



B | I | B | A

## **Threshold Conditions (COND)**

The threshold conditions set out five conditions that the FSA require a firm to meet to become authorised to undertake any regulated activity. These conditions are as follows:

<b>Threshold Condition 1 - Legal Status</b>	If the regulated activity is effecting or carrying out contracts of insurance, the firm must be an incorporated firm (but not a limited liability partnership), a registered friendly society or a member of Lloyd's.
<b>Threshold Condition 2 - Location of offices</b>	A regulated UK firm must have its head office and registered office in the UK or (if not a body corporate) carry on business in the UK. The treasury has also agreed a change to condition 2 in respect of general insurance activities which does not require the head office and the registered office to be in the same state.
<b>Threshold Condition 3 - Close Links</b>	The FSA must be satisfied that it can effectively supervise a firm, taking into account the structure of the group to which it belongs or the other firms to which it has close links
<b>Threshold Condition 4 - Adequate resources</b>	The FSA must be satisfied that the firm has adequate resources. Adequacy of resources is not just about financial resources. The FSA also looks at whether the firm has adequate management and staff, both in terms of quantity and quality
<b>Threshold Condition 5 - Suitability</b>	The FSA must be satisfied that the firm is "fit and proper" to be authorised. In assessing this, the FSA looks at the competence and ability of management, as well as its commitment to carrying on the business with integrity and in compliance with the regulatory regime.