FOR ASPIRING FUND MANAGERS

A GUIDE TO

The Appointed Representative route

Launching under an authorised principal

A plain-English guide to what the Appointed Representative model is, how the relationship works, and how it compares with the alternatives.

PUBLISHED JULY 2026

Sapphire

CONTENTS

What's inside

A note for the reader. This guide explains how the Appointed Representative model works, in plain language, for people setting up or running a regulated business or fund. It is general information only, not legal, regulatory, tax or financial advice, and it is not itself a financial promotion or an invitation to invest.

A WORD FROM OUR CHAIRMAN

A faster way to market, with a safety net

For many of the managers we work with, becoming an Appointed Representative is the moment their fund goes from idea to reality. It lets a specialist team get to market quickly, under the regulatory cover of an authorised firm, rather than spending many months and a great deal of money seeking their own authorisation first.

The model is sometimes misunderstood, so this guide sets it out plainly: what an AR can and cannot do, who is responsible for what, how it compares with the alternatives, and what becoming an AR of Sapphire involves.

The regime is tightening, with closer oversight of principals and a new gateway expected. We welcome that. As a principal, real, genuine oversight is exactly what we already provide, and it is what protects our appointed representatives and their investors alike.

Boyd Carson FCA

CHAIRMAN, SAPPHIRE CAPITAL PARTNERS LLP

01 · THE MODEL

What is an Appointed Representative?

An Appointed Representative, or AR, is a firm that carries on regulated business under the responsibility of an authorised firm, known as its principal. It is one of the most common ways to enter the UK financial services market without holding your own FCA authorisation.

The principal and the AR

The principal is FCA-authorised and takes regulatory responsibility for the AR's regulated activities. The AR runs its own business and sources its own deals or clients, but operates under the principal's permissions and oversight.

Why the model exists

It lets people with genuine expertise get to market quickly, while ensuring an authorised, accountable firm stands behind the regulated activity. For venture capital, it is a well-trodden path for new fund managers.

IN PLAIN TERMS

Think of the principal as holding a large umbrella. The AR does its own work, but shelters under the principal's regulatory cover. The principal decides who it lets under the umbrella, sets the rules for staying there, and is answerable for what happens beneath it.

The principal is authorised

It holds the FCA permission and carries the responsibility.

The AR runs its business

The AR sources and serves, under the principal's cover.

A faster route in

It is a quicker way to market than full authorisation.

02 · THE MODEL

What you can and cannot do

Being an AR is not a blank cheque. You can carry on only the regulated activities your principal has agreed to take responsibility for, and only within the limits set out in your agreement.

What you can do

Within the agreed scope, an AR can carry on regulated activities such as arranging deals, advising, or helping to bring a fund to market, all under the principal's permissions. The principal's authorisation is, in effect, lent to you for that defined scope.

What you cannot do

You cannot stray beyond the agreed scope, hold client money unless specifically permitted, or carry on activities the principal is not itself authorised for. Going outside the lines is not a technicality; it can be a serious regulatory breach.

IN PLAIN TERMS

A simple test: if an activity is not clearly within the scope your principal has accepted in writing, assume you cannot do it until you have checked. The agreement defines the edges of what is permitted, and those edges matter.

Stay in scope

Only carry on the activities the agreement covers.

No client money

Unless specifically permitted, an AR does not hold client money.

Check before you act

If in doubt about scope, ask the principal first.

03 · THE MODEL

Who it suits, and who it doesn't

The AR model is not right for everyone. It works best for a particular kind of firm at a particular stage, and it is worth being honest about the fit.

Who it suits

Sector specialists and experienced teams who want to launch a fund or regulated business without the time, cost and overhead of their own authorisation. New venture capital managers are a classic example: strong on deals, light on regulatory infrastructure.

Who it suits less well

Firms that need full control over a very broad range of activities, or that have the scale and resources to justify their own authorisation from day one, may find their own permissions a better long-term home. Many start as an AR and graduate later.

