# Threshold Conditions

What are the FCA Threshold Conditions?

## Location of Offices

A firm/individual’s Head Office and Registered Office must be in the United Kingdom

A firm/individual must carry on business in the United Kingdom

## Effective Supervision

A firm/individual must be capable of being effectively supervised by the FCA, having regard to all circumstances including:

* The nature (including the complexity) of the regulated activities that the firm/individual carries on or seeks to carry on;
* the complexity of any products that the firm/individual provides or will provide in carrying on those activities;
* the way in which the firm/individual’s business is organised;
* if the firm/individual is a member of a group, whether membership of the group is likely to prevent the FCA’s effective supervision of the firm/individual;
* whether the firm/individual is subject to consolidated supervision required under any of the relevant directives;
* if the firm/individual has close links with another person
  + the nature of the relationship between them;
  + whether those links are or that relationship is likely to prevent the FCA’s effective supervision of the firm/individual; and
  + if the other person is subject to the laws, regulations or administrative provisions of a territory which is not the UK (“the foreign provisions”), whether those foreign provisions, or any deficiency in their enforcement, would prevent the FCA’s effective supervision of the firm/individual

## Appropriate Resources

The resources of a firm/individual must be appropriate in relation to the regulated activities that a firm/individual carries on or seeks to carry on.

The matters which are relevant in determining whether the firm/individual has appropriate resources include-

* the nature and scale of the business carried on, or to be carried on, by the firm/individual;
* the risks to the continuity of the services provided by, or to be provided by, the firm/individual; and
* The firm/individual’s membership of a group and any effect which that membership may have.
* the provision the firm/individual makes and, if the firm/individual is a member of a group, which other members of the group make, in respect of liabilities; and
* the means by which the firm/individual manages and, if the firm/individual is a member of a group, by which other members of the group manage, the incidence of risk in connection with the firm/individual’s business.

## Suitability

A firm/individual must be a fit and proper person having regard to all the circumstances, including

* a firm/individual’s connection with any person;
* the nature (including the complexity) of any regulated activity that a firm/individual carries on or seeks to carry on;
* the need to ensure that firm/individual’s affairs are conducted in an appropriate manner, having regard in particular to the interests of consumers and the integrity of the UK financial system;
* whether the firm/individual has complied and is complying with requirements imposed by the FCA in the exercise of its functions, or requests made by the FCA, relating to the provision of information to the FCA and, where the firm/individual has so complied or is so complying, the manner of that compliance;
* whether those who manage firm/individual’s affairs have adequate skills and experience and act with probity;
* whether firm/individual’s business is being, or is to be, managed in such a way as to ensure that its affairs will be conducted in a sound and prudent manner; and
* the need to minimise the extent to which it is possible for the business carried on by the firm/individual, or to be carried on by the firm/individual, to be used for a purpose connected with financial crime.

## Business Model

The firm/individual’s business model (that is, the firm/individual’s strategy for doing business) must be suitable for a person carrying on the regulated activities that A carries on or seeks to carry on.

The matters which are relevant in determining whether the firm/individual satisfies the condition include

* whether the business model is compatible with the firm/individual’s affairs being conducted, and continuing to be conducted, in a sound and prudent manner;
* the interests of consumers;
* the integrity of the UK financial system.