

10th Conference – 22nd April 2021

Authorisations and Innovation Division

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Good morning everyone.

Slide: Smoothing the application process

As Emma has said, today we want to speak about how we can work together to smooth and speed up the application process for everyone.

There is nothing Emma or I love more than signing off on an application and getting the licence out of the door and the more efficiently we can do that the better for us and for you.

So, what makes a good application?

Firstly, please make sure that your application is complete when it is submitted. Now this may sound obvious, but we receive many applications that are missing pieces of information. It is much more efficient, and really helps to speed up the process, if we can review a completed application in one go rather than have to request further information because there is key information missing. If we have to put the application down because we are waiting for further information then it will go back down the queue because we will pick something else up in the meantime. So, please review your application prior to submission and make sure that everything required has been included.

If you do have a key piece of information missing because you are waiting for something, firstly, please consider whether you should hold off submitting the application. If you feel you must submit it then please flag up in the covering letter or email so that we don't waste time looking for it and then chasing you for it.

My second point is about online personal questionnaires and online appointments, picking up from Emma's earlier comment. Please ask your clients to submit these as early as possible and ask them to take it very seriously. If there are obvious errors we will have to return the form to them for amendment and this just holds up our due diligence process. Common mistakes are around section 8 of the form which deals with Appointments and Other Interests, here we frequently find interests that haven't been declared. This gives us the impression that the

individual has not taken the process seriously or, worse, is trying to hide something. If unsure about something then declare it and let us decide if it is relevant.

It is really helpful if individuals completing an OPQ would do the OA at the same time so that we can tie the two together with the relevant application. We often get OPQs submitted by individuals that are not previously known to us with no explanation of what they are for. This means that we have to contact them to ask for further information so that we can tie it up to the application. Also, please encourage your clients to contact the support desk if they are having difficulties, this can save a lot of toing and froing with us asking for OAs several times when people think they have submitted them.

Next, the Fee. It is really helpful if, when submitting the application you can provide details of what you have paid, the date paid and what bank account name it has come from if not from a name that is obviously linked to the applicant, then we can trace it much more easily. We often get cases where the applicant thinks they have paid the fee but their accounts department has not actioned it so the application gets to the top of the queue for review only to be held up because we have to chase for the fee. So, please ensure your accounts department is aware that this is not a payment that can wait until the end of the month. We don't start work on an application until the fee has been received and, it is worth noting that for fast track applications, the clock does not start until we have the fee.

This may sound obvious, but it is something that needs saying. Accuracy in an application is important, particularly if you have several related companies with similar names, it is important to make sure the correct names are in the correct place and are consistent with any structure charts that you submit. We receive many applications with complex structures which are made even more confusing if they contain errors. Accuracy and clarity around control and beneficial ownership is also very important and we will keep digging on that until we are sure we understand it. Discrepancies between documents are also a concern for us and it causes delays whilst we try to work out which is correct so please do a check that all of your documents are consistent before you submit.

Finally on this slide, there are very few applications that do not require a Business Risk Assessment so please include a BRA that meets the requirements of the Handbook. We are in the process of updating all of our forms to make this clearer but, as a general rule, if the applicant will be required to have a BRA then it should be submitted with the application. Another common reason holding up an application is that we have to return an inadequate BRA so please give that document your full attention prior to submission.

Slide: Suitability

Next, I wanted to speak about suitability, or fit and proper, requirements.

We are required to consider whether applicants meet the minimum criteria for licensing as set out in the various regulatory laws. Now, I must stress this is not only about whether a proposed controller or director has criminal convictions or has been subject to regulatory sanctions. The MCL includes many requirements but today I just want to draw your attention to the wider business conduct matters which are included as part of that minimum criteria where, amongst other things, it talks about previous conduct and activities, whether a person has engaged in any business practices which otherwise reflect discredit on his methods of conducting business.

So, in a recent example, we found adverse comments from a liquidator of a company that an individual had previous involvement with. The liquidator had clearly been unimpressed with the conduct of that individual, to the extent that it had been included in the publicly available liquidators report. This caused us to dig a bit deeper into the history of that individual and the picture we built up was of concern to us. Similarly, in another case, we have found adverse comment from court judgements where the judge has taken the opportunity to comment on the conduct of parties involved.

