

Forewarned is forearmed: FCA Regulatory Applications – Lessons Learned and Managing Expectations

Having advised clients on FCA regulatory applications in the past, Corvus Group's legal services business ("Corvus Advisory") successfully navigated the FCA application process for Corvus Group's appointed representative and fund and corporate services business ("Corvus Administration") in 2024. In each instance, we found the application process to be more convoluted, time intensive and ultimately costly (in terms of both financial outlay and opportunity cost) than initially anticipated, particularly given the nature of the businesses in question and the regulatory permissions applied for. With our experience mirroring those of others in the UK's PE/VC industry, we have taken some time to reflect on our interactions with the FCA over recent years and to draw up a number of the key takeaways from them. The aim of this article is to explore those takeaways with a view to providing an overview of what to expect when undertaking an FCA regulatory application, ways in which to pre-empt potentially frustrating and/or costly delays and points of reference for advisers when managing their, and their clients', expectations.

1. Background

A strong, knowledgeable and predictable regulator overseeing an efficient regulatory application process is crucial for the success of any financial services industry. For many years, the FCA enjoyed a reputation as a relatively user-friendly regulator, particularly when weighed against the regulators of other European jurisdictions.

Following BREXIT and the erasure of the UK's pan-European financial services passports, the UK is very much on the back foot when it comes to attracting new financial services business. Unfortunately, at a time when the FCA could be playing a key role in helping to make the UK an attractive destination for fund-related business, there appears to have been a marked decline in the FCA user-experience.

Corvus Advisory has undertaken a number of regulatory applications over the years, including during 2024 for Corvus Administration, our appointed representative and fund and corporate services business. Our interactions with the FCA with regard to each application have, at times, left a lot to be desired.

Having spoken to a range of fund service providers and closed-ended fund managers over recent months, our and our clients' experience of the regulatory application process and our interactions with the FCA are, unfortunately, fairly reflective of those of the wider industry.

With funds-related businesses increasingly ambivalent about where to establish, for whom 'time to market' is often a key consideration and for whom the costs of legal and regulatory compliance are a constant source of concern, the prospect of a time-intensive, inefficient and potentially costly regulatory application processes overseen by an, at times, seemingly combative and unpredictable regulator, is a major deterrent.

Indeed, fundamental issues with the FCA user-experience and the wider implications this has on the economy seem to be on the radar of the UK Parliament. We note in particular the following:

- A cross-party group of MPs, levelled criticism at the FCA in a November 2024 report, in which the FCA was accused of being (among other things) incompetent and not fit for purpose (see [here](#) for details).
- The UK Chancellor summoned eight regulators (including the FCA) to a meeting at Downing Street on 17 March 2025 to discuss plans to cut regulatory red tape with a view to, among other things, attracting more investment from international financial services businesses and also helping start-ups via an improved regulatory approval process.

Whilst the criticisms levelled at the FCA can appear at times to be harsh, we are hopeful that they indicate a growing pressure from within the industry and beyond for meaningful change. For many within the FCA, particularly front-line

caseworkers, a change in the FCA's approach would no doubt be as welcome as it is for those it supervises.

2. Current issues faced by the FCA

The FCA seems to be facing a range of issues which complicate its ability to manage application processes effectively. These include:

- an overlapping and at times conflicting patchwork of legislation, regulations, rules, guidance and circulars reflecting a combination of UK domestic legislation and legislation imported from the European Union;
- an ongoing stream of legislative and policy updates, some of which are substantive but whose application to the closed-ended funds industry remains somewhat misunderstood or in relation to which market practice has yet to emerge;
- on-line resources that are unwieldy, difficult to keep up to date, hard to navigate and prone to failure;
- an evolving financial product landscape in which sector specialist knowledge is becoming ever-more vital; and
- a lack of sector-specific knowledge and training and a lack of human and technological resource.

3. Potential issues

Below is a list of issues that have arisen on recent FCA applications that Corvus Advisory has been involved with. These help to demonstrate some common (and a few more unusual) issues that we, clients and others have encountered in recent years.

- **Application timeframe:** The FCA states that applications will be determined within 6 months. However, the FCA will not 'start the clock' until it has determined that an application is 'complete'. Whilst one might think that an application is 'complete' at the point of submission and following payment of

the FCA's application fee, in fact the FCA will not consider an application to be 'complete' until it has received satisfactory responses to all of its (often lengthy) follow-up questions. In our experience, the FCA will use more than 6 months to deal with its questions, unbound by its own statutory timeframe, before starting the clock and then determining an application within a relatively short period of time. As a result, applicants and advisers should view the stated 6 month timeframe as a bare minimum and approach their budgets and business plans with that in mind.

- **Caseworker absences/changes of caseworker:** We have observed applications stalling for weeks due to caseworker vacations, with requests to have applications handed over to an absent caseworker's colleagues ignored or rejected. Further delays have arisen due to caseworkers being substituted midway through the application process, with an apparent lack of detailed handover resulting in the re-treading of ground previously covered by former caseworkers and new caseworkers requisitioning documents and information not previously called for.
- **Knowledge-gaps/lack of experience and training:** Notwithstanding the submission of detailed regulatory business plans, caseworkers often demonstrate a lack of understanding of an applicant's business, the sector it operates within and how laws, regulations and the FCA's guidance apply to them in practice. These knowledge-gaps often result in requests for information and/or attempts to drive the adoption of policies and procedures which are variously uncommercial, impractical or irrelevant to the applicant's business. Applicants should anticipate spending a potentially significant portion of their time explaining their business and sector to their caseworker, a problem which can be compounded by caseworker changes mid-application (see above). The apparent lack of experience and training is a major factor which in turn feeds into a number of the issues outlined below.

