

## 1983 No. 587

## SECURITIES

**The Dealers in Securities (Licensing) Regulations 1983**

<i>Made</i>	- - - -	14th April 1983
<i>Laid before Parliament</i>		26th April 1983
<i>Coming into Operation</i>		1st June 1983

The Secretary of State, in exercise of the powers conferred by sections 3, 5 and 21 of the Prevention of Fraud (Investments) Act 1958(a) and now vested in him(b) and of all other powers enabling him in that behalf, hereby makes the following regulations—

*Citation, Commencement, revocation and transitional provisions*

1.—(1) These regulations may be cited as the Dealers in Securities (Licensing) Regulations 1983 and shall come into operation on 1st June 1983.

(2) Subject to paragraph (3) below, the regulations listed in Schedule 5 hereto are hereby revoked.

(3) The transitional provisions in Schedule 4 hereto shall have effect.

*Interpretation*

2.—(1) In these regulations, unless the context otherwise requires—

“the Act” means the Prevention of Fraud (Investments) Act 1958;

“associate” in relation to any person means—

- (a) a close relative of that person;
- (b) any corporation of which that person is a director;
- (c) any person who is an employee or partner of that person;
- (d) if that person is a corporation—
  - (i) any subsidiary of that corporation;
  - (ii) an employee of any such subsidiary;

“chief executive”, in relation to an applicant which is a corporation or to a corporation of which it is a subsidiary, means an employee of the applicant or that corporation who either alone or jointly with others is responsible

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(a) 1958 c. 45. (b) S.I. 1970/1537.

under the immediate authority of the directors for the conduct of the whole of the business of dealing in securities of the applicant or that corporation;

“close relative”, in relation to a person, means that person’s wife, husband or minor child and for the purposes of this definition “child” includes step-child and “minor”, in relation to Scotland, includes pupil;

“commodity deposit” means a margin or other deposit within the meaning of section 1 of the Banking Act 1979(a) taken in connection with commodity trading;

“commodity exchange” means an exchange (whether in Great Britain or elsewhere) on which commodities or commodity futures are traded;

“controller”, in relation to a corporation, means—

- (a) where the corporation concerned is the applicant, a chief executive of the corporation or of a corporation, engaged in the business of dealing in securities (whether under the authority of a licence or otherwise), of which it is a subsidiary;
- (b) a person who either alone or with any associate or associates is entitled to exercise, or control the exercise, of one third or more of the voting power at any general meeting of the corporation or of a corporation of which it is a subsidiary;

“group” means a group consisting of two or more corporations all of which are interconnected with each other within the meaning of paragraph (2) of this regulation;

“listed security” means a security in relation to which there has been granted and not withdrawn a listing in respect of that security on a recognised stock exchange;

“manager”, in relation to an applicant which is a corporation, means an employee of the applicant (other than a chief executive) who, under the immediate authority of a director or chief executive of the applicant—

- (a) exercises managerial functions; or
- (b) is responsible for maintaining accounts or other records of the applicant;

“relevant activity” means—

- (a) dealing in securities;
- (b) dealing in property other than securities (including futures) otherwise than in the course of an ordinary trade of wholesale or retail distribution;
- (c) banking, insurance, money-lending, debt-factoring, hire-purchase financing, leasing, or other financial activities;
- (d) providing investment or financial advice;

and for the purposes of paragraph (b) of this definition—

- (i) a trade of wholesale distribution is one in which goods are offered for sale and sold to persons for resale by them or for processing and resale by them; and
- (ii) a trade of retail distribution is one in which goods are offered for sale and sold to persons for their consumption or use;

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(a) 1979 c. 37.

“stockbroker” means a stockbroker who is a member of a recognised stock exchange; and

“subsidiary” shall be construed in accordance with section 154 of the Companies Act 1948(a).

(2) For the purposes of these regulations, any two corporations are to be treated as inter-connected if one of them is a corporation of which the other is a subsidiary or if both of them are subsidiaries of one and the same corporation or if the same person is a controller of both.

*Applications for principals' licences*

3.—(1) An application for a principal's licence under section 3(1)(a) of the Act by a corporation which has not such a licence in force and intends to carry on business alone shall be made by lodging a written request therefor, signed by all the directors of the corporation or by one or more directors expressly authorised to sign on behalf of the remainder, containing—

- (a) the information specified in Parts I, II and III of Schedule 1 hereto about the corporation;
- (b) the information specified in Parts III, IV and V of Schedule 1 hereto about every individual who is a director, controller or manager of that corporation or of any other corporation in respect of which information is required to be given under sub-paragraph (c) below;
- (c) the information specified in Parts II, III and V of Schedule 1 hereto about any corporation which is a director or controller of—
  - (i) the applicant; or
  - (ii) any other corporation in respect of which information is required to be given by this sub-paragraph (c);
- (d) the information specified in Parts II, III, V and VI of Schedule 1 hereto (other than paragraph 6 of Part II) about any other corporation within the same group whose business consists to any substantial extent of a relevant activity; and
- (e) where regulation 6(3) below applies, the information specified in that paragraph about every person mentioned in that paragraph;

being information verified in the manner specified in Part VIII of Schedule 1 hereto.

