

# Regulated activities and authorisation in the uk essay



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The Financial Services Authority (FSA) acts as a single and unified body which regulates financial markets. The classification of regulated activities in the United Kingdom is very broad. The term 'regulation' includes overseeing specified activities, monitoring investments and the way of functioning.

Deposits, electronic money, shares, instruments acknowledging indebtedness and investments, contracts of insurance and securities are known as specified investments. Generally, the activities pertaining to specified investments are referred to as specified activities.

The FSA takes care of regulating the conduct and discretion of banks and other financial companies in the investment and insurance sectors. It also regulates activities pertaining to mortgage and insurance intermediation. Building societies, financial advisers, credit unions and fund managers are also regulated by the FSA. It also supervises all UK-based financial exchanges and markets including energy and commodity markets like oil and metal. It also takes care of publicly listing companies in the stock market and monitoring the information disclosed by them.

However, the FSA does not regulate takeovers; accounting standards and auditors are also not directly supervised. The activities that come under the regulation of the FSA include accepting deposits, bringing insurance contracts into effect, issuing electronic money, arranging and managing investment deals. The FSA deals with the investment sector as a principal as well as an agent, and safeguards investments by regular administration. It also administers and monitors the performance of insurance contracts. The FSA also establishes collective investment schemes and stakeholder pension

schemes. It deals with sending dematerialised instructions such electronic transfer of securities.

It also provides advice on investments to the all the institutions that fall under its regulation. It also specifically arranges Lloyd's insurance contracts, provides advice on Lloyd's syndicate participation and administers Lloyd's underwriting capacity. It also provides funeral plan contracts and carries out the administration of regulated mortgage contracts. The Bank of England does not perform any supervision on any individual institution.

Therefore, the FSA is also responsible for supervising the financial activities of certain individual institutions. At present, the FSA handles the tasks that were previously performed by as many as 10 regulatory bodies, thereby bringing in nearly 10, 000 companies under its direct regulation. Hence, the powers as well as the scope of the FSA are very extensive. According to the central provision of Financial Services and Markets Act (FSMA), all the activities mentioned in the Regulatory Activities Order (RAO) and PERG (Perimeter Guidance Manual) are termed as regulated activities. Hence, a business will have to be authorised, in order carry out such activities.

However, open-ended investment companies, UCITS operators and companies holding an EEA passport need not be authorised by the FSA. Although Treaty firms are authorised by the home state, they have to duly notify the FSA. A company can also become authorised by obtaining permission from the FSA under Part IV of the FSMA. Obtaining permission from the FSA is not an end to itself, but it serves as the primary route for a company to obtain authorization to conduct business.

To obtain permission, a company has to satisfy certain threshold conditions laid down by the FSA and pay the necessary authorisation fees. Once these conditions are satisfied by a company, it will automatically gain authorization. The breach of permission is considered to be a disciplinary offence, but the agreement will remain enforceable. When a business wishes to remove or add a particular permission needed for a carrying out a regulated activity, the majority of the details required for making the decision are already available at FSA's disposal, which simplifies and thereby quickens the process. However, the removal of a particular permission will not lead to the cancellation of authorization. The breach of authorisation is considered as a civil offence, which renders agreements unenforceable and consequently leads FSA sanctions.

The threshold conditions are specified in the COND section of the FSA handbook. It depends on various conditions like legitimacy of the company, office location, available resources and nature of business. The company should be a corporate body and should be appropriately insured. It should either be a registered member of the friendly society or a Lloyd's member. The location of the company's head quarters and registered offices must be within the geographical limits of the United Kingdom. If the company does not have its head office in the UK, at least the business operations should take place there.

FSA's regulation should not be prevented or disturbed by the intervention of any of the company's close links. The company should have adequate financial and non-financial resources to carry out the regulated activities and should survive rival's competition. However, the FSA can vary or withdraw <https://assignbuster.com/regulated-activities-and-authorisation-in-the-uk-essay/>

the permission after issuing it once, at its own discretion. The cancellation of permission usually happens as a result of violation of threshold conditions.

On the other hand, the permission may vary according to the regulated activities carried out by a company. The FSA can impose certain limitations on a company based on its type of investments and number of clients. It may also enforce its own restrictions based on the nature of business carried out by a firm. These threshold conditions ensure that the fundamental requirements of the regulatory policy, such as maintaining market confidence, protection of consumer interest and reduction of financial crimes are satisfied.