Chapter 3

Systems and controls

3

3.1   Systems and controls

3.1.1   R   A *firm* must take reasonable care to establish and maintain such systems and controls as are appropriate to its business.

3.1.1A   R   [deleted]

3.1.2   G   (1) The nature and extent of the systems and controls which a *firm* will need to maintain under ■ SYSC 3.1.1 R will depend upon a variety of factors including:

(a) the nature, scale and complexity of its business;

(b) the diversity of its operations, including geographical diversity;

(c) the volume and size of its transactions; and

(d) the degree of risk associated with each area of its operation.

(2) To enable it to comply with its obligation to maintain appropriate systems and controls, a *firm* should carry out a regular review of them.

(3) The areas typically covered by the systems and controls referred to in ■ SYSC 3.1.1 R are those identified in ■ SYSC 3.2. Detailed requirements regarding systems and controls relevant to particular business areas or particular types of *firm* are covered elsewhere in the *Handbook*.

3.1.2A   G   *Firms* should also consider the additional *guidance* on risk-centric governance arrangements for effective risk management contained in ■ SYSC 21.

3.1.3   G   Where the *UK Corporate Governance Code* is relevant to a *firm*, the *appropriate regulator*, in considering whether the *firm's* obligations under ■ SYSC 3.1.1 R have been met, will give it due credit for following corresponding provisions in the codeand related guidance.

3.1.4   G   A *firm* has specific responsibilities regarding its *appointed representatives* or, where applicable, its *tied agents* (see ■ SUP 12).

3.1.5   G   ■ SYSC 2.1.3 R (2) prescribes how a *firm* must allocate the function of overseeing the establishment and maintenance of systems and controls described in ■ SYSC 3.1.1 R.

Competent employees rule

3.1.6 R A *firm* must employ personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them.

3.1.7 R When complying with the *competent employees rules*, a *firm* must take into account the nature, scale and complexity of its business and the nature and range of financial services and activities undertaken in the course of that business.

3.1.7A G ■ SYSC 28 contains *rules* and *guidance* relating to the minimum knowledge and competence requirements in relation to *insurance distribution activities* undertaken by a *firm*.

3.1.8 G The Training and Competence sourcebook (*TC*) contains additional *rules* and *guidance* relating to specified retail activities undertaken by a *firm*.

3.1.9 G *Firms* which are carrying on activities that are not subject to *TC* may nevertheless wish to take *TC* into account in complying with the competence requirements in *SYSC*.

3.1.10 G If a *firm* requires *employees* who are not subject to a qualification requirement in *TC* to pass a relevant examination from the list of appropriate qualifications maintained by the *FCA*, the *appropriate regulator* will take that into account when assessing whether the *firm* has ensured that the *employee* satisfies the knowledge component of the *competent employees rule*.

Insurance distribution activities

3.1.11 R A *firm* carrying on *insurance distribution activities* must approve, implement and regularly review its internal policies and procedures in respect of its obligations under ■ SYSC 28.

[**Note:** first paragraph of article 10(8) of the *IDD*]

3.1.12 G ■ SYSC 2.1.6AR prescribes how a *firm* must allocate the function of ensuring the proper implementation of the policies and procedures approved in accordance with ■ SYSC 3.1.11R.

3