

Chapter 2

Recognition requirements

2.4 Suitability

2.4.1	UK	<p>Schedule to the Recognition Requirements Regulations, Paragraph 2</p> <p>(1) The [UK RIE] must be a fit and proper person to perform the [relevant functions] of a [UK RIE].</p> <p>(2) In considering whether this requirement is satisfied, the [FCA] may (without prejudice to the generality of regulation 6(1)) take into account all the circumstances, including the [UK RIE's] connection with any person.</p> <p>(3) The <i>members of the management body</i> must be of sufficiently good repute and possess sufficient knowledge, skill and experience to perform their duties.</p> <p>(4) The <i>persons</i> who are in a position to exercise significant influence over the management of the [UK RIE], whether directly or indirectly must be suitable.</p>
2.4.2	UK	<p>[deleted]</p>
2.4.3	G	<p>In determining whether a <i>UK recognised body</i> is a fit and proper person, the FCA may have regard to any relevant factor including, but not limited to:</p> <p>(1) the commitment shown by the <i>UK recognised body's management body</i> to satisfying the <i>recognition requirements</i> and to complying with other obligations in or under the <i>Act</i>;</p> <p>(2) its arrangements, policies and resources for fulfilling its obligations under the <i>Act</i> in relation to its activities as a <i>UK recognised body</i>;</p> <p>(3) the extent to which its constitution and organisation provide for effective governance;</p> <p>[Note: MiFID RTS 7 contains further governance requirements for a <i>trading venue</i> whose systems enable <i>algorithmic trading</i>]</p> <p>(4) the arrangements made to ensure that its <i>management body</i> has effective oversight of the <i>UK recognised body's relevant functions</i>;</p> <p>(5) the access which its regulatory department has to the <i>management body</i>;</p> <p>(6) [deleted]</p> <p>(7) [deleted]</p>

- (8) [deleted]
- (9) breaches of any relevant law, regulation or code of practice by the *UK recognised body* or its *key individuals*;
- (10) its arrangements for ensuring that it employs individuals who are honest and demonstrate high standards of integrity;
- (11) the effectiveness of its arrangements to control conflicts of interest (see also *REC 2.5*); and
- (12) the independence of its regulatory department from its commercial and marketing departments.

2.4.4

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In determining whether a *UK recognised body* is a fit and proper *person*, the *FCA* may have regard to its connections with:

- (1) any *undertaking* in the same *group*;
- (2) any owner or part-owner of the *UK recognised body*;
- (3) any *person* who has the right to appoint or remove members of the *management body*;
- (4) any *person* who is able in practice to appoint or remove members of the *management body*;
- (5) any *person* in accordance with whose instructions the *management body* is accustomed to act; and
- (6) any *key individual* in relation to the *UK recognised body* .

2.4.5

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In assessing whether its connection with any *person* could affect whether a *UK recognised body* is a fit and proper *person*, the *FCA* may have regard to:

- (1) the reputation and standing of that other *person*, including his standing with any relevant *UK* or *overseas regulator*;
- (2) breaches of any law or regulation by that other *person*;
- (3) the roles of any of the *UK recognised body's key individuals* who have a position within organisations under the control or influence of that other *person*, including their responsibilities in that organisation and the extent and type of their access to its senior management or governing body;
- (4) the extent to which the *UK recognised body* operates as a distinct entity notwithstanding its connection with that other *person*;
- (5) the extent to which the *UK recognised body's management body* is responsible for its day-to-day management and operations;

but nothing in this paragraph should be taken to imply any restriction on the ability of a *UK recognised body* to outsource any function to any *person* in a manner consistent with Regulation 6 of the Recognition Requirements Regulations.

2.4.6

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In assessing whether the *persons* who effectively direct the business and operations of the *UK RIE* are of sufficiently good repute and sufficiently experienced to ensure the sound and prudent management and operation of the financial markets operated by it, the *FCA* may have regard to the repute and experience of the *UK RIE's key individuals*.