(2) An application for a principal's licence under section 3(1)(a) of the Act by an individual who has not such a licence in force and intends to carry on business alone shall be made by lodging a written request therefor, signed by the individual, containing—

- (a) the information specified in Parts I, III, IV and V of Schedule 1 hereto about the individual;
- (b) the information specified in Parts II, III, V and VI of Schedule 1 hereto about any corporation of which the individual is the controller; and

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(a) 1948 c. 38.

- (c) where regulation 6(3) below applies, the information specified in that paragraph about every person mentioned in that paragraph;

being information verified in the manner specified in Part VIII of Schedule 1 hereto.

(3) Subject to paragraph (1) of regulation 6 below, an application for a principal's licence by a person who has not such a licence in force and intends to carry on business jointly with any other person shall be made by lodging a written request therefor jointly with that other person in the manner specified in paragraph (4) below and for the purposes of these regulations such joint application shall be treated as a single application by the partnership.

(4) An application by a partnership shall be signed by all the partners or by one or more partners expressly authorised to sign on behalf of the remainder and shall contain—

- (a) the information specified in Parts I, III, V and VII of Schedule 1 hereto about the partnership;
- (b) to the extent not already disclosed by virtue of sub-paragraph (a) of this paragraph, the information which would have been required to be furnished under this regulation in relation to each partner had he, or as the case may be it, been applying for a principal's licence with the intention of carrying on business alone (other than the information specified in paragraph 2 of Part 1 of Schedule 1 hereto); and
- (c) where regulation 6(3) below applies, the information specified in that paragraph about every person mentioned in that paragraph;

being information verified in the manner specified in Part VIII of Schedule 1 hereto.

4.—(1) Subject to paragraph (2) below an application for a principal's licence under section 3(1)(a) of the Act by a person who has such a licence in force shall be made by lodging a written request therefor, not less than three months nor more than six months before the date on which the licence is due to expire, signed as on an application by a person who has not such a licence in force, containing the information specified or referred to in paragraph (3) below.

(2) An application may be made less than three months before the licence is due to expire if the request therefor includes a statement shewing cause why the application should be considered out of time but if sufficient cause is not shewn, or if, having regard to the information furnished, there is insufficient time for proper consideration thereof, the application shall be treated as not properly made.

(3) The information referred to in paragraph (1) above is the information required on an application by a person who has not such a licence in force, verified in the same manner, provided that if in respect of any particular matter information has been furnished in connection with a previous application and there has been no change in the information it shall be sufficient to state that fact.

*Applications for representatives' licences*

5. Regulations 3 and 4 shall apply to an application for a representative's licence under section 3(1)(b) of the Act with the modifications specified in Schedule 3 hereto.

*General*

6.—(1) Where any member of a partnership is already the holder of a licence the application by the partnership shall state that fact but, subject to paragraph (4) below, shall nevertheless contain the information referred to in sub-paragraph (b) of paragraph (4) of regulation 3 above in relation to that person.

(2) If it is impracticable for the applicant to obtain any of the information specified in regulations 3, 4 or 5 above, he may instead state the steps which he has taken to obtain the information and indicate, with such precision as the circumstances permit, his own belief as to the facts required to be stated.

(3) This paragraph applies in any case where a business in relation to which information is required to be given by these regulations has been carried on by more than one person in succession within the ten years preceding the application, and in any such case the information mentioned in sub-paragraph (1)(e), (2)(c) or (4)(c), as the case may be, of regulation 3, is such information concerning the past relating to the person who previously carried on the business as would be required by these regulations to be given in relation to that person if he were applying for the licence.

(4) On an application for a licence made pursuant to these regulations, it shall not be necessary to furnish information as to any of the matters as to which information is required under regulations 3, 4 or 5 above with respect to any person if—

- (a) information as to that matter has been furnished or is at the same time furnished with respect to that person in connection with another such application and there has been no change in that information; or
- (b) except where that person is the applicant or a director, chief executive or manager of the applicant, information has been furnished or is at the same time furnished with respect to that person in connection with—
  - (i) membership of any body of persons recognised under section 15 of the Act; or
  - (ii) an order made under section 16 or section 17 of the Act; andthere has been no change in the information so furnished;

provided that sufficient indication is given as to the occasion on which such information was so furnished to enable it to be identified.