IN PLAIN TERMS

It is a bit like learning to drive with a qualified instructor in a dual-control car. For most people it is the sensible, faster way to get on the road. Some will eventually want their own car and full licence, and that is fine; the AR route gets you moving in the meantime.

Great for new managers

A fast, supported route to market for specialists.

Stepping stone, or home

Some graduate to their own authorisation; others stay.

Be honest about fit

Match the route to your scale and ambitions.

04 · HOW IT WORKS

Two sides of the relationship

An AR relationship has obligations on both sides. Understanding who is responsible for what is the foundation of a healthy, low-risk arrangement.

The principal's role

The principal takes regulatory responsibility for the AR's in-scope activities, supervises the AR, reviews its financial promotions, and must be able to show the regulator that its oversight is real and effective.

The AR's role

The AR must operate within scope, follow the principal's rules and systems, be open and cooperative, escalate issues promptly, and keep good records. The relationship works on trust backed by evidence.

WHAT THIS MEANS FOR YOU

The regulator increasingly judges principals on whether their oversight is genuine, not just documented. A good AR relationship is a real partnership: the principal invests in proper supervision, and the AR engages with it openly rather than treating it as a box to tick.

Principal supervises

Real oversight, not a nominal arrangement.

AR cooperates

Open, prompt, and within the rules.

Evidence matters

Both sides keep records that stand up to scrutiny.

05 · HOW IT WORKS

The agreement and its limits

The Appointed Representative agreement is the heart of the relationship. It sets out exactly what the principal is responsible for, and a recent court decision has made its wording more important than ever.

What versus how

The agreement defines the scope of business the principal stands behind: the “what”. That scope can be defined and narrowed, for example by client type, product or activity. But the “how”, the way the business is actually conducted, cannot be signed away.

Why the limits matter

The recent Supreme Court decision in *Kession* confirmed that a principal is responsible only for the business it has accepted in writing. So the limits in the agreement carry real weight, and for an AR, acting outside the agreed scope can be a criminal breach of the regulatory perimeter, not a mere paperwork slip.

WHAT THIS MEANS FOR YOU

Read your agreement closely and know exactly where its edges are. If your plans change, or you want to do something new, get the agreement updated first. Operating just outside the scope, even with good intentions, is where ARs get into serious trouble.

Know your scope

Be clear on exactly what the agreement covers.

Mind the edges

Acting outside scope is a serious matter, not a technicality.

Update before you grow

Change the agreement before you change what you do.

06 · HOW IT WORKS

Supervision, records and the gateway

Oversight is what makes the AR model work, and it is getting more rigorous. A new approval gateway for principals is expected, raising the bar for taking on and keeping appointed representatives.

How supervision works

A principal monitors its ARs: reviewing activities and promotions, checking they stay in scope, and stepping in where needed. Good supervision is proportionate but real, with clear records of what was checked and when.

The coming gateway

The regulator has been tightening the AR regime for some time, and a gateway is expected to add a clearer approval step before a firm can act as a principal, with continuing expectations around oversight, information and control.

GOOD PRACTICE

Good practice for a principal is to document that its board has considered the implications of the latest changes and reviewed its AR agreements, supervision and communication accordingly, recording this as part of the board's annual self-assessment. A well-run principal treats oversight as live, not a one-off.

07 · THE CHOICES

AR versus full authorisation

The main alternative to being an AR is seeking your own FCA authorisation. Both are legitimate; they simply suit different stages and ambitions.

Becoming an AR

Faster and cheaper to set up, with the principal carrying the regulatory infrastructure and responsibility. You trade some independence for speed and support, and you operate within an agreed scope.

Full authorisation

Gives you complete control and your own permissions, but takes many months, costs more, and requires you to build and run a compliance function. It tends to suit firms with the scale to justify it.

