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Dear Andrew,

I write further to my appearance at the Treasury Committee on 20 July, where you requested some information in relation to the regulation of financial services. My teams are currently working through these requests and I will be able to provide you with comprehensive responses during September.

In the meantime, you requested information on the number of UK authorised firms that currently hold single market 'passports'. This letter provides that information, setting out the passporting rights exercised by UK authorised firms to provide services or establish branches under certain single market directives. For these purposes we also include in our data authorised payment institutions registered under the Payment Services Regulations 2009.¹

It may be helpful to start by summarising what passporting means in this context.

A passport is a mechanism through which firms may exercise their right to provide services and their right to establishment. With a passport, an entity's authorisation to do business in one EU Member State (and under certain directives in EEA states, too) is recognised by all other Member States as an authorisation to do business in their territory as well. As such, a passport obviates the need to obtain separate authorisations from other Member States. For UK firms, the competent authority providing an authorisation will generally be the FCA or the PRA.

Passporting procedures differ depending on which directive applies and which kind of passport is requested. The types of business that may be passported are set out in single market directives such as the Markets in Financial Instruments Directive (MiFID) or the Capital Requirements Directive (CRD). Depending on a firm's business, a different passport may be

¹ In addition to these passporting rights exercised by UK firms, EU single market legislation also allows for specific 'product passports'. Generally speaking these allow products such as specific fund types to be marketed cross-border, so for example an Irish fund manager could manage a fund from the UK, and could go on to market that fund in Italy. Figures on the use of these passports are not included in this letter.

required under each of the directives that apply to it, meaning that in many cases firms will hold more than one. In some cases, such as under the Alternative Investment Fund Managers Directive (AIFMD), a passport under one directive may include a right to passport certain services listed under another directive (in the case of the AIFMD, certain MiFID investment services).

Single Market Directives

A number of EU single market directives enable passporting. The FCA handles notifications under the following:

- Alternative Investment Fund Managers Directive (AIFMD)
- Insurance Mediation Directive (IMD)
- Markets in Financial Instruments Directive (MiFID)
- Mortgage Credit Directive (MCD)
- Payment Services Directive (PSD)
- UCITS Directive (UCITS)²
- Electronic Money Directive (EMD)

The PRA handles notifications under the following directives:

- Capital Requirements Directive (CRD)
- Solvency II Directive (Solvency II)

The data provided in this letter include data on passport notifications received under the directives for which the PRA is the competent authority as well.

The appendix provides a high level overview of the kinds of passports available under the single market directives referred to in this letter. It also includes a summary of other provisions relevant to cross-border activity, but which are not covered in the data on passports.

Total Number of Passports

The table below summarises the total number of passports issued under the directives listed above, handled by both the FCA and the PRA, and the total number of UK authorised firms currently holding a passport. For completeness, it also shows the total number of firms authorised outside the UK using a passport to provide business in the UK. An 'outbound' passport refers to a passport issued by a UK competent authority (i.e. the FCA or PRA) to a UK firm enabling that firm to do business in one or more EU Member States (or where relevant an EEA state); an 'inbound' passport refers to a passport issued by an EU Member State competent authority (or where relevant an EEA state) to a firm from that Member State enabling it to do business in the UK (or other Member States).

² Also includes permissions under previous UCITS Management Directive

	Total	Inbound³	Outbound⁴
Number of passports in total ^{5, 6}	359,953	23,532	336,421
Number of firms using passporting	13,484	8,008	5,476

As is clear from the above data, many firms hold more than one passport; hence there are significantly more passports than firms.

Total number of firms with at least one passport under each directive.

The table below summarises the number of firms with at least one passport under each directive for both inbound and outbound passporting. The nature of the passporting mechanism means that a firm can hold multiple passports under one directive, and/or multiple passports to operate cross-border into multiple Member States. In the table below, the figures have been calculated using the following methodology: if a firm has permission to passport under more than one directive, these permissions are counted for each separate directive; if a firm has more than one passport under the same directive, (multiple activities or multiple countries), the passport is only counted once under that directive.

³ This includes only firms passporting into the UK from another EU (or EEA state).

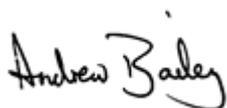
⁴ UK firms outbound passporting to other Member States require separate passports to conduct business in different countries. We count all passports separately; therefore a firm conducting one type of activity under one directive in 30 countries would be registered as holding 30 passports.

