



CUMMINGS PEPPERDINE ON REGULATORY HOSTING PLATFORMS

SPEEDREAD

1. What is a regulatory hosting platform?
2. What services does a regulatory hosting platform offer?
3. How can a platform allow me to give investment advice, make arrangements in investments and market my fund?
4. How can a platform allow me to be an investment manager?
5. What legal agreements do I need?

1. WHAT IS A REGULATORY HOSTING PLATFORM?

If you are planning to set up as an investment advisor, marketer or manager, a regulatory hosting platform can allow you carry out regulated activities with the necessary FCA permissions without, or before, you need to obtain direct authorisation in your own right.

The regulatory hosting platform provider (the platform) will take its regulatory permissions and let you use them in a manner which allows you to carry out investment management, investment advisory and/or marketing services while at the same time retaining your own identity, ownership, and control.

CUMMINGS PEPPERDINE

+44 7734 057 327

Green Park House, 15 Stratton Street,
London W1J 8LQ

www.cummingspepperdine.com

2. WHAT SERVICES DOES A REGULATORY HOSTING PLATFORM OFFER?

Typical services provided by platforms are:

- investment advice
- arranging investments
- investment management
- marketing
- AIFM and/or MiFID II cover

If you want to provide marketing, investment advice and arranging investments services, you may want to consider becoming an appointed representative ("AR") of the platform.

If you want to be an investment manager, the platform will let your individual investment managers use its FCA permissions to manage investments via a secondment of those individual managers to the host firm.

In each of these situations, it is the platform which enables you to carry out the relevant regulated activities while avoiding both the regulatory burden and the costs of becoming appropriately authorised. In addition, you can also work within a much quicker timeframe than if you were to seek authorisation from the FCA directly.

Regarding the AIFM hosting services, the platform will act as the AIFM to the relevant fund and will then delegate either the portfolio management function or risk management function to the you, on the proviso that you are appropriately authorised by the FCA. The alternative is to put in place secondment arrangements, and these are described below.

Do note that in retaining the portfolio management function or the risk management function the platform will remain the AIFM by definition.

Typical services provided by platforms are:

- investment advice
- arranging investments
- investment management

- marketing
- AIFM and/or MiFID II cover.

If you want to provide marketing, investment advice and arranging investments services, you may want to consider becoming an appointed representative ("AR") of the platform. If you want to be an investment manager, the platform will let your individual investment managers use its FCA permissions to manage investments via a secondment of those individual managers to the host firm. In each of these situations, it is the platform which enables you to carry out the relevant regulated activities while avoiding both the regulatory burden and the costs of becoming appropriately authorised. In addition, you can also work within a much quicker timeframe than if you were to seek authorisation from the FCA directly. Regarding the AIFM hosting services, the platform will act as the AIFM to the relevant fund and will then delegate either the portfolio management function or risk management function to the you, on the proviso that you are appropriately authorised by the FCA. The alternative is to put in place secondment arrangements, and these are described below. Do note that in retaining the portfolio management function or the risk management function the platform will remain the AIFM by definition.

3. HOW CAN A PLATFORM ALLOW ME TO GIVE INVESTMENT ADVICE, MAKE ARRANGEMENTS IN INVESTMENTS AND MARKET MY FUND?

Anyone who wants to conduct these regulated activities in the UK generally needs to be authorised by the FCA. The application process to become authorised can be costly and time-consuming (an application can take up to 6, or possibly 12, months) and the firm would need to meet all FCA conditions itself.

These include putting up regulatory capital, having a detailed business plan, having sufficient

and appropriately qualified investment staff, appointing a compliance officer and a money laundering officer and set up its own offices.

If there is no immediate intention to manage investments, then becoming an AR may be a cost-effective solution. For more details on these arrangements, please see “Cummins Pepperdine on Appointed Representatives.”

In short, an AR is a person or firm who conducts regulated activities under the umbrella of a firm directly authorised by the FCA. The directly authorised firm is known as the AR’s ‘principal’ and this is the role commonly undertaken by the platform. Then, the platform takes full responsibility for ensuring that the AR complies with the FCA rules, and the AR is, therefore, able to carry out advising and arranging services.

Please note that you cannot conduct any activity which does not fall within the platform’s permission.

4. HOW CAN A PLATFORM ALLOW ME TO BE AN INVESTMENT MANAGER?

Like the AR arrangements, you can provide investment management services to your fund or other investment vehicles via a platform. In this situation, you would second the relevant portfolio manager(s) to the platform. The platform would act as investment manager to the relevant fund while the fund’s assets would be managed by the secondees following your trading strategy. The secondees will need to be FCA-approved persons and, if they are not already approved, this may be facilitated by the host firm upon agreement.

If you want to, you can always apply to the FCA for your permission to manage investments later, or while you are entering the initial arrangements with the platform.

Whichever route you choose, the use of a platform does not impinge your ability to establish and brand a fund structure, market the fund, and build up a track record in your name.

5. WHAT LEGAL DOCUMENTS DO I NEED?

As you would imagine, this is crucial, and the key points vary according to the service which a regulatory hosting platform is providing. For investment advice, arrangements, and marketing, it’s common to enter an AR arrangement. In this instance, you will need the client-facing agreement, which is likely to be an investment advisory or marketing agreement. While most of the agreement will be unique to you and your commercial arrangements, some clauses are mandatory under the FCA Rules. You will also need an agreement that faces the platform, the AR agreement. Again there will be tailored commercial terms which you and the platform agree, but the AR agreement will also need to comply with FCA Rules and contain specific, mandatory terms.

For investment management, you will need an investment management agreement between the fund or other investment vehicle and the fund and the platform (which will act as the investment manager) as well as the secondment agreement between you and the platform. Again there is a combination of FCA mandatory terms and commercial terms in these documents. The commercial terms will need to protect your intellectual property and you may want to include clauses that allow you to take your clients with you if you strike out alone and see your own FCA authorisation.



The Cummings Pepperdine Online Training Programme, which includes sections focussing on the regulatory hosting platforms, has been designed by a specialist board of compliance consultants, solicitors, chartered accountants, tax advisors and regulatory consultants. We believe that we are the only firm which offers training created by this range of qualified advisors.

[Click here now to make it all work](#)

[Watch our introductory video](#)

claire.cummings@cummingspepperdine.com
serena.joseph@cummingspepperdine.com
samantha.fitter@cummingspepperdine.com
nigel.tobin@cummingspepperdine.com
PA@cummingspepperdine.com

Cummings Pepperdine LLP - August 2021

We have taken great care to ensure the accuracy of this document. However, it is written in general terms, is for general guidance and does not constitute advice in any form. You are strongly recommended to seek specific advice before taking any action based on the information it contains. No responsibility can be taken for any loss arising from, action taken or refrained from on the basis of this publication. Nothing within this document may be copied, re-printed or similar without prior written permission from Cummings Pepperdine LLP.

CUMMINGS PEPPERDINE

+44 7734 057 327

Green Park House, 15 Stratton Street,
London W1J 8LQ

www.cummingspepperdine.com