

The FCA's new Appointed Representative (AR) regime – a reminder: the annual AR review and the annual self-assessment deadline is approaching.

In two Hot TopICS that were published in 2022, we set out the details of the FCA's new requirements in relation to the Appointed Representatives regime, which came into force on 8th December 2022. We are now approaching the anniversary of the new rules, set out in the Policy Statement [PS22/11: Improvements to the Appointed Representatives regime](#).

The FCA's expectations could be broadly gathered into two groups, one of which is in relation to clarifying and strengthening the responsibilities of Principals to have greater oversight of their ARs and IARs (the other being in relation to collecting additional information on ARs and widening reporting requirements for Principals).

Background

In line with the theme of the Consumer Duty, the FCA set out several key outcomes it was seeking to achieve from the introduction of the new rules (to which it remains committed), which include:

- Principals understanding their responsibilities in relation to ARs, having stronger and better oversight of, and taking more effective responsibility for, their ARs; and
- Principals addressing problems with their ARs that are, or have the potential to, cause harm to consumers or markets.

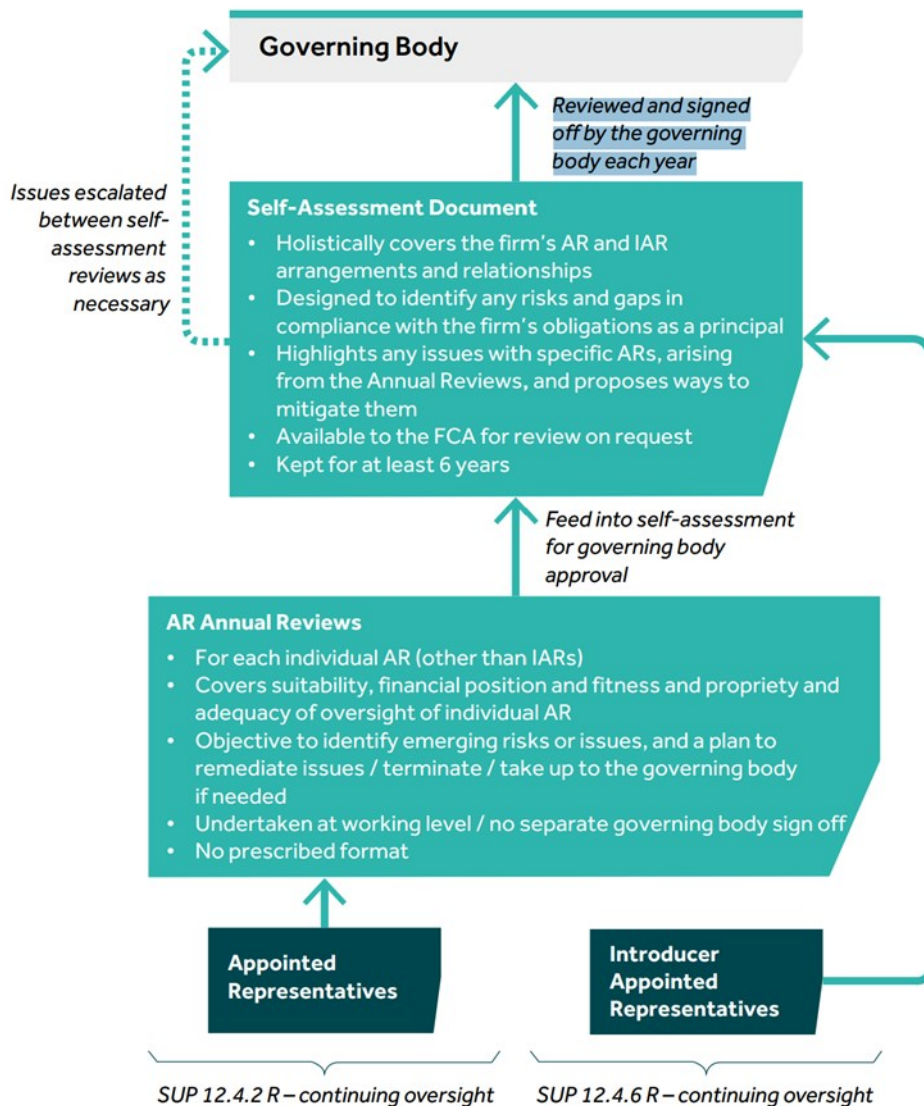
Upcoming Deadline

Following the introduction of the new regime, we are fast approaching a deadline for two of the new requirements, which arise out of the FCA's desire to strengthen the responsibilities of Principal firms in relation to oversight of and responsibility for their ARs:

- the Self-Assessment Document, required to be reviewed and signed-off by the governing body of the Principal each year, with the first one to be completed by 30th November 2023; and
- the completion of an Annual Review for each AR, again by 30th November 2023.

There was a helpful diagram in the Policy Statement publication which shows how these requirements fit together:

Fig 2: ARs: Annual Review and Self-Assessment



The FCA’s rules and guidance in relation to the reviews and self-assessments are set out in Chapter 12 of the Supervision Manual, at [SUP 12.6A](#) – a section titled ‘Assessment of compliance’. The formal requirements, in a little more detail, are that a Principal firm:

1. must undertake a specific review, at least annually, of certain aspects of its arrangements with its ARs (but not its IARs); and
2. must produce, and the firm’s governing body (so the Board, the most senior management etc.) must review and approve, a written record of the firm’s assessment (so a self-assessment document) of how it is meeting the annual review and annual self-assessment requirements;

and that the Principal firm’s governing body must agree the firm’s response to any material issues identified.

Where to find guidance

Pages 57-60 in the Policy Statement explain the Self-Assessment document and pages 52-55 explain the AR Annual Reviews.

For those firms which have made progress with reviews and are working towards the self-assessment, those suggested actions could be used as a 'check and balance' against which to benchmark your progress to date. For those firms which are yet to carry out a review of each AR for the first time since 8th December 2022, we would urge you to use the suggested actions as a starting point to make some progress towards meeting the requirements by the fast-approaching deadline.

Although there is not a prescribed format for a review report or the Self-Assessment Document, we created two new template documents to assist Principal firms:

- AR14 AR annual / ad-hoc review template: to provide a standalone document to allow a Principal firm to document the specific reviews required under the new Rules, catering only for the issues that the Rules require to be covered. It contains guidance in relation to the required annual review, and when an ad-hoc review would be required.
- AR05 Annual Principal Firm AR self-assessment template: for the Principal Firm annual self-assessment exercise.

With regard to the self-assessment, this does not need to be submitted to the FCA. The FCA, though, can request it, and it is safe to assume that the FCA will be requesting a sample of these documents across the industry; this would be in line with its approach to carry out swift thematic work. We recommend, therefore, that firms should work on and prepare the self-assessment on the basis that it will be seen by the FCA.

Not preparing a self-assessment, or preparing one which does not meet the FCA's requirements, is an obvious breach of the rules that the FCA would likely act on if it came to their attention, especially given the high-profile nature of ARs in the FCA's current strategy.

If you would like any help or information in relation to this update or any FCA-related compliance issues or ICS services, please contact your usual ICS representative or Head Office on 01892 539600 or admin@insurancecompliance.co.uk and we will be happy to discuss further.

The above information is a summary of certain matters which will affect the majority of firms conducting Insurance Distribution and reflects ICS's views at the date of publication. Each firms' requirements are individual, and rules are regularly changing; it is therefore important that you always seek specific advice from ICS before acting on anything contained in this publication.

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