm will be asked to help prove that an individual carrying on a controlled function:

- Meets criteria for authorisation (the fit and proper test): and
- Can comply with the standards required in carrying out their controlled function or functions (the Statements of Principle and Code of Practice for Approved Persons)

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What is the fit and proper test?

This is not an exam you have to pass. It is a benchmark used to assess an individual's suitability to perform a controlled function. The most important considerations are the individual's:

- Honesty, integrity and reputation
- Competence and capability
- Financial soundness

Further detail about these considerations can be found in The Fit and Proper Test for Approved Persons (FIT) of our Handbook: www.fsahandbook.info/FSA/html/handbook/FIT

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An example of how we might assess one of these considerations

I was bankrupt 15 years ago, does that mean I won't be approved?

Not necessarily. If we are told something which suggests that an individual might not be fit and proper, we will consider how relevant and how important it is. It does not automatically mean that the individual will not be approved. We will consider

the full circumstances of each case before deciding. If we have concerns, we will give you a Warning Notice setting out these concerns and you will have the opportunity to make representations about our concerns in writing and/or in person before we make a final decision.

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Non-disclosure of information

It is important that you disclose everything to us when you apply. If in doubt, please disclose information that may or may not be relevant. We expect you to be open and honest with us. This will count in your favour if we need to look at your application more closely because of any adverse information we discover either from you and/or from a third party. The success of your application could be affected if we find that

you have deliberately withheld information or provided false or incomplete facts. Knowingly or recklessly giving the FSA information which is false or misleading in a material particular maybe a criminal offence (section 398 of the Financial Services and Markets Act 2000).

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How do I know which controlled functions I need to be approved for?

Not all controlled functions apply to all firms, so firms don't need to have individuals covering all controlled functions. Some examples of how this works are:

- A firm that only does mortgage and/or general insurance business, does not need to apply for individuals to be approved for customer functions (for example, advising on mortgage and general insurance products)

- A retailer whose main business is not financial services but who sells insurance policies will only need to seek approval for the person who allocates responsibility for its business to senior management and oversees systems and controls

A single individual can hold more than one controlled function. For example, a director can perform the Director function and the Compliance Oversight function. Please see in Chapter 10 of the SupervisionManual (SUP) of our Handbook (<http://www.fsahandbook.info/FSA/html/handbook/SUP/10>).

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What are the Statements of Principle and Code of Practice for Approved Persons?

The Statements of Principle are high level standards that apply to approved persons to the controlled function or functions they have been approved to perform. The Code of Practice for Approved Persons provides guidance, by the way of practical examples, as to whether an approved person's conduct complies

with the Principles. The Statements of Principle and Code of Practice for Approved Persons (APER) can be found in our Handbook:

<http://www.fsahandbook.info/FSA/html/handbook/APER>

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What happens if an approved person does not comply with our regulatory requirements?

If an approved person does not comply with our regulatory requirements we may fine or publicly reprimand him/her. We might seek to take away their approved person status which

would severely impact on their future employment prospects in the financial services industry.

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Do I have to be an approved person if I am a director of an appointed representative?

Yes. Anyone performing a governing function for an appointed representative must be an approved person. (Please see Chapter 10 of our Supervision Manual in our Handbook for a list of governing functions: (<http://www.fsahandbook.info/FSA/html/handbook/SUP/10>).

However, for appointed representatives that carry on general insurance business incidental to their main business (for example, a vet recommending specific pet insurance), only one person in the firm needs to be an approved person. That person should be a director (or equivalent) and perform one of the following governing functions:

- director
- chief executive
- partner
- director of unincorporated association

You do not apply to the FSA on your own behalf to be an approved person of an appointed representative. Your Principal (the authorised firm responsible for your actions) must apply for you.

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