Financial Services Strategy
HM Treasury
1 Horse Guards Road
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By email: AppointedReps@hmtreasury.gov.uk

9 April 2026

Dear Financial Services Strategy team,

RE: The Appointed Representatives Regime

UK Private Capital is the industry body and public policy advocate for the private equity (PE), venture capital (VC) and private credit ecosystem in the UK. With a membership of 600 firms, we represent UK-based private capital firms, as well as their professional advisers and a large base of UK and global investors. The private equity, venture capital and private credit industry has a vital role to play in driving national and regional growth. Currently over 13,000 companies, employing more than 2.5 million people, are backed by private capital investment in the UK.

We welcome the opportunity to respond to this consultation on targeted reforms of the Appointed Representatives (AR) regime.

For the UK's private capital investment ecosystem, the AR regime remains a necessary and beneficial element of the UK's regulatory framework. It plays a particularly important role in supporting competition, innovation and growth by enabling new and emerging firms to access regulatory infrastructure efficiently and proportionately. This is especially significant in venture capital, early-stage fintech, angel investing networks and university spin-out models.

We support reforms to the legislative framework that strengthen confidence in the regime by addressing the challenges to the safe operation of AR arrangements as described in Chapter 2 of the consultation. However, changes must remain targeted and proportionate and should not undermine the regime's core advantages, including flexibility, speed to market, and regulatory efficiency.

As the new principal permission gateway is developed, it will be important that the framework recognises the differing risk profiles across the AR market. In our response we recommend that the gateway incorporate clear proportionality mechanisms, including a simplified or exempt route for intra-group AR arrangements and for firms appointing only a small number of ARs. These recommendations are intended to ensure that the gateway regime strengthens oversight while avoiding unnecessary friction for lower-risk arrangements and emerging business models that support innovation and early-stage investment. Further detail on these recommendations is set out in our response to Question 2.

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Chapter 3: A principal permission

Question 1: Do you agree that a regulatory gateway should operate for principal firms, with authorised firms needing a permission from the FCA to act as principal?

We recognise the importance for ensuring firms acting as principals are appropriately equipped and resourced to oversee ARs. It is not clear to us that a gateway mechanism is necessary to achieve this, and we have concerns about whether this new additional layer or regulation will deliver benefits which outweigh the costs. This measure involves increased regulation which will be disadvantageous to the UK's international competitiveness.

The AR regime's value relies heavily on flexibility and speed to market. The gateway must therefore be designed so that it does not become a bottleneck for firms that wish to act as principal and make AR appointments, particularly in lower-risk situations.

Question 2: Do you agree with the proposed design of the permission regime for principal firms?

On the basis that the Government proposes to introduce this regime, yes, we broadly support modelling the gateway on the financial promotions approval gateway.

However, to ensure predictability and proportionality, it will be important that the framework operates transparently and efficiently. To achieve this, we recommend the FCA should publish clear criteria for granting, restricting or withdrawing the permission, so that firms understand the expectations that will apply when seeking to act as principal. There should also be clear procedural safeguards, including rights of representation before restrictions are imposed.

The effectiveness of the gateway will depend on how it reflects the different risk profiles across the AR market. For this reason, the FCA should be held to service standards and clear decision timelines for applications and variations, and the overall approach should be risk-based. For example, the regime should distinguish between firms intending to host large numbers of third-party ARs (where the firm's business model is to act as an outsourced provider of principal services) and firms appointing only a limited number of ARs or operating lower-risk arrangements (where the firm's business model is asset management and where the AR regime is used for the purposes of expediency).

A one-size-fits-all gateway and procedural approach risks imposing disproportionate burden on small and lower-risk arrangements and could discourage business models that contribute to innovation and UK economic growth. We therefore recommend that the gateway framework incorporate clear proportionality mechanisms (such as exemptions) for AR arrangements that are intra-group, and for principals that only intend to appoint a small number of ARs.

