Funeral Plan: Conduct of Business sourcebook

Chapter 15

Prudential requirements



15.10 Systems, strategies, processes and reviews

- 15.10.1 In addition to adequate financial resources, adequate systems and controls are necessary for the effective management of prudential risks. The rules in this section therefore impose requirements relating to such systems and controls.
- 15.10.2 G This section also has rules requiring a firm to identify, assess and document:
 - (1) risks to it being able to meet its liabilities as the fall due;
 - (2) how it intends to mitigate these risks; and
 - (3) the amount and nature of financial resources that the firms consider necessary to address any remaining risks.
- 15.10.3 G The FCA may review this assessment as part of its own assessment of the adequacy of a firm's financial resources.

Systems, strategies, processes

- 15.10.4 A firm must use sound, effective and comprehensive systems, strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of financial resources that it considers adequate to cover:
 - (1) the nature and level of the risks to which it is or might be exposed; and
 - (2) the risk that the firm might not be able to meet its core capital resources requirement and general solvency requirement in the future.

Documentation of risk assessments

- 15.10.5 A firm must make a written record of the assessments required under ■ FPCOB 15.10.4R. In particular, it must make a written record of:
 - (1) the major sources of risk identified in accordance with ■ FPCOB 15.10.4R: and
 - (2) how it intends to deal with those risks.

FPCOB 15/2

- 15.10.6 R A firm must retain the records of its assessments referred to in FPCOB 15.10.5R for at least 3 years.
- The FCA may review the written record of the assessment as set out under FPCOB 15.10.5R as part of its own assessment of the adequacy of a firm's financial resources as part of its day-to-day supervision of firms.

■ Release 34 ● Mar 2024