

FINANCIAL REGULATORY QUICK START GUIDE

GETTING AUTHORISED AS A BANK IN THE UK

OVERVIEW

Any business that wants to become a bank (i.e. to carry on the regulated activity of accepting deposits) in the UK must be authorised by the Prudential Regulation Authority (PRA) (with the consent of the Financial Conduct Authority (FCA)).

Getting authorised as a bank is a detailed and structured process, and involves the following stages:

PRE-APPLICATION

The pre-application stage involves attending a series of structured meetings with the PRA and the FCA in advance of completing and submitting an application.

The regulators view early stage engagement between themselves and prospective new banks to be extremely important.

- **Mobilisation and/or operational risk meeting(s) (optional)** – held if the applicant takes the mobilisation route and/or the proposed business is particularly dependent on IT or outsourcing arrangements.
- **Challenge session** – held just before an application is submitted. It involves meeting with senior representatives from the regulators who will provide rigorous and detailed challenge on the near-final business plan.

It is key for the regulators to understand the applicant's business model, including the viability and sustainability of the business.

Applicants are required to send materials to the regulators a minimum of 10 working days before the meeting (15 working days for a challenge

session). The regulators will provide formal written feedback after each meeting and will expect the feedback to be addressed or incorporated into the business plan.

APPLICATION

There are a number of detailed forms to complete, and it can take several months to prepare everything for the application. An application fee of £25,000 is payable.

It is important for the applicant to make sure that it submits all of the required application forms (which must have been fully and correctly completed), and that the information provided is of sufficient quality and detail.

The regulators will assess whether the applicant meets both the PRA's and the FCA's threshold conditions for banks (see below), set the capital and liquidity requirements for the prospective new bank, and may also interview senior management and non-executive directors to make sure they are suitable for their roles.

- **Initial meeting** – held after the applicant submits its draft business plan and at which the applicant presents its business proposition to the regulators.
- **Feedback meeting** – held after the applicant submits its updated business plan following feedback from the regulators after the initial meeting. It involves meeting case officers from the PRA and the FCA to discuss any issues or concerns regarding the applicant's proposals.

The PRA's threshold conditions	The FCA's threshold conditions
Effective supervision	Effective supervision
Suitability	Suitability
Legal status	Appropriate non-financial resources
Location of offices	Business model
Prudent conduct of business	

MOBILISATION

This is an optional stage, which involves the new bank being authorised earlier in the process to help it secure further investment, recruit staff, invest in IT systems and commit to third-party suppliers, with the certainty of becoming authorised. During mobilisation, the regulators will limit the amount of business the new bank can undertake until it is fully operational. This option is generally suitable for start-up banks.

This phase could take as little as three months, but should take no longer than 12 months. During this period, the new bank is expected to submit regular progress reports.

TIMING

Once the PRA has received the application and the application fee, it will assign case officers from both

regulators to handle the application. The case officers will determine whether the application is considered complete or incomplete. Further information may be requested from the applicant.

If the application is considered complete, the regulators have a six-month statutory deadline in which to determine the application. However, where the application is considered incomplete, this period is extended to 12 months. In the vast majority of cases, applications are deemed incomplete when first received by the regulators.

OUTCOME

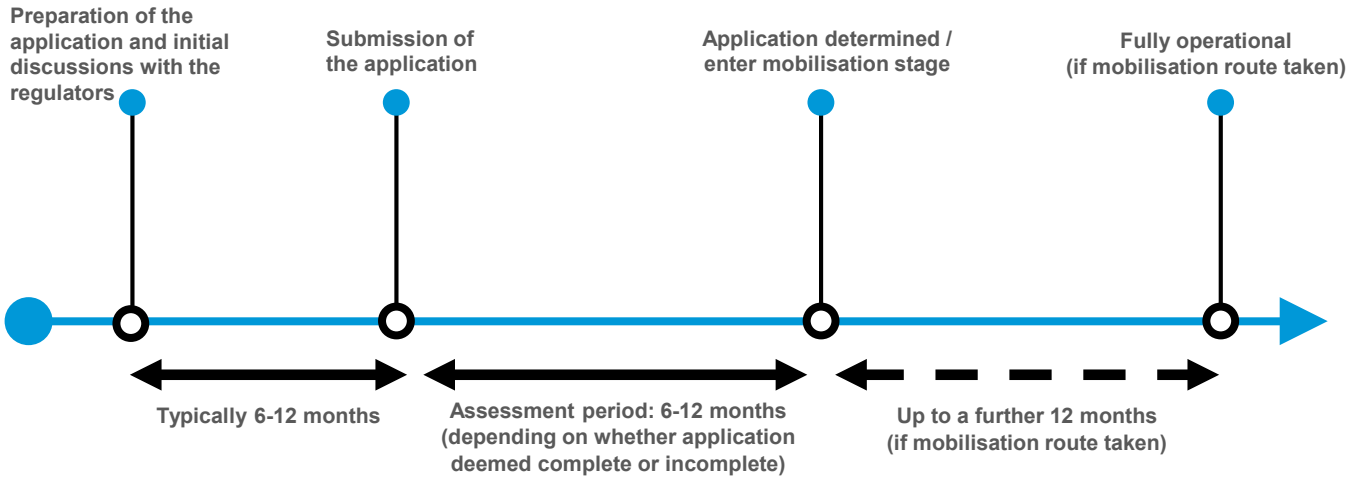
Successful applicants will receive an authorisation letter and a 'scope of permission' notice (which confirms the regulated activities the bank is authorised to perform).

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The new bank must then ensure that it complies with all relevant rules set out in both the FCA Handbook and the PRA Rulebook, including the threshold conditions, on an ongoing basis. It must also pay annual fees to the regulators, and comply with periodic reporting obligations by submitting regulatory returns.

If the regulators are minded to refuse an application, they will inform the applicant orally and in writing. If the applicant is unable to address their concerns, the regulators will issue a letter detailing which threshold conditions and/or specific rules have not been satisfied. If, after hearing any additional representations made by the applicant, the regulators decide to refuse the application, a decision notice will be issued. There are mechanisms by which the applicant may seek to challenge this decision.

TIMELINE



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