7. If any change occurs in the information required to be furnished when making an application for a licence while that application is pending, the applicant shall forthwith furnish particulars of the change.

*Information to be provided during the currency of a licence*

8.—(1) This regulation and Schedule 2 to these regulations shall have effect for the purpose of requiring the holder of a principal's licence to furnish information as to his handling of money and property not belonging to him during his last completed financial year to the Secretary of State within six months from the end of that period, and accordingly, in this regulation—

“the prescribed time” is any time during the currency of the licence not more than six months after the end of any relevant period determined in accordance with this regulation; and

“the prescribed information” is the information specified in Part I of Schedule 2 hereto with respect to any relevant period determined in accordance with this regulation.

(2) The prescribed information shall be verified in the manner specified in Part II of Schedule 2 hereto.

(3) The relevant period in the case of the holder of a licence to whom section 1 or section 9 of the Companies Act 1976(a) applies is so much of either—

(a) the earliest accounting reference period of that person determined in accordance with that Act with respect to which information has not yet been furnished as expired before or not more than six months after the date on which the licence took effect; or

(b) where, in accordance with section 1 of that Act, accounts have been made up for a period determined by reference to an accounting reference period as mentioned in sub-paragraph (a) above but not exactly corresponding to that period, of the period for which accounts were so made up;

as fell during the currency of the licence or any previous licence.

(4) In any other case, the relevant period is so much of either—

(a) a period for which accounts have been made up analogous to such a period as is mentioned in paragraph (3) above; or

(b) where accounts are not customarily made up for such a period as is mentioned in sub-paragraph (a) above, the period of one year ending on the 5 April occurring before or not more than six months after the date on which the licence took effect;

as fell during the currency of the licence or any previous licence.

(5) Nothing in this regulation shall be construed as preventing the holder of a licence from furnishing information during the currency of a licence with respect to a period in relation to which, if a further licence is granted, he would be required to furnish information and, if he does so, for the purposes of any such subsequent licence he shall be taken as having complied with this regulation with respect to that period.

9.—(1) At the times specified or referred to in this paragraph a corporation which is the holder of a principal's licence shall furnish the information so specified or referred to, so far as applicable, that is to say—

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(a) 1976 c. 69.

- (a) when a person becomes a director, manager or controller of the corporation, the information which would be required to be given in relation to that person on the occasion of an application for a principal's licence by that corporation, verified in the same manner;
- (b) when any person ceases to be a director, manager or controller of the corporation, the circumstances of his so ceasing;
- (c) when any person who is a director, manager or controller of the corporation is convicted of any offence such as is mentioned in paragraph 11 of Part IV of Schedule 1 hereto, the details there specified;
- (d) when a petition is served for the winding up of the corporation or of any corporation of which it is a subsidiary or which is a controller of the corporation or of any corporation within the same group whose business consists to any significant extent of a relevant activity, or notice is given of a resolution that any such corporation be wound up voluntarily, and at every subsequent stage in the matter, details thereof including, without prejudice to the generality of the foregoing, a copy of the petition or, as the case may be, the resolution, a copy of any declaration of solvency or statement of affairs (whether provisional or not), the name and address of any liquidator appointed and, in the event of a petition being dismissed or adjourned, or an interim or other order being made, or a resolution not being passed, details of the circumstances;
- (e) when a receiver is appointed over, or an encumbrancer takes possession of, all or any part of the property of the corporation, details of the circumstances;
- (f) when a bankruptcy petition is presented against any director, manager or controller of the corporation and at every subsequent stage in the matter, details thereof;
- (g) on the resignation of an auditor of the corporation, a copy of the notice required by section 16 of the Companies Act 1976 and at each subsequent stage, copies of all notices, communications, representations and other formal documents relating to the matter; and
- (h) on receipt of notice of an intended resolution such as is mentioned in section 15(2) of the Companies Act 1976, and at each subsequent stage until the resolution is passed or not, as the case may be, copies of all notices, communications, representations and other formal documents relating to the matter.

(2) At the times specified or referred to in this paragraph an individual who is the holder of a principal's licence shall furnish the information so specified or referred to, that is to say, when a bankruptcy petition (or the equivalent in other jurisdictions) is presented against the holder of the licence and at every subsequent stage in the matter, details thereof, including, without prejudice to the generality of the foregoing, a copy of the petition and, in the event of the petition being dismissed or adjourned or an interim or other order being made, details of the circumstances.