It will be important for the FCA to consider how a new principal permission will interact with its "use it or lose it" supervisory approach to regulatory permissions. Some firms may make AR appointments only occasionally, with the potential for long periods between appointments. The FCA may therefore wish to consider how periods of inactivity should be treated in the context of the new permission to ensure firms are not required to reapply to the gateway unnecessarily where the permission is used intermittently.

Intra-group AR exemption

We recommend the legislation explicitly provide for an exemption for intra-group AR arrangements.

The policy rationale for introducing a gateway is to ensure that firms acting as principals are suitably resourced and capable of overseeing ARs. Intra-group ARs typically operate within common governance, compliance and risk management frameworks and the principal will have structural oversight through group reporting lines. Similarly, the principal and appointed representative are typically closely related and the number of ARs appointed is usually small in number and often only on a temporary basis. As noted in the HM Treasury Call for Evidence in 2021, these types of arrangements are relatively low risk and thus the gateway mechanism is not applicable in this context.

Requiring a specific principal permission to appoint an intra-group AR would introduce friction, cost and delay without a commensurate increase in consumer protection. Meanwhile, it would make the UK less competitive versus that of certain peer jurisdictions. For example, under the US regime, a 'relying adviser' can rely on the regulatory coverage afforded by a 'full' Registered Investment Adviser without approval from the SEC. We are not aware of any cases where the FCA has raised material concerns about intra-group AR arrangements such that legislative change is required to impose additional restrictions on these relationships.

We therefore recommend that intra-group ARs be exempt from the requirement to hold a principal permission, subject to notification to the FCA, or that a streamlined or deemed approval route be introduced for intra-group appointments, preserving the FCA's power to intervene should any concerns arise.

This approach would align with the consultation's objective of delivering targeted and proportionate reform while avoiding unnecessary disruption to ordinary intra-group activity.

Proportionality for firms appointing a small number of ARs

A further important consideration in designing the gateway regime is its potential impact on smaller firms operating in innovative or early-stage areas of private capital investment.

Many venture capital firms, angel investment networks and specialist investors use small-scale AR arrangements to support specific investment or distribution activities. If the process for obtaining principal permission is lengthy, costly or administratively burdensome, some firms that play a vital role in facilitating these investment and distribution activities may be deterred from applying for the permission. This could have unintended consequences for innovation and the early-stage investment ecosystem. Firms that might otherwise provide regulatory infrastructure to support emerging investment models may instead decide not to do so, reducing flexibility within the market.

To address this risk, we recommend that HM Treasury consider a proportionate exemption or simplified route for firms appointing only a small number of ARs.

One possible approach would be to exempt firms that appoint two or fewer ARs from the requirement to obtain the new principal permission, subject to a notification requirement to the FCA. This would preserve regulatory visibility while avoiding unnecessary costs and friction for smaller firms operating in lower-risk contexts.

Such an approach would be consistent with the consultation's objective of delivering targeted and proportionate reform and would help ensure that the gateway mechanism does not inadvertently restrict innovation or the development of emerging investment models in the UK.

Question 3: Do you agree that all of the detailed requirements applying to the contractual relationship between principals and their ARs, as well as requirements relating to the Financial Services register, should be set out in FCA rules?

Yes, we agree that moving detailed contractual requirements and FS register obligations into FCA rules will allow greater flexibility to tailor these requirements over time. Where the FCA chooses to make any changes, adequate transitional requirements must be provided, and existing arrangements should not require unnecessary re-papering.

Question 4: Do you agree with the overall implementation approach proposed for the principal permission?

We strongly support deeming existing principals to hold the new permission, as this avoids disruption to the large number of AR relationships currently operating in the market.

Embedding the permission into the authorisation process for new firms also appears sensible.

There is also an opportunity to further enhance proportionality in the implementation of the regime by exempting, or deeming to have the permission, those firms that appoint only intra-group ARs or only a small number of ARs. As set out in our response to Question 2, the risk profile of intra-group arrangements is materially different from that of third-party AR arrangements, and a streamlined approach would help ensure that the gateway regime remains proportionate.

Question 5: Are there other factors that need to be considered to avoid any disruption to existing principals and ARs?

To avoid unintended consequences, we recommend clear FCA decision timelines, and proportionate treatment of intra-group and low-risk AR arrangements (see our response to Question 2).