IN PLAIN TERMS

Think of it as renting versus buying a licensed premises. Renting, the AR route, gets you trading quickly with the landlord handling the licence and the building's compliance. Buying, full authorisation, gives you full control but a far bigger upfront commitment. Many firms rent first and buy later.

AR: speed and support

Quicker, cheaper, with the principal carrying the load.

Authorisation: control

Full independence, at greater cost and time.

Stage decides

Match the route to where your firm is now.

08 · THE CHOICES

AR versus a host operator

For fund managers there is a related choice worth understanding: operating as an AR, or using an authorised firm purely as the fund's operator without becoming an AR yourself.

The AR route

You become an Appointed Representative of the principal, carrying on regulated activities under its responsibility and oversight across your business.

The host operator route

An authorised firm acts as the operator or manager of your fund specifically, taking regulatory responsibility for that fund, while you advise or support it. The relationship is centred on the fund rather than your whole firm.

AT SAPPHIRE

Both put an authorised firm between you and the regulator, and the right choice depends on your activities, your plans, and how much you want to do under your own steam. Sapphire offers both, and part of our job is helping you work out which fits. The structures can also be combined.

AR: firm-wide cover

Regulated activity across your business, under a principal.

Host: fund-specific

An authorised operator runs the fund itself.

We help you choose

The right route depends on your plans.

09 · THE CHOICES

Cost, speed and control

Most decisions about the AR route come down to three trade-offs: cost, speed and control. Being clear about which matters most to you makes the choice easier.

Cost

The AR route avoids the substantial upfront cost of building your own authorised firm. You pay the principal for cover and oversight, but spread and share much of the infrastructure.

Speed

Operating under an established principal can get you to market in months rather than the many months full authorisation typically takes.

Control

You give up some independence and operate within an agreed scope. For many new managers that is a fair trade; for others, full control is worth the wait.

IN PLAIN TERMS

There is no single right answer. A useful way to decide: if getting to market quickly and keeping overheads low matter most, the AR route usually wins. If complete control is essential and you have the resources, your own authorisation may be worth it. You can always start as an AR and graduate later.

10 · BECOMING AN AR

The onboarding journey

Becoming an Appointed Representative of Sapphire follows a clear path. Knowing the steps helps you prepare and move quickly.

01 Get to know each other

We discuss your plans, your team and your proposed activities to check the fit and the scope.

02 Due diligence

We carry out our checks on you and your business. As a principal, we need to be confident in who we take under our cover.

03 The agreement

We put in place an AR agreement that sets out exactly what we are responsible for and the limits that apply.

04 Go live

Once onboarding and any regulatory steps are complete, you begin operating within the agreed scope, with our oversight in place.

WORTH KNOWING

As the AR gateway takes effect, this onboarding becomes more rigorous, which is a good thing. A principal that does thorough due diligence at the start is one that the regulator, and your investors, can trust.

11 · BECOMING AN AR

Ongoing oversight and obligations

The relationship does not end at go-live. An AR has continuing obligations, and the principal provides continuing oversight, throughout the arrangement.

What we do

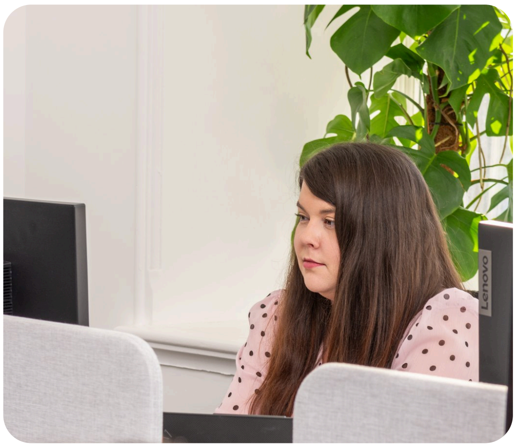
We monitor your in-scope activities, review your financial promotions before they go out, keep our records current, and stay ready to step in or advise. Oversight is active, not nominal.