- **Requests for additional documents and information and multiple rounds of follow-up questions:** Applicants should expect the FCA to request additional supporting documents and information over and above those listed in its application checklists and forms and for such requests to be made in a piecemeal fashion over successive rounds of follow-up questions. Applicants should also expect to receive information requests in a somewhat arbitrary fashion – for example, requests relating to information submitted in an original application pack may not be raised until the third or fourth round of follow-up questions and questions never raised before (and which do not relate to anything previously disclosed) may be raised ‘out of the blue’ late in the process.
- **Requests for documents/information previously submitted:** The FCA is likely to ask for documents or information previously submitted to be submitted again or for them to be submitted again but in a different format. Note that the requested format may not be prescribed in the FCA’s application forms, guidance or checklists and as such these requests are often difficult to anticipate.
- **Intransigence:** The FCA may take positions that are not supported by the text of underlying laws and regulations, the FCA’s own guidance and circulars or established market convention. As an example, we are aware of a caseworker taking the view that private equity managers and service providers are all subject to the Consumer Duty on the basis that private equity funds have/may have pension funds invested in them and are therefore retail products. In the event of a disagreement, applicants can expect to incur time and cost engaging in a potentially protracted and somewhat one-sided debate with their caseworker – indeed, it is not uncommon for well-articulated and supported positions to be rejected by caseworkers without explanation or discussion. Resolution of such disagreements often entail the involvement, after some debate, of the FCA’s in-house legal team, the caseworker’s senior managers and/or the issue of legal opinions by the applicant’s legal advisers, all of which comes at a time and monetary cost to the applicant.
- **A combative approach:** Rather than promoting an open and collaborative dialogue with applicants, we have observed caseworkers taking a defensive and combative approach to interactions with applicants. Establishing an adversarial atmosphere during the application phase is far from conducive to generating healthy relationships between the FCA and those it supervises in the long term. Also, for applicants considering the UK as a jurisdiction in which to establish, many perceive this approach a major disincentive to selecting the UK as a place to do business.
- **The absence of a single ‘source of truth’:** The information and documents required to successfully navigate the application process can be found across a range of disparate and at times conflicting on-line resources, including:
 - underlying laws and regulations;
 - the FCA’s website guidance;
 - the FCA Handbook;
 - FCA Connect;
 - the FCA’s policy and consultation documents;
 - FCA Q&As; and
 - ‘Dear CEO’ letters and other FCA circulars.The lack of a single source of truth can be both frustrating and potentially costly for applicants, with applicants at risk of submitting out of date or incorrect documents or citing FCA guidance that has been superseded. We are, for example, aware of an instance in which an applicant obtained a legal opinion in support its interpretation of the FCA rules – the opinion cited and attached the FCA’s web guidance on the point. A few days after submitting the opinion, the FCA rejected the opinion out of hand, with the

applicant subsequently discovering that the guidance attached to the opinion had been materially updated by the FCA at some point between the submission of the opinion and its rejection. At no point was the applicant given any prior indication by the caseworker that the guidance the applicant had repeatedly referred to was about to be updated.

- **An on-line system which is not fit for purpose:** A range of issues relating to the various on-line systems and resources employed or published by the FCA has been observed, encompassing (among other things):
 - broken or non-existent hyperlinks in the FCA Handbook;
 - links to incorrect, incomplete or outdated resources;
 - broken application submission systems; and
 - poorly laid out and unintuitive resources.

Such issues can result in applicants misunderstanding the FCA's requirements and submitting incorrect or outdated documents, inadvertently submitting documents that are irrelevant to an application, inadvertently omitting documents that are relevant to an application or (in extreme cases) not being able to submit an application at all.

4. Mitigation

Potentially costly delays can be avoided and the risks of them arising (and their impact if they do) somewhat mitigated in the following ways.

- Applicants should budget (in both time and financial resource) for an application to take a minimum of 9 months from the date on which application documents are submitted.
- Prepare a detailed regulatory business plan and be able to explain it in simple terms to your caseworker if required.

- Err on the side of submitting more information rather than less in your application and always take a transparent approach to interactions with the FCA.
- Check and double-check all hyperlinks in on-line resources to ensure that the documents/information linked to is up to date and relevant to the permissions applied for.
- Seek to arrange an introductory call with your assigned caseworker early in the application process to build rapport and trust.
- Aim to respond to all FCA follow-up queries expeditiously and in detail.
- If you strongly disagree with requests received from or the positions outlined by your caseworker, respond politely but robustly. Ensure your position is well articulated and supported by documentary evidence and do not hesitate to engage legal counsel to issue opinions on technical matters or to involve industry lobby groups (e.g. the BVCA) on matters of market convention. Request face-to-face meetings (in person or via video call) with caseworkers and their supervisors if necessary.

5. Conclusions

Navigating the FCA regulatory application process can be a time-consuming exercise and, whilst it may be possible to pre-empt or mitigate some of the potential causes of delay, applicants should always expect the unexpected. However, with the right preparation and having set expectations appropriately, major surprises, delays, frustrations and disappointments should be avoidable.

At Corvus, we have a great deal of experience in navigating the FCA application process and as such we are well positioned to assist applicants with new applications and variations to their existing permissions.

If you would like to speak with us regarding our services or any of the topics raised in this article, please do not hesitate to contact us.

The Corvus Group is an independent provider of administrative and advisory support services to the closed ended funds and asset management industries.

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