(3) At the times specified or referred to in this paragraph the holder of a licence shall furnish the information so specified or referred to, that is to say—

- (a) when judgement for £500 or more is entered against the holder of the licence, details of the circumstances;
- (b) when the holder is convicted of any offence such as is mentioned in

paragraph 11 of Part IV of Schedule 1 hereto, the details there specified;  
and

(c) within 14 days of the holder of the licence being notified that a complaint has been made to the Department of Trade against the holder as to the conduct of business by the holder, details of the circumstances which gave rise to the complaint.

(4) The holder of a principal's licence shall forthwith furnish details of any proposed change in the matters with respect to which information is required to be furnished under paragraph 8 of Part I of Schedule 1 hereto.

14th April 1983.

*Gerard Vaughan,*  
Minister of State,  
Department of Trade.

## SCHEDULE 1

### INFORMATION TO BE FURNISHED ON THE OCCASION OF AN APPLICATION

#### Regulations 3, 4 and 5

### PART I

#### INFORMATION ABOUT AN APPLICANT

1. A description, in sufficient detail to disclose the nature and scale of the business or proposed business, (including where relevant indications as to the approximate number, percentage or amount within any category and as to any significant changes which may have occurred in the previous five years), of—

- (a) the sources, or expected sources, of the applicant's business (for example, responses to advertising or circulars, references by solicitors, accountants, bank managers or other professional advisers);
- (b) the types of business which the applicant does or proposes to do (for example, investment management limited to listed securities and effected only through a stockbroker, other investment management, investment advice, acting as principal in relation to dealing in listed securities, acting as principal in relation to dealing in other securities, broking, underwriting, new issues);
- (c) the type of clients with whom the applicant does, or expects to do, business (for example, private, overseas, pension funds, investment companies); and
- (d) the form of organisation which the applicant has adopted or proposes to adopt for the purposes of its business, including the number and functions of any employees, any internal rules concerning employees dealing on their own account and the avoidance or resolution of conflicts of interest, and any disciplinary procedures.



2. Whether, having regard to the business which the applicant proposes to do during the currency of the licence, if granted, and to the amount and character of the financial resources expected to be available to the applicant during that period, the applicant can reasonably be expected to be able to continue to carry on the business as a going concern throughout that period, and if not, details of the reasons why it cannot be so expected.

3. A description of any arrangements in force or to be established such as are referred to in rule 6(2)(c) of the Licensed Dealers (Conduct of Business) Rules 1983(a) (which provides that the holder of a principal's licence must give notice in certain circumstances of whether or not there are in force arrangements covering failure to account for money or investments) including—

- (a) the name, description and address of the person who is to make good the liability in the event of failure;
- (b) the terms and conditions upon which payment is to be made;
- (c) any circumstances in which the right to any such payment would be excluded or modified;
- (d) the limit (if any) on the amount of any such payment and how any such limit has been calculated; and
- (e) any provisions for ensuring that the persons whom the payment was intended to benefit would have a right thereto as against the creditors generally;

or, if no such arrangements are in force or to be established, whether any person has declined to provide such arrangements, and if so, what, if any, reason was given for so declining.

4. The nature of any business other than dealing in securities carried on or proposed to be carried on by the applicant in conjunction with the business of dealing in securities.

5. The names of any persons other than clients with whom transactions relating to securities have been effected in the previous year, or if more than ten, the ten with whom the greatest number of such transactions have been effected in that period, whether any complaints as to the conduct of business by the applicant have been received from such named persons, and if so, details of the circumstances.

6. The name and address of every bank, deposit-taker or other person whether in the United Kingdom or elsewhere with whom the applicant keeps or proposes to keep an account, the identity of the applicant's principal bankers, whether the applicant has at any time within the ten years preceding the application received an indication from any such person that he is not satisfied with the manner in which an account of the applicant has been kept and if so, details of the circumstances.

7. Whether the applicant is engaged, or expects to be engaged, in any civil

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(a) S.I. 1983/585.

litigation, whether as plaintiff or defendant (or the equivalent in other jurisdictions) in England and Wales or elsewhere and if so, details of the circumstances.

8. The dates of any relevant period in relation to which the prescribed information is to be furnished for the purposes of regulation 8 of these regulations if the licence is granted, the manner in which that period or those periods is or are determined, and the latest date or dates on which that information may be furnished under that regulation.

9. Whether the applicant has agreed, or proposes that it should be agreed, with any of his, or, as the case may be, its clients that he or it may retain any interest earned on money in the application of which he or it has any element of discretion and if so, whether the applicant is a recognised bank or licensed institution within the meaning of the Banking Act 1979(a) and, if the applicant is not such a recognised bank or licensed institution, details of the circumstances which enable, or would enable, him or it so to retain the interest under that Act.