Question 6: Do you agree with the proposal to repeal section 39A of FSMA 2000?

Yes, we agree that section 39A appears to have limited ongoing utility and support its repeal.

Chapter 4: Extension of FOS jurisdiction to ARs

Question 7: Do you agree that the FOS should have jurisdiction to consider a complaint against an AR where the principal is not responsible for the acts or omissions of the AR?

We agree that it is undesirable for consumers to be left without access to the FOS in the circumstances where a principal is not responsible for an AR's regulated activity and support an extension of the FOS jurisdiction in those circumstances.

Question 8: Do you agree that complaint handling arrangements should remain the responsibility of principal firms?

We agree that complaint handling should remain the responsibility of principal firms and support the proposal not to extend DISP 1 directly to ARs.

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Question 9: Do you agree that the FOS should be able to involve an AR in the investigation of a complaint, as set out above, where a complaint relates to the acts of omissions of the AR?

We agree that where responsibility for the AR's actions is disputed by the principal firm, the FOS should be able to involve the AR in the investigation process to facilitate fair and efficient resolution.

Question 10: Do you agree that the proposed extension of FOS jurisdiction is not likely to have a material impact on the role of the FSCS, or the level of FSCS compensation to be provided?

We agree that material FSCS impact appears unlikely and support the proposal to monitor outcomes over time.

Chapter 5: Bringing ARs within scope of the Senior Managers and Certification Regime

Question 11: do you agree that bringing ARs within scope of the SM&CR, as proposed above, would provide more coherent and proportionate conduct, fitness and propriety and accountability arrangements for ARs and their principals?

Yes, we broadly welcome the proposal to bring ARs within scope of the SM&CR to provide a more coherent and proportionate conduct, fitness and propriety and accountability arrangements for ARs and their principals.

Bringing ARs within the scope of the SM&CR has the potential to clarify expectations around standards of conduct and individual accountability, while simplifying the current framework, which currently involves a combination of Approved Persons Regime requirements and principal oversight obligations.

However, it will be important that the transition to SM&CR genuinely simplifies the existing regime and does not introduce additional complexity or administrative burden for principals and ARs.

The proposed certification framework for AR staff may be more complex to operate in practice than it initially appears. We therefore encourage HM Treasury and the FCA to ensure that certification requirements are calibrated proportionately to reflect the nature of AR arrangements.

We would also encourage HM Treasury and the FCA to consider whether certain elements of the SM&CR framework should apply more flexibly in the AR context. For example, the requirement for annual fitness and propriety reviews may risk becoming a largely administrative exercise that generates additional documentation without necessarily improving regulatory outcomes. This would particularly be the case in intra-group AR arrangements, where the AR forms part of the same corporate group as the principal and where governance, compliance and oversight arrangements are already closely integrated. In these circumstances, principals often already have a high level of visibility and oversight over the activities of the AR and its staff. A more risk-based approach to such reviews will better support the objective of proportionate regulation.

We also note the proposal to introduce a dedicated Senior Management Function responsible for oversight of ARs within principal firms. While we recognise the objective of strengthening accountability, it will be important to ensure that this does not create unnecessary duplication

where responsibilities are already clearly allocated within existing SM&CR governance structures. Again, this may not be particularly relevant in intra-group AR arrangements, where oversight responsibilities are often already embedded within group governance and compliance frameworks.

Finally, we note that HM Treasury is considering making changes to the SMCR regime for regulated firms. It would be disproportionate to introduce two sets of changes for appointed representatives: one to introduce the SMCR regime and another to adjust the SMCR regime for ARs at the same time as adjusting it for regulated firms. HM Treasury should consider the timing of the SMCR change to ensure that ARs and their principals only need to deliver one set of changes.

If you have any questions or there are points it would be helpful to discuss further, please contact Nick Chipperfield (nchipperfield@ukprivatecapital.co.uk) and Tom Taylor (ttaylor@ukprivatecapital.co.uk).

Yours faithfully,

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Chair, UK Private Capital Regulatory Committee

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