



payments and crypto network

Preparing an Application for Authorisation

A series of guides addressing common issues in relation to preparing an application for authorisation.

Guide 3: Staff Organisation Structure

An application for authorisation will need to present an appropriate staff organisation to support the proposed business activities. This essentially means that the application will need to detail an adequate number of qualified individuals (as required to implement your proposed business) and show how they are organised in a manner that supports both operational and regulatory objectives.

Staff resources and their organisation are fundamental to the success of an application and must not be underestimated. The discussions regarding staffing levels, roles and responsibilities and the organisation of the staff will inevitably take some time. There are no hard rules here and the ultimate decision regarding what is 'appropriate' needs to be made given the specific context of the business. This will take time and is typically an iterative process; staffing arrangements and structure will develop alongside the development of the business case and application materials. All of this takes time and should be factored into the application timeline. Indeed, the recruitment of individuals is often the longest lead-time item when developing the business to the point an application can be submitted.

The staff resources that are allocated to an applicant's business must be commensurate with its size and complexity. Applications can stall during their preparation due to lack of resources and will ultimately fail if the FCA deem the business under resourced for the services it intends to provide. There are some key issues to consider which we will discuss below.

Size and complexity of the business

The size (and complexity) of your business matters.

The full scope of services to be provided will need to be agreed in the first instance in order to identify the necessary roles and business functions and, subsequently, ensure that adequate qualified staff are identified and allocated to those functions. The range of services, their functionality, customer markets, and geographies of operation will all need to be considered (since these factors are relate directly to the size and complexity of the business). Developing



a suitable service description is the subject of the ***Applications for Authorisation Guide 1: Permissions***.

Next, the structure of the business will need to be developed; the business functions required to deliver the proposed services (as determined above) will either be performed by the firm itself or will be outsourced to third-parties. At this stage, it may not be possible to fully define all business functions but you can certainly make a start.

Outsourcing arrangements

Outsourcing is an important consideration in the staffing and structuring of the business. Outsourcing is common practice, well understood by the FCA and perfectly acceptable provided that they are implemented in line with FCA requirements and guidance from the European Banking Authority (EBA). Most firms will have some element of outsourcing and many will have significant levels of outsourcing.

Logically, if a firm outsources the operation of certain business functions it should be able to reduce its staffing levels. However, it is a regulatory requirement that all outsourced functions are subject to 'oversight' by the firm, i.e. an individual will need to monitor the outsourcing relationship and the delivery of the outsourced services. Responsibility cannot be delegated by the firm to the service provider.

The individual assigned with this oversight responsibility would need to have the required skills and experience. For example, the oversight of outsourced IT related business functions would need to be undertaken by someone with IT knowledge. Any reduction in staff numbers would therefore likely come from operational staff (who would otherwise be performing the activities that are now outsourced) rather than management staff (who would in either case need to manage / oversee the business function); the outsourcing of IT related business functions would help to reduce the need for operational IT staff but would still require oversight from a senior IT role, e.g. IT Manager or CTO.

Outsourcing arrangements will therefore need to be factored into the consideration of the staffing arrangements. Further guidance on outsourcing is available on the PACNET website - ***Applications for Authorisation Guide 5: Outsourcing arrangements***.

Roles versus individual staff members

The larger and more complex the business, the more staff will logically be required. However, when developing a staff organisation structure it is best to think in terms of 'roles' rather than individual members of staff. Why? Because, one individual could perform a number of different roles depending on their skill sets and available time.

The most common example of an individual wearing multiple 'hats' is when performing the separate roles of Compliance Manager (or similar) and Money Laundering Reporting Officer (MLRO). This typically make sense, unless of course the business is large enough and complex enough to warrant separate individuals performing these roles. That person might also perform a finance role, depending on their skill sets and the size and complexity of the business. So, a business may justifiably have an individual from a finance and compliance background performing three roles. This is just one example, there are many more.

Individuals will also change over time, as staff leave and join the business, whereas roles would tend to change more slowly and in line with the overall development of the business. Thinking in terms of roles will help the process of developing a suitable structure.

Prepare a Staff Organisation Chart

The FCA will want to see an organisational structure based around clearly defined roles, responsibilities and reporting lines. Individuals can be allocated to these roles and the business can be structured (and develop) around them.

A staff organisation chart showing the roles, business functions and reporting lines between them should be prepared (and maintained on an ongoing basis). Job descriptions should also be maintained, detailing the responsibilities associated with each role. The focus here is on the key roles, i.e. directors and senior managers.

Job descriptions should be kept up to date and used during recruitment and performance appraisal activities. Clearly defined roles will also assist with the provision of training and the communication of expectations to candidates for the roles.

It is very likely that the staff organisation will change over time as the business develops so planning will be a dynamic process.

FCA approval of Individuals

Individuals performing these key roles would be referred to as EMD Individuals or PSD Individuals, depending on whether the firm is an EMI or PI, and require approval by the FCA before performing the role. The approval process involves the completion and submission of an extensive application form and disclosure of any civil, criminal or administrative matters. Candidates should be made aware of this requirement before being recruited or appointed to such roles. The subject of EMD and PSD Individuals will also be addressed in separate guidance on the PACNET website.

Head Office

A fundamental authorisation requirement for a UK EMI or PI is to maintain a UK Head Office. This is not just the physical location of the business but also the location from where the business is managed and strategic direction set – essentially where the majority of the EMD or PSD Individuals are based.

The staff organisation structure, and application content in general, will need to support the assertion that the Head Office resides in the UK. Further guidance can be found in the ***Applications for Authorisation Guide 4: Head Office requirement*** on the PACNET website.