

Chapter 15

Prudential requirements



15.10 Systems, strategies, processes and reviews

Purpose

- 15.10.1 G
- 15.10.2 G
- 15.10.3 G
- 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.
- 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.
- 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 R
- 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 R
- 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.

- 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.
- 15.10.7 **G** 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*.