What you do

You operate within scope, follow our systems and rules, keep good records, escalate issues promptly, and keep us informed of any change to your plans or your business.

AT SAPPHIRE

We treat oversight as a genuine partnership. The better we understand your business and the more openly you engage with us, the smoother the relationship and the stronger the protection for everyone, including your investors.



Common pitfalls to avoid

A handful of avoidable mistakes account for most of the trouble ARs run into. If you remember one page, make it this one.

Drifting out of scope

Doing something just outside the agreement, even with good intentions, is the classic AR error.

Skipping promotion sign-off

Investor-facing material must be approved by the principal before it goes out.

Weak records

If you cannot evidence what you did and why, you are exposed if questions arise.

Going quiet

Not telling your principal about changes or problems undermines the oversight that protects you.

Treating oversight as tick-box

Genuine engagement with supervision is what the regulator now expects.

Assuming it covers everything

The umbrella covers only the agreed scope. Check before you assume.

ABOUT SAPPHIRE

What we do, and how we do it

What we actually do is straightforward, even if the execution isn't: we take experienced operators, sector specialists and recognised experts who want to deploy capital in their field, and we build the regulatory home around them, acting as their FCA-authorised principal and operator. Properly structured. Ready to raise.

We take our responsibilities as a principal seriously, with active oversight of every appointed representative. We are also a Certified B Corporation, which means we hold ourselves to standards beyond return.

BOYD CARSON FCA · CHAIRMAN

A BUSINESS MEASURED, NOT JUST STATED

Certified B Corporation

93.1
OUR B IMPACT SCORE

50.9
MEDIAN FOR ORDINARY BUSINESSES

Independently verified by B Lab across how we treat our people, serve our clients, govern ourselves and contribute to our community. First certified in 2022 and recertified with an improved score in 2025, we are among fewer than 2,700 UK B Corps and one of only a handful of FCA-authorised investment managers.

CASE STUDY

Sustainable Ventures

How the Appointed Representative model works in practice, so a specialist team can focus on investing rather than compliance.

AT A GLANCE

Two funds

SEIS + EIS Impact, launched together

March 2025

Appointed Representative of Sapphire

7 deals

Completed in the first year

Sustainable Ventures is a UK climate-tech firm that has spent more than ten years supporting sustainability-focused start-ups, working with over 1,000 companies. In 2024 it set out to launch two funds at once, a SEIS Impact Fund and an EIS Impact Fund, across clean energy, energy efficiency and transport.

Running two funds in parallel needs an FCA-authorised manager to carry the regulatory responsibility. Sustainable Ventures became an Appointed Representative of Sapphire in March 2025, with Sapphire taking on compliance oversight across both funds, including the financial promotions that go with raising money. That freed the team to focus on sourcing deals, and seven investments were completed in the first year.

> “They enabled the simultaneous launch of both our SEIS and EIS funds and managed the entire process with regulatory expertise, clarity, and ease.”
>
> STUART FERGUSON · INVESTMENT PARTNER, SUSTAINABLE VENTURES

Sapphire

Sapphire Capital Partners LLP

A multi-award-winning venture capital firm with offices in London and Belfast, helping fund managers and founders across the UK build and run their funds.

WEBSITE

sapphirecapitalpartners.co.uk

LONDON

8 Shepherd Market
Mayfair
London, W1J 7JY

BELFAST

Pearl Assurance House
One Donegall Square East
Belfast, BT1 5HB

IMPORTANT NOTICE

Sapphire Capital Partners LLP is authorised and regulated by the Financial Conduct Authority (FRN 565716). This guide is provided for general information only. It does not constitute legal, regulatory, tax or financial advice, nor is it a financial promotion, an offer, or an invitation to invest, and it does not promote any specific fund or investment. The rules summarised here change over time and how they apply depends on your circumstances. Always take professional advice before acting. The value of investments can fall as well as rise.