10. The address of the principal place of business and of all other offices in Great Britain where business is carried on or is intended to be carried on.

11. Details of any other event which has occurred in relation to the business which is likely to have a significant effect on the applicant's business during the currency of the licence if granted.

## PART II

### INFORMATION ABOUT A CORPORATION

1. Name, and former names (if any) of the corporation and when changed.
2. Date of incorporation.
3. Place of incorporation.
4. Address of any registered office.
5. Capitalisation.
6. If any activity of the corporation is financed to any significant extent from a source other than share capital or retained profits, the nature and extent of that finance, the maturity of any indebtedness and the name, address and description of the person having power to demand re-imburement thereof.
7. The name of every person who is a director, controller or manager of the corporation.

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(a) 1979 c. 37.

8. (a) Whether, at any time during the ten years preceding the application, a petition for the winding-up of the corporation has been served (or the equivalent in other jurisdictions); if pending, details of the circumstances and if not now pending, how the matter was disposed of; and
- (b) whether during that period notice has been given of a resolution that the corporation be wound up voluntarily (or the equivalent in other jurisdictions) and if so, details of the circumstances and if not now pending, how the matter was disposed of.
9. Whether at any time during the ten years preceding the application a receiver of any property of the corporation (or the equivalent in other jurisdictions) has ever been appointed and if so, details of the circumstances and whether the receiver is still in possession.
10. Whether the affairs of the corporation are being or have ever been investigated by an inspector appointed under any enactment or the corporation has been required to produce books and papers to the Secretary of State or to an officer of his under section 109 of the Companies Act 1967(a) and if so, details of the circumstances.

### PART III

#### INFORMATION ABOUT PERSONS GENERALLY

1. Whether in connection with his, or as the case may be, its business—
- (a) the person holds or has ever held or applied for and been refused or not yet been granted a licence or equivalent authorisation to carry on any activity in the United Kingdom; or
- (b) the person so holds or has ever so held or so applied for and been so refused or not yet granted such a licence or equivalent authorisation to carry on a relevant activity in any other country;
- being in either case a licence or authorisation of a type which may be refused on the ground that the applicant is not a fit and proper person or for similar reasons, and if in either case the person has been so refused, details of the circumstances.
2. Whether the person has ever been censured, disciplined or publicly criticised by, or made the subject of a court order at the instigation of—
- (a) any regulatory authority or officially appointed inquiry, whether in the United Kingdom or elsewhere; or
- (b) any other established body concerned with regulation of a relevant activity (for example, the Council for the Securities Industry, the Panel on Takeovers and Mergers) whether in the United Kingdom or elsewhere;
- and if so, details of the circumstances.

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(a) 1967 c. 81.

3. Whether the person has ever been refused entry to, or decided not to apply for entry after making an approach to, any professional body or trade association concerned with a relevant activity, and if so, details of the circumstances.

4. Whether the person has at any time in the ten years preceding the application failed to satisfy any debt adjudged due and payable by him, or, as the case may be it, as a judgment-debtor under an order of a court in the United Kingdom or elsewhere within one year of the making of the order, and if so, details of the circumstances.

5. Whether the person has at any time in the ten years preceding the application made any compromise or arrangement with his, or, as the case may be its, creditors or ceased trading in circumstances where his or its creditors did not receive or have not yet received full settlement of their claims, and if so, details of the circumstances.

6. Whether the person has at any time in the ten years preceding the application been refused any agency by, or, after making an approach to, decided not to seek an agency from, any person carrying on a relevant activity, and if so, details of the circumstances.

7. Whether any person carrying on a relevant activity with whom the person previously dealt on a regular basis has at any time in the ten years preceding the application indicated that he is unwilling to effect further transactions with the person and if so, the name of the person concerned and details of the circumstances.

8. (a) Whether the person is a member of or proposes to seek membership of a commodity exchange and if so, the name of the exchange; and

(b) whether the person accepts or proposes to accept commodity deposits.

#### PART IV

##### INFORMATION ABOUT INDIVIDUALS

1. Surname.
2. Forename(s).
3. Any previous name by which known.
4. Private address.
5. Business address (unless already disclosed under paragraph 10 of Part I of this Schedule).

6. Date of birth.

7. Place of birth (including borough, town, city or burgh).

8. Nationality.

9. Qualifications and experience, including those relating to dealing in securities and any other relevant activity.

10. Present occupation or employment and occupations and employment during the last ten years, including the name of the employer, the nature of the business, the position held, the reason for termination and relevant dates.

11. Details of any conviction by any court, whether civil or military, in the United Kingdom or elsewhere, including particulars of the court by which the person was convicted, the offence, any other offences taken into consideration, the penalty imposed and the date of the conviction.

