

## Thresholds conditions under the draft Financial Services and Markets Act 2000 (Thresholds Conditions) Order 2013

Threshold conditions	Application of a threshold condition and regulator responsible for assessing compliance		Difference from existing threshold conditions
	FCA-authorized firms	Dual-regulated firms	
<b>Legal status</b>	x	✓ PRA	No change made
<b>Location of offices</b>	✓	✓ PRA	No change made
<b>Effective supervision (encompassing the existing close links condition)</b>	✓	✓ FCA and PRA	This is a new condition. The firm must be capable of being effectively supervised by the FCA/ PRA in regard to all the circumstances including the nature and complexity of its regulated activities, the complexity of its products, and the way in which its business is organised. The condition encompasses the existing close links condition that contains a new reference to the nature of the relationship between the firm and another person that will also be the subject of supervision by the FCA/ PRA.
<b>Appropriate resources</b>	✓	x	The current condition of adequate resources has been amended and relates to “appropriate” resources. The condition includes additional references to the nature and scale of the firm’s business, the risks to the continuity of the business provided, and the skills and experience of the firm’s management.
<b>Appropriate non-financial resources</b>	x	✓ FCA	The new condition of appropriate non-financial resources includes additional references to the nature and scale of the firm’s business, the risks to the continuity of services provided, the skills and experience of the firm’s management, and whether the firm’s non-financial resources are sufficient for the firm to comply with requirements imposed by the FCA.

Threshold conditions	Application of a threshold condition and regulator responsible for assessing compliance		Difference from existing threshold conditions
	FCA-authorized firms	Dual-regulated firms	
<b>Suitability</b>	✓	✓ FCA and PRA	<p>FCA: the current condition of suitability has been amended and contains additional references to the firm's affairs being conducted in an appropriate manner with regards to the interests of consumers and the integrity of the UK financial system and the need to minimise the extent to which the business carried on by a firm can be used for a purpose connected with financial crime. Also, firms must be generally cooperative in the provision of information to the FCA, and the firm's management must act with probity, in addition to having adequate skills and experience.</p> <p>PRA: the amended condition of suitability contains requirements for firms to comply on a pro-active basis with PRA's requests relating to the provision of information, and that the firm's management act with probity, in addition to having adequate skills and experience.</p>
<b>Business model</b>	✓	✓ FCA	This is a new condition and it states that the firm's strategy for doing business must be suitable for its regulated activities.
<b>Business to be conducted in a prudent manner</b>	✗	✓ PRA	The new condition incorporates some of the considerations in the current adequate resources condition and requires firms to have appropriate (rather than "adequate") financial and non-financial resources. To have appropriate financial resources, the firm must have appropriate capital, liquidity and must be willing and able to value its assets and liabilities appropriately. To have appropriate non-financial resources, the firm must have appropriate resources to monitor, manage and take action to remove or reduce risks to the firm's safety and soundness, and to the firm's valuation of its assets and liabilities. The firm's business must be managed

Threshold conditions	Application of a threshold condition and regulator responsible for assessing compliance		Difference from existing threshold conditions
	FCA-authorized firms	Dual-regulated firms	
			effectively and the firm's non-financial resources must be sufficient for the firm to comply with PRA's requirements.
<b>Appointment of claims representative</b>	✘	✓ FCA	No change made

- ✘ Threshold condition does not apply
- ✓ Threshold condition applies