

Chapter 1A

The FCA's approach to supervision



1A.1 Application and purpose

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Application

This chapter applies to every *firm*, except that its relevance for an *ICVC* is limited as the *FCA* does not intend to carry out an assessment of an *ICVC* that is specific to that *ICVC*.

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Purpose

The *Act* (section 1L) requires the *FCA* to "maintain arrangements for supervising authorised persons". Section 1K of the *Act* also requires the *FCA* to provide general *guidance* about how it intends to advance its operational objectives in discharging its general functions in relation to different categories of *authorised person* or *regulated activity*. One purpose of this *guidance* is to discharge the duties of the *FCA* set out in sections 1L and 1K of the *Act*. The *FCA*'s approach to supervision is also designed to enable it to meet its supervisory obligations in accordance with requirements arising otherwise than under the *Act* (for example, *onshored regulations*).

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The design of these arrangements is shaped by the *FCA*'s *statutory objectives* in relation to the conduct supervision of *firms* as well as the prudential supervision of *firms* not supervised by the *PRA*. These objectives are set out in Chapter 1 of the *Act*. The *FCA* has one *strategic objective*: ensuring that the relevant markets function well. In discharging its general functions, the *FCA* must, so far as is reasonably possible, act in a way which is compatible with its *strategic objective* and which advances one or more of its three operational objectives:

- (1) securing an appropriate degree of protection for *consumers*;
- (2) protecting and enhancing the integrity of the UK financial system; and
- (3) promoting effective competition in the interests of *consumers* in the markets for regulated financial services (or services provided by a recognised exchange in carrying on regulated activities in respect of which it is exempt from the general prohibition by virtue of section 285(2) of the *Act*).

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- (1) The meaning of "UK financial system" when used in Chapter 1 of the *Act* includes *regulated claims management activities*.
- (2) The term "regulated financial services" when used in Chapter 1 of the *Act* includes services provided by an *authorised person* in carrying on

any *regulated activity*. Accordingly, for the purposes of Chapter 1 of the *Act*: a *regulated claims management activity* is a “regulated financial service” and a *customer* of a *firm* carrying on a *regulated claims management activity* is a “consumer” for the purposes of the *FCA’s consumer protection and competition statutory objectives*.

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- (1) In designing its approach to supervision, the *FCA* has regard to the regulatory principles set out in section 3B of the *Act*. In particular, the *FCA’s* regulatory approach aims to focus and reinforce the responsibility of the senior management of each *firm* (section 3B(1)(d) of the *Act*) to ensure that it takes reasonable care to organise and control the affairs of the *firm* responsibly and effectively, and develops and maintains adequate risk management systems. It is the responsibility of management to ensure that the *firm* acts in compliance with its regulatory requirements.
- (2) The *FCA* will have regard to the principle that a burden or restriction which is imposed on a *firm* should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction (section 3B(1)(b) of the *Act*). The *FCA* will, so far as is compatible with acting in a way which advances the *consumer* protection or the integrity objective, discharge its supervisory functions in a way which promotes effective competition in the interests of *consumers*.