

REGULATORY UPDATE: PROPOSED REFORMS TO THE UK'S APPOINTED REPRESENTATIVE REGIME

Background

HM Treasury ("**HMT**") published a consultation paper on targeted reforms to the UK's Appointed Representative ("**AR**") regime on 12 February 2026. The AR regime, provided for under section 39 of the Financial Services and Markets Act 2000 ("**FSMA**"), allows UK firms and individuals to carry on certain regulated activities without their own authorisation from the Financial Conduct Authority (the "**FCA**"), instead effectively operating under the regulatory permissions and responsibility of an FCA-authorised "principal" firm. In the fund and asset management sector, the regime underpins the "regulatory hosting" model, allowing smaller or newly established placement agents, capital raisers and fund advisers to function as ARs of specialist principal host firms. This model has enabled firms in the UK to perform regulated activities more quickly and efficiently, avoiding the time and cost associated with obtaining direct FCA authorisation.

THE KEY PROPOSALS UNDER THE HMT CONSULTATION INCLUDE:

- requiring principal firms to obtain a specific, newly created FCA permission to act as principals of ARs, though existing principals would be grandfathered;
- bringing ARs within the scope of the Senior Managers & Certification Regime ("**SM&CR**") and in turn abolishing the current Approved Person Regime ("**APR**"); and
- expanding the jurisdiction of the Financial Ombudsman Service (the "**FOS**") to consider relevant complaints against ARs directly.

These proposals, together with further proposed changes, are set out in the table and further described below. While HMT intends to preserve the AR regime's scope and minimise disruption which could ensue as a result of firms transitioning to the new regime, the proposed reforms would materially strengthen the FCA's supervisory control over principals and increase accountability of ARs, which may in turn prompt some firms to reconsider whether to continue to operate as an AR, or instead seek direct FCA authorisation.

While these proposals represent substantial reforms to the AR regime, the regulatory hosting model would remain intact and existing appointments would be safeguarded through grandfathering provisions. However, the cumulative effect of the principal permission gateway, SM&CR alignment and, to a lesser extent, the expanded FOS jurisdiction, would certainly raise expectations for both principals and ARs.

Area of reform	Current position	Reform proposal	Key implications
Principal authorisation	Any FCA-authorized firm with relevant primary permissions may appoint ARs without additional permission.	New regulatory "gateway" requiring a specific FCA permission to act as a principal; existing principals will be grandfathered.	Raises the bar to act as principal and increases ongoing oversight of principals.
Controlled functions within ARs	ARs are subject to the legacy APR, whilst FCA-authorized firms operate under SM&CR.	SM&CR extended to ARs, replacing the APR; principals to certify the fitness and propriety of AR staff on an ongoing basis.	Single accountability framework, but significant operational adjustment required and increased accountability for ARs.
FOS jurisdiction over ARs	FOS jurisdiction limited to complaints against principals; no direct recourse against ARs.	FOS jurisdiction extended to ARs.	ARs face potential direct liability for FOS awards for the first time (in case of complaints filed by eligible claimants).
AR contract	Requirements set out in FSMA and secondary legislation.	Detailed contractual requirements transferred from primary legislation into the FCA Handbook.	Greater regulatory flexibility, though further FCA consultations expected.

OTHER PROPOSALS

HMT also proposes to transfer detailed principal-AR contractual requirements from primary legislation into the FCA Handbook, giving the FCA greater flexibility to tailor requirements to different types of AR activity. Separately, section 39A of FSMA on "tied agents" would be repealed as redundant following Brexit.

In addition, under the HMT proposals, ARs could face direct exposure to FOS complaints and awards, making robust compliance procedures, clear appointment records and adequate professional indemnity insurance essential. While principal firms will remain responsible for ARs' acts and omissions under FSMA, the ability for consumer complaints to be brought directly against ARs represents a meaningful shift in accountability, even where ARs are acting within the scope of their appointment.

TIMING AND NEXT STEPS

The consultation closed on 9 April 2026 and formal implementation of any proposals would require primary legislation amending FSMA and the FCA Handbook, meaning the reforms are unlikely to take effect before 2027. For now, principal firms and ARs should monitor further developments and assess their existing arrangements, frameworks and controls once the primary legislation is published.

FOR MORE INFORMATION

If you would like more information about the topics raised in this briefing, please speak to your regular contact at Weil or to the authors listed below.



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