Looking at public records we can sometimes see a pattern emerging where an individual has a history of involvement with many companies that have been dissolved or compulsorily wound up – this may indicate someone who walks away from debts or has a poor track record. Sometimes there is a complex web of companies, with lots of similar names or a history of company names being changed. We ask ourselves whether these factors may indicate someone who is trying to hide the corporate history. I wonder how many of you take the time to investigate in this way – it does take time but it is probably better to take that time at the beginning of the relationship than have to deal with an insolvency or regulatory investigation later on.

So, we are trying to build up a picture of the business record of that individual to assess whether they are suitable to hold a prescribed position in a licensed or authorised entity.

Now, we do appreciate that sometimes information is available to us that you wouldn't have been able to find when carrying out your own due diligence. In those circumstances, whilst we cannot always share it with you, we can often use that information to lead us to open source information that we can draw to your attention.

Slide: Adverse due diligence

Which brings me to my next slide.

When we do have adverse due diligence we will always seek further information and provide you, or the individual, with an opportunity for further explanation or elaboration. Please bear in mind that, on application, the onus is on the applicant to demonstrate that they meet the minimum criteria for licensing and therefore, we are entitled to seek further information if we require it to help us assess the suitability of the applicant. This is for the good of all of us because it is much

better to stop an unsuitable applicant at the gate rather than deal with a reputational or enforcement issue later.

We think that our interests should be aligned here and whilst we know you have business pressures surely a problem client is one that you could do without. Therefore, if you know that we have concerns we do ask you to use the opportunity for reflection and perhaps a reassessment of your client. Please don't simply see it as an administrative matter or adopt a defensive position.

If, having obtained all the relevant information, we still have material concerns then we will usually invite you to withdraw the application. If we do this, please take it seriously, it means that neither Emma nor myself are prepared to sign off a licence and, if not withdrawn, the application will be referred to an Application Review Panel. In those circumstances you risk a licence being refused which I think is something that most of you would like to avoid.

As Emma mentioned earlier, 97% of applications do proceed to licensing and some don't proceed for operational reasons so it is a very small proportion of applications for which we invite withdrawal and we do ask you to work with us on those.

Slide: The review and decision process

This just gives you a flavour of the process we go through with each application.

We do try to deal with applications strictly in order of receipt. Of course there are some fast track schemes which we commit to deal with in specific timeframes but other than that we simply work our way through them. So, it is always difficult for us when people ask, how long will my application take? If you submit it at a quiet time obviously it will get to the front of the queue more quickly but our inbox is very unpredictable, so we are not trying to be difficult if we can't give you a definite timeframe and we do ask that you manage your clients expectations accordingly.

In practice these stages can be run concurrently so, if the reviewer has any issues or concerns they would refer to one of our Technical Specialists or to myself or Emma during the course of their review so that by the time it gets to four eyes any issues have been resolved.

If at this stage there are still unresolved matters then we do have the option to refer to an applications review panel (ARP) as I mentioned earlier. We use these in limited circumstances where we have concerns that raise matters of policy or legal interpretation or where we have adverse due diligence.

Slide: Communication

Finally from me, just a few tips when communicating with the Authorisations Division.

This is just a plea to avoid chaser emails if possible. Every chaser that we have to respond to means less time available to deal with the applications. If you have a tight deadline please make that clear when submitting the application and we will do our best to meet that. It is not necessary to follow up your application a week later just to check that we got it, that won't speed up the process.

If you are going to be submitting an unusual or complex application it may help to meet with us first so that we know what to expect and we can give you a steer as to what particular information we will be looking for.

You have several contact options including our wonderful support desk for your PQ portal queries – a tip from them is to access the portal from our website rather than from a bookmarked link as apparently this is a common cause of problems. There is a secure egress upload facility that you can use for applications if you have an especially large or confidential application.

So, I hope that has been of some help and I will hand you back to Emma.