[Note: By virtue of Article 3(a)(iii) of the Rehabilitation of Offenders Act 1974 (Exceptions) Order 1975(a) spent convictions are to be disclosed.]

12. Whether the individual has, in the United Kingdom or elsewhere, been censured, disciplined, or publicly criticised by any professional body to which he belongs or belonged or dismissed from any office or employment or (unless already disclosed under paragraph 3 of Part III of this Schedule) been refused entry to any profession or vocation and if so, details of the circumstances.

13. Whether any corporation with the management or conduct of affairs of which the individual is or was concerned has, by reason of any matter relating to a time when he was so concerned, ever been censured, disciplined or publicly criticised by—

(a) any regulatory authority or officially appointed inquiry, whether in the United Kingdom or elsewhere; or

(b) any other body concerned with regulation of a relevant activity (for example, the Council for the Securities Industry, the Panel on Takeovers and Mergers) whether in the United Kingdom or elsewhere;

and if so, details of the circumstances.

14. Whether the individual has, in connection with the formation or management of any corporation, been adjudged by a court in the United Kingdom or elsewhere civilly liable for any fraud, misfeasance or other misconduct towards such a corporation or towards any member thereof, or been disqualified by order of such a court from being a director, or the equivalents in other jurisdictions, and if so, details of the circumstances.

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(a) S.I. 1975/1023.

**15. Whether—**

- (a) the individual has in the United Kingdom been adjudged bankrupt, or his estate has been sequestrated, or a receiving order has been made against him or he has entered into a deed of arrangement or other composition or arrangement with his creditors, or the equivalents in any other jurisdiction, and if so, details of the circumstances; or
- (b) a bankruptcy petition has ever been served on the individual (or the equivalent in other jurisdictions); if pending, details of the circumstances and if not now pending how the matter was disposed of.

**16.** Whether the individual has ever been concerned in the management or conduct of the affairs of any corporation which to his knowledge is being or at any time after he first became so concerned has been investigated by an inspector appointed under any enactment or is being or at any time after he first became so concerned has been required to produce books and papers to the Secretary of State or to an officer of his under section 109 of the Companies Act 1967(a) and if so, details of such involvement and any other relevant circumstances.

**17.** Whether any corporation with the management or conduct of affairs of which the individual is or was concerned has ever, by reason of any act or omission of his, been refused an agency by or decided not to seek an agency from after making an approach to, any person carrying on a relevant activity, and if so, details of the circumstances.

**18.** Unless already disclosed under paragraph 5 of Part I of this Schedule, the names of any persons, other than clients, with whom transactions relating to securities have been effected by the individual (whether as a principal or as a servant or agent) in the previous two years, or if there were more than ten such persons, the ten with whom the greatest number of such transactions have been effected in that period, whether any complaints as to the conduct of business by the individual have been received from such named persons, and if so, details of the circumstances.

**19.** Unless already disclosed under paragraph 7 of Part III of this Schedule, whether any person carrying on a relevant activity with whom the individual or his employer previously dealt on a regular basis has, to his knowledge, at any time indicated that he is unwilling to effect further transactions with him or his employer by reason of any act or omission of his, and if so, the name of the person concerned and details of the circumstances.

**20.** Whether the individual has ever given evidence (other than as an expert witness) in any trial involving fraud or similar matters and if so, details of the circumstances.

**21. (a)** The name of every company of which the individual is or has at any

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(a) 1967 c. 81.

time been a director (other than a company which throughout the time when he was a director was a dormant company for the purposes of section 12 of the Companies Act 1981(a)); and

- (b) if the individual has ever been a director or concerned in the management or the conduct of affairs of a company which has gone into liquidation otherwise than for the purposes of amalgamation or reconstruction, either when he was such a director or so concerned or within one year thereafter, details of the circumstances (including the name and address of the liquidator and a copy of the statement of affairs).

#### PART V

##### INFORMATION ABOUT GUARANTEES

Details of any guarantees—

- (a) given in relation to the obligations of the applicant by any person about whom information under this Part is required to be furnished; or
- (b) given to any such person by the applicant in relation to the obligations of any person.

#### PART VI

##### ADDITIONAL INFORMATION IN CERTAIN CASES

1. Nature of the person's business.

2. A description of any relationship between the applicant and that other person with particular reference to the extent, if any, to which they share or have in common—

- (a) clients;
- (b) management personnel;
- (c) office accommodation;
- (d) secretarial and communications systems; and
- (e) facilities for storage of records.

3. A description of any business relationship which subsisted between the applicant and that person in the previous twelve months, with particular reference to—

- (a) the proportion of the applicant's business, if any, which was carried on with or through that person in that period; and
- (b) the extent, if any, to which that business was carried on other than on arm's length terms.

