

## Chapter 2

# Recognition requirements

2.4 Suitability

2.4.1 UK Schedule to the Recognition Requirements Regulations, Paragraph 2

(1) The [UK RIE] must be a fit and proper person to perform the [ relevant functions ] of a [ UK RIE ].

(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.

(3) The *members of the management body* must be of sufficiently good repute and possess sufficient knowledge, skill and experience to perform their duties.

(4) The *persons* who are in a position to exercise significant influence over the management of the [UK RIE], whether directly or indirectly must be suitable.

2.4.2 UK

[deleted]

2.4.3 G

In determining whether a *UK recognised body* is a fit and proper person, the FCA may have regard to any relevant factor including, but not limited to:

- (1) the commitment shown by the *UK recognised body's management body* to satisfying the *recognition requirements* and to complying with other obligations in or under the *Act*;
- (2) its arrangements, policies and resources for fulfilling its obligations under the *Act* in relation to its activities as a *UK recognised body*;
- (3) the extent to which its constitution and organisation provide for effective governance;

[Note: *MiFID RTS 7* contains further governance requirements for a *trading venue* whose systems enable *algorithmic trading*]

- (4) the arrangements made to ensure that its *management body* has effective oversight of the *UK recognised body's relevant functions*;
- (5) the access which its regulatory department has to the *management body*;
- (6) [deleted]
- (7) [deleted]

- (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*.