

Supervision

Chapter 10A

FCA Approved Persons



10A.8 Systems and controls functions

Systems and controls function (CF28)

- 10A.8.1** **R** The *systems and controls function* is the function of acting in the capacity of an *employee* of the *firm* with responsibility for reporting to the *governing body* of a *firm*, or the audit committee (or its equivalent) in relation to:
- (1) its financial affairs;
 - (2) setting and controlling its risk exposure (see **■** SYSC 7.1.6R, article 23(2) of the *MiFID Org Regulation* and article 23(2) of the *MiFID Org Regulation* (as applied in accordance with **■** SYSC 1 Annex 1 2.8AR, **■** SYSC 1 Annex 1 3.2-AR, **■** SYSC 1 Annex 1 3.2-BR, **■** SYSC 1 Annex 1 3.2CR and **■** SYSC 1 Annex 1 3.3R)); and
 - (3) adherence to internal systems and controls, procedures and policies (see **■** SYSC 6.2, article 24 of the *MiFID Org Regulation* and article 24 of the *MiFID Org Regulation* (as applied in accordance with **■** SYSC 1 Annex 1 2.8AR, **■** SYSC 1 Annex 1 3.2-AR, **■** SYSC 1 Annex 1 3.2-BR, **■** SYSC 1 Annex 1 3.2CR and **■** SYSC 1 Annex 1 3.3R)).
- R** [deleted]
- 10A.8.2** **R** The *systems and controls function* does not apply in relation to:
- bidding in emissions auctions* carried on by a *firm* that is exempt from *MiFID* under article 2(1)(j); or
 - benchmark activities*.
- 10A.8.3** **G** [deleted]
- 10A.8.4** **G** Where an *employee* performs the *systems and controls function* the *FCA* would expect the *firm* to ensure that the *employee* had sufficient expertise and authority to perform that function effectively. A *director* or *senior manager* would meet this expectation.
- Full scope UK AIFM**
- 10A.8.5** **G** For a full-scope UK AIFM, the requirement to have an *employee* responsible for reporting to the *governing body* of the *firm* or the audit committee for

matters in ■ SUP 10A.8.1R (2) and ■ SUP 10A.8.1R (3) is derived from the AIFMD level 2 regulation, which imposes obligations on such *firms* to have a permanent risk management function and, where appropriate and proportionate for their business, an internal audit function.