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(a) 1981 c. 62.

## PART VII

## INFORMATION ABOUT PARTNERSHIPS

1. Partnership name, and former names (if any) within the last ten years and when changed.
2. Date established.
3. The name of each partner.

## PART VIII

## VERIFICATION

1. The information required by each of the paragraphs other than paragraphs 2 and 3 of Part I and by each of the paragraphs in Parts II to VII of this Schedule shall be accompanied by a statement signed by a solicitor of at least five years standing who is not concerned in the management or conduct of the affairs of the applicant (other than in his professional capacity) that—

- (a) before the application was signed—
  - (i) he went through the information with the person proposing to sign the application and, if and to the extent that he was not satisfied that the person appreciated the import of the requirements, he provided such explanation as seemed to him necessary; and
  - (ii) he took such steps as seemed to him necessary to satisfy himself that the person proposing to sign the application had directed his mind to each and every such requirement and as regards information which that person stated was not within his knowledge, to what enquiries it would be reasonable for him to make to obtain the information;
- (b) it appears to him that if all the directors of a corporation or, as the case may be, partners in a partnership, are not proposing to sign the application, the person proposing to sign is expressly authorised by the remainder; and
- (c) having taken such steps, he is reasonably satisfied that, if proper disclosure has not been made, it is not by reason of ignorance of what is required.

2. The information required by paragraph 2 of Part I of this Schedule shall have annexed thereto a report to the applicant signed in the case of a company within the meaning of the Companies Act 1948(a) by the auditor of that company, and in any other case by a person such as is mentioned in Part II of Schedule 2 hereto, stating that—

- (a) he has inquired into the applicant's state of affairs; and
- (b) he is not aware of anything to indicate that the statement made is unreasonable in all the circumstances.

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(a) 1948 c. 38.



3. If it is stated that arrangements such as are mentioned in paragraph 3 of Part I of this Schedule are in force or are to be established the information required by that paragraph shall have annexed thereto a certificate by the person who is stated to have undertaken or to be ready to undertake that he will make good the liability that he has so undertaken or will so undertake in the manner stated if the licence is granted.

## SCHEDULE 2

### INFORMATION TO BE FURNISHED BY THE HOLDER OF A PRINCIPAL'S LICENCE DURING THE CURRENCY OF THE LICENCE

#### Regulation 8

#### PART I

##### INFORMATION AS TO CLIENT MONEY AND CLIENT INVESTMENTS

1. In this Schedule, the expressions "authorised institution", "client investment", "client money", "document of title", "investment", "investment management" and "retain" shall have the same meanings as in the Licensed Dealers (Conduct of Business) Rules 1983(a).

2. Whether during the relevant period the holder of the licence has accepted or held—

- (a) any client money; or
- (b) any document of title in respect of any client investment.

3. In the case of the holder of a licence who has held any client money during the relevant period—

- (a) whether, other than in respect of trivial breaches due to clerical errors or mistakes in book-keeping which were immediately rectified on discovery without loss to any client, he has in respect of that client money complied with the obligations referred to in rules 3 and 21 of the Licensed Dealers (Conduct of Business) Rules 1983;
- (b) in respect of any failure so to comply—
  - (i) the amount of client money involved;
  - (ii) the nature of the failure;
  - (iii) an explanation for the same; and
  - (iv) the steps, if any, which have been taken to remedy the same and to reduce the likelihood of such a failure recurring; and
- (c) the following details of client money accepted or held during the relevant period otherwise than in accordance with rule 3(5)(a) of the Licensed Dealers (Conduct of Business) Rules 1983—
  - (i) the amount held at the beginning of the period;

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(a) S.I. 1983/585.

- (ii) the amount received during the period;
- (iii) the amount applied in making investments for clients;
- (iv) the amount paid to the holder of the licence for his own account with the client's agreement;
- (v) the amount paid to clients;
- (vi) any amount paid other than as above;
- (vii) the amount, if any, held at the end of the period, broken down to shew the amount held at authorised institutions and the amount, if any, held in any other way (with details of the manner in which it is so held).

4. In the case of the holder of a licence who has retained any document of title in respect of any client investment during the relevant period—

- (a) whether, other than in respect of trivial matters which were immediately rectified on discovery without loss to any client, he has in respect of such document of title complied with the obligations referred to in rules 4 and 22 of the Licensed Dealers (Conduct of Business) Rules 1983; and
- (b) in respect of any failure so to comply—
  - (i) the value of the client investment or investments involved;
  - (ii) the nature of the failure;
  - (iii) an explanation for the same; and
  - (iv) the steps, if any, which have been taken to remedy the same and to reduce the likelihood of such a failure recurring.

