

*Status: Point in time view as at 01/04/2013.*

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## SCHEDULES

### SCHEDULE 6

#### THRESHOLD CONDITIONS

##### Modifications etc. (not altering text)

**C1** Sch. 6 modified (3.9.2001) by [S.I. 2001/2507](#), [arts. 1\(1\), 3\(1\)](#); [S.I. 2001/2632](#), [art. 2\(2\)](#), [Sch. Pt. 2](#)

#### [<sup>F1</sup>PART 1E

##### PART 4A PERMISSION: CONDITIONS FOR WHICH THE PRA IS RESPONSIBLE IN RELATION TO OTHER PRA-AUTHORISED PERSONS

##### Textual Amendments

**F1** Sch. 6 Pts. 1-1G substituted for Sch. 6 Pts. 1, 2 (1.4.2013) by [The Financial Services and Markets Act 2000 \(Threshold Conditions\) Order 2013 \(S.I. 2013/555\)](#), [arts. 1, 2\(2\)](#)

#### Introduction

- 5A. If the person concerned (“D”) carries on, or is seeking to carry on, PRA-regulated activities which do not consist of or include a regulated activity relating to—
- (a) the effecting or carrying out of contracts of insurance,
  - (b) managing the underwriting capacity of a Lloyd’s syndicate as a managing agent at Lloyds, or
  - (c) arranging, by the Society, of deals in contracts of insurance written at Lloyd’s,
- the threshold conditions which are relevant to the discharge by the PRA of its functions in relation to D are the conditions set out in paragraphs 5B to 5F.

#### Legal status

- 5B. If D carries on or is seeking to carry on a regulated activity which consists of or includes accepting deposits or issuing electronic money, D must be—
- (a) a body corporate, or
  - (b) a partnership.

#### Location of offices

- 5C. (1) If D is a body corporate incorporated in the United Kingdom—
- (a) D’s head office, and
  - (b) if D has a registered office, that office,

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must be in the United Kingdom.

- (2) If D is not a body corporate but D's head office is in the United Kingdom, D must carry on business in the United Kingdom.

*Business to be conducted in a prudent manner*

- 5D. (1) The business of D must be conducted in a prudent manner.
- (2) To satisfy the condition in sub-paragraph (1), D must in particular have appropriate financial and non-financial resources.
- (3) To have appropriate financial resources D must satisfy the following conditions—
- (a) D's assets must be appropriate given D's liabilities, and
  - (b) the liquidity of D's resources must be appropriate given D's liabilities and when they fall due or may fall due.
- (4) To have appropriate non-financial resources D must satisfy the following conditions—
- (a) D must be willing and able to value D's assets and liabilities appropriately,
  - (b) D must have resources to identify, monitor, measure and take action to remove or reduce risks to the safety and soundness of D,
  - (c) D must have resources to identify, monitor, measure and take action to remove or reduce risks to the accuracy of D's valuation of D's assets and liabilities,
  - (d) the effectiveness with which D's business is managed must meet a reasonable standard of effectiveness, and
  - (e) D's non-financial resources must be sufficient to enable D to comply with—
    - (i) requirements imposed or likely to be imposed on D by the PRA in the exercise of its functions, and
    - (ii) any other requirement in relation to whose contravention the PRA would be the appropriate regulator for the purpose of any provision of Part 14 of this Act.
- (5) The matters which are relevant in determining whether D satisfies the condition in sub-paragraph (1) or (2) include—
- (a) the nature (including the complexity) of the regulated activities that D carries on or seeks to carry on;
  - (b) the nature and scale of the business carried on or to be carried on by D;
  - (c) the risks to the continuity of the services provided or to be provided by D;
  - (d) the effect that the carrying on of the business carried on or to be carried on by D might be expected to have on the stability of the UK financial system;
  - (e) the effect that D's failure might be expected to have on the stability of the UK financial system;
  - (f) D's membership of a group and any effect which that membership may have.

*Suitability*

- 5E. (1) D must be a fit and proper person, having regard to the PRA's objectives.
- (2) The matters which are relevant in determining whether D satisfies the condition in sub-paragraph (1) include—

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- (a) whether D has complied and is complying with requirements imposed by the PRA in the exercise of its functions, or requests made by the PRA relating to the provision of information to the PRA and, if D has so complied or is so complying, the manner of that compliance;
- (b) whether those who manage D's affairs have adequate skills and experience and have acted and may be expected to act with probity.

### *Effective supervision*

- 5F. (1) D must be capable of being effectively supervised by the PRA.
- (2) The matters which are relevant in determining whether D satisfies the condition in sub-paragraph (1) include—
- (a) the nature (including the complexity) of the regulated activities that D carries on or seeks to carry on;
  - (b) the complexity of any products that D provides or will provide in carrying on those activities;
  - (c) the way in which D's business is organised;
  - (d) if D is a member of a group, whether membership of the group is likely to prevent the PRA's effective supervision of D;
  - (e) whether D is subject to consolidated supervision required under any of the relevant directives;
  - (f) if D has close links with another person ("CL")—
    - (i) the nature of the relationship between D and CL,
    - (ii) whether those links are or that relationship is likely to prevent the PRA's effective supervision of D, 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 PRA's effective supervision of D.
- (3) D has close links with CL if—
- (a) CL is a parent undertaking of D,
  - (b) CL is a subsidiary undertaking of D,
  - (c) CL is a parent undertaking of a subsidiary undertaking of D,
  - (d) CL is a subsidiary undertaking of a parent undertaking of D,
  - (e) CL owns or controls 20% or more of the voting rights or capital of D, or
  - (f) D owns or controls 20% or more of the voting rights or capital of CL.]

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