



FCA and PRA publish guidance on prudential assessments for acquisitions and increases in control of authorised firms

29 November 2024

The FCA and PRA have recently published a joint Policy Statement ([PS18/24](#)), implementing changes to the prudential assessments for acquisitions and increases in control for the purposes of FSMA. The guidance is detailed in the PRA's Supervisory Statement ([SS10/24](#)) and the FCA's non-Handbook guidance ([FG24/5](#)). The new guidance incorporates amendments in response to Consultation Paper ([CP25/23](#)), which proposed the initial revisions as part of an effort to replace the previous [EU 3L3 Guidelines](#) on this matter. Both [SS10/24](#) and [FG24/5](#), which are largely equivalent in substance, aim to enhance the regulatory framework governing changes in control for firms authorised by the PRA and FCA.

Controller concept and identification

Under FSMA, controllers are identified as individuals or entities who hold, directly or indirectly, a certain amount of the shares or voting power in an authorised entity, or who have the ability to exert significant influence over the management of the authorised entity.

The guidance indicates that, as is commonly understood, 'significant influence' extends beyond board membership to include the ability to direct or influence the firm's decisions. It also addresses the aggregation of holdings, where the shares or voting power of one person are combined with those of another, particularly when acting in concert. "Acting in concert" refers to persons exercising their rights linked to shares in accordance with an agreement between them, which commonly includes family members, close associates, or entities controlled by a common parent undertaking.

The guidance adds to the 3L3 Guidelines by providing examples specific to the UK and aligning the concept of aggregation of indirect holdings with the requirements of FSMA.

Notices of proposed acquisition and increase in control

Individuals or entities intending to acquire or increase control must submit a notification to the regulators, detailing the proposed changes. The guidance outlines the submission process, placing an emphasis on the importance of pre-notification engagement to address regulatory concerns early. This is particularly crucial for complex transactions, those involving substantial debt financing, or those with a cross-border element.

The guidance on submitting notifications includes new and revised content that explains how applicants can make notifications specifically to the PRA and the FCA.

Assessment of proposed acquisition

The regulators' assessment of proposed acquisitions focuses on several key criteria, including the reputation and financial soundness of the proposed controller, and the ability of the authorised firm to meet prudential requirements post-acquisition. The intensity of the assessment varies based on the nature of the transaction and the history of the controller. This includes contacting both UK authorities and non-UK regulators to request information related to the potential change in control.

Conditional approvals

The guidelines introduce a new section on conditional approvals, absent in the 3L3 Guidelines. This section details when the regulators may impose conditions to advance their objectives, particularly in cases with unresolved issues, such as ongoing proceedings against a proposed controller.

Implementation

The guidance came into force on 1 November 2024. The regulators recommend seeking legal advice when dealing with complex ownership structures to ensure compliance with the new expectations.

Pjotr Bonde assisted with the preparation of this article.