5. If the holder of the licence has carried on investment management during the relevant period, the number and total value of client portfolios he administered at the expiry of the relevant period, broken down to shew the number and aggregate value of client portfolios in each of the following portfolio value bands—

- (a) not more than £50,000;
- (b) greater than £50,000 and not more than £250,000;
- (c) greater than £250,000.

Provided that, if the holder of the licence has valued any client portfolio at any time other than at the expiry of the relevant period (not being earlier than six months before the expiry of the relevant period), in compiling the analysis required by this paragraph it shall be sufficient to include that portfolio at the most recent date on which it was so valued before the date on which the information is furnished.

## PART II

## VERIFICATION

The information required by Part I of this Schedule shall have annexed thereto a report by a person who either is, or, if the holder of the licence were a company within the meaning of the Companies Act 1948(a), would be, qualified to act as his auditor under section 161(1) of that Act and is not or would not be disqualified from so acting under section 161(2) of that Act, that having—

- (a) made such enquiries as to the book-keeping system at each office in Great Britain where business is carried on; and
- (b) examined or made such test-checks on such of the books, accounts and other documents kept by the holder of the licence; and
- (c) made such further enquiries and obtained such explanations;

as appeared to him to be requisite, it is his opinion that the information given complies with the requirements of Part I of this Schedule.

## SCHEDULE 3

## Regulation 5

## REPRESENTATIVES

1. In Part I of Schedule 1 to these regulations only paragraphs 4 and 5 shall apply.

2. The following information shall be furnished—

- (a) the name of each holder of a principal's licence, or applicant therefor, as the servant or agent of whom the applicant intends to deal in securities;
- (b) a description of any business relationship subsisting or intended to subsist between the applicant and each person named in sub-paragraph (a) above other than by way of employment under a contract of service; and
- (c) if the applicant is or expects to be employed under a contract of service by any person, the position held and, if that person is not a person named under sub-paragraph (a) above, the name, address and description of that person and the nature of his business.

3. If the applicant has at any time previously been employed under a contract of service by a person holding a principal's licence or acted as agent for such a person and is no longer so employed or acting, the name of that person and details of the circumstances in which he ceased so to be employed or to act.

## SCHEDULE 4

## Regulation 1

## TRANSITIONAL PROVISIONS

1. An application for a licence by a person who at the date when these

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(a) 1948 c. 38.

regulations come into operation holds a licence which is due to expire within a period specified in the first column of the following table shall be made within the period specified in the second column thereof—

TABLE

Date of expiry	Period within which application is to be made
More than one month and not more than two months after these regulations come into operation.	Not less than three weeks before the licence is due to expire.
More than two months and not more than four months after these regulations come into operation.	Not less than six weeks before the licence is due to expire

2. For the purposes of regulation 8 of these regulations the first relevant period in relation to the holder of a principal's licence shall not be treated as commencing until after the expiry of the period of three months beginning with the date on which rule 3 of the Licensed Dealers (Conduct of Business) Rules 1983(a) comes into operation.

## SCHEDULE 5

## REVOCATIONS

## Regulation 1

*Regulations revoked**References*

1. The Prevention of Fraud (Investments) Act Licensing Regulations 1944	S.R. & O. 1944/119
2. The Prevention of Fraud (Investments) Act Licensing (Amendment) Regulations 1974	S.I. 1974/2042
3. The Prevention of Fraud (Investments) Act Licensing (Amendment) Regulations 1976	S.I. 1976/1600
4. The Prevention of Fraud (Investments) Act Licensing (Amendment) Regulations 1977	S.I. 1977/1067
5. The Prevention of Fraud (Investments) Act Licensing (Amendment) Regulations 1980	S.I. 1980/350
6. The Prevention of Fraud (Investments) Act Licensing (Amendment) Regulations 1982	S.I. 1982/342

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(a) S.I. 1983/585.

## EXPLANATORY NOTE

*(This Note is not part of the Regulations.)*

These Regulations (which replace the Prevention of Fraud (Investments) Act Licensing Regulations 1944, other than the fees provisions) prescribe more extensive information than hitherto to be furnished about the applicant, his business and his associates on an application for a licence to deal in securities under the Prevention of Fraud (Investments) Act 1958 and make provision for the verification of that information. The Regulations also prescribe information to be furnished to the Secretary of State during the currency of a licence, including verified information about the dealer's handling of client money and investments under the Licensed Dealers (Conduct of Business) Rules 1983.

The existing Prevention of Fraud (Investments) Act Licensing Regulations 1944 (as amended) including the fees provisions, are revoked. The amendments related solely to fees. Separate fees regulations are being made at the same time as these regulations.

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