⁵ Some directives require multiple passports for different activities and some require just one passport to conduct multiple activities in a country. The figure given here as the total number of passports counts the passport only, irrespective of whether that passport covers one or multiple activities.

⁶ The total number of passports includes activity delivered through both branches within the Member State, or services provided from outside the Member State.

	<i>Source: TARDIS database</i>	
	<i>Date: 27 July 2016</i>	
<i>Number of firms with at least one passport under each directive</i>		
Directive	Outbound	Inbound
Alternative Investment Fund Managers Directive (AIFMD)	212	45
Insurance Mediation Directive (IMD)	2758	5727
Markets in Financial Instruments Directive (MiFID)	2250	988
Mortgage Credit Directive (MCD)	12	0
Payment Services Directive (PSD)	284	115
UCITS Directive	32	94
Electronic Money Directive ⁷	66	27
Capital Requirements Directive IV (CRD IV)	102	552
Solvency II Directive	220	726

Yours sincerely



Andrew Bailey
CEO
Financial Conduct Authority

⁷ Source for Electronic Money Directive Data: Intact and E Money Database

APPENDIX

Passporting within each Directive

We thought it would be helpful to provide below a list of the kinds of passport available under each relevant single market directive.

Directive/ Regulation	Passports available
Alternative Investment Funds Managers Directive (AIFMD)	<p><i>For managers:</i></p> <ul style="list-style-type: none"> • Cross border marketing of EU AIFs to professional investors • Marketing of non-EU AIFs to professional investors in all Member States (in certain cases) • Cross-border management of EU AIFs either on a branch or services basis • Provision of certain specified MiFID services either on a branch or services basis
Insurance Mediation (IMD)	<p><i>For insurance intermediaries:</i></p> <ul style="list-style-type: none"> • Establishment of branches or provision of insurance mediation services
Markets in Financial Instruments Directive (MiFID)	<p><i>Right for investment firms to:</i></p> <ul style="list-style-type: none"> • Provide cross border investment services, including through a tied agent • Establish a branch (subject to a notification procedure) and provide investment services from that branch <p>Outside of the passporting provisions for investment firms above, there are several other provisions in MiFID⁸ which facilitate cross-border activity in the EEA.</p> <ul style="list-style-type: none"> • A Member State has to ensure that investment firms from another Member State have access to clearing and settlement systems in its jurisdiction on the same basis as investment firms for which it is the home Member State. • A Member State must require that an investment firm from another Member State can have access to a regulated market in its jurisdiction either through a branch or remotely.

⁸ Some of the provisions set out below will not take effect until the revised MiFID applies from 3 January 2018.

	<ul style="list-style-type: none"> • Member States must require that all members of regulated markets can designate, subject to certain limitations, the system for the settlement of their transactions. • Subject to certain conditions, central counterparties have to clear trades from any trading venue in the EEA on a non-discriminatory basis. Likewise, also subject to certain conditions, trading venues have to provide trade feeds to any central counterparty in the EEA on a non-discriminatory basis. • Subject to certain conditions, any central counterparty or trading venue in the EEA has to be given non-discriminatory access to an EEA benchmark for the purposes of clearing and trading. • Data reporting services providers can provide services across the EEA on the basis of authorisation in a single Member State.
Mortgage Credit Directive (MCD)	<p><i>For mortgage intermediaries:</i></p> <ul style="list-style-type: none"> • Establishment of branches or provision of services
Payment Services Directive (PSD)	<p><i>For authorised payment institutions:</i></p> <ul style="list-style-type: none"> • Establishment of branches or provision of services. including the use of agents
Undertaking for Collective Investment Schemes Directive (UCITS V)	<p><i>For managers of UCITS funds:</i></p> <ul style="list-style-type: none"> • Management of an authorised UCITS either on a branch or services basis • Provision of certain specified MiFID services either on a branch or services basis <p><i>For UCITS funds (not included in the data above):</i></p> <ul style="list-style-type: none"> • Cross border distribution of a UCITS-compliant authorised fund to investors
Electronic Money Directive (EMD)	<p><i>For authorised e-money issuers:</i></p> <ul style="list-style-type: none"> • Establishment of branches or provision of services, including the use of agents
Capital Requirements Directive (CRD)	<p><i>For credit institutions:</i></p> <ul style="list-style-type: none"> • Right to provide banking and investment services • Establishment of branches to provide banking and investment services • In this context banking services include the provision of mortgages and consumer credit (by credit institutions)

Solvency II

For insurers and reinsurers:

- Establishment of branches or provision of services