

**Senior management arrangements, Systems and Controls**

# Chapter 1

## Application and purpose

**1.5 Significant SYSC firm**

**Purpose**

1.5.1

**G**

- (1) The purpose of ■ SYSC 1.5 is to set out the definition of a *significant SYSC firm*.
- (2) The following governance requirements in SYSC apply by reference to the term *significant SYSC firm*:
  - (a) ■ SYSC 4.3A.6R on the limitations in the number of directorships;
  - (b) ■ SYSC 4.3A.8R on the nomination committee; and
  - (c) ■ SYSC 7.1.18R and ■ SYSC 7.1.18AAR on the risk committee.
- (3) *MIFIDPRU investment firms* are not subject to ■ SYSC 4.3A.8R or ■ SYSC 7.1.18R, and should refer instead to ■ MIFIDPRU 7.3.
- (4) The definition of *significant SYSC firm* is also relevant in determining whether a *firm* is an *enhanced scope SMCR firm* for the purposes of the senior managers and certification regime.

**Definition of a significant SYSC firm**

1.5.2

**R**

A *firm* is a *significant SYSC firm* if it meets one or more of the following conditions:

- (1) its total assets exceed £530 million;
- (2) its total liabilities exceed £380 million;
- (3) the annual fees and commission income it receives in relation to the *regulated activities* carried on by the *firm* exceeds £160 million in the 12-month period immediately preceding the date the *firm* carries out the assessment under this *rule*;
- (4) the client money that it receives or holds exceeds £425 million; and
- (5) the assets belonging to its *clients* that it holds in the course of, or in connection with, its *regulated activities* exceeds £7.8 billion.

1.5.3

**R**

- (1) This *rule* defines some of the terms used in ■ SYSC 1.5.2R.
- (2) “Total assets” means the *firm’s* total assets:
  - (a) as set out in the most recent relevant report submitted to the FCA under ■ SUP 16.12 (Integrated Regulatory Reporting); or

- (b) (where the *firm* carries out the assessment under ■ SYSC 1.5.4R at any time after the date of its most recent report in (a)) as the *firm* would report to the *FCA* in accordance with the relevant report, as if the reporting period for that report ended on the date of the assessment.
- (3) “Total liabilities” means the *firm’s* total liabilities:
  - (a) as set out in the most recent relevant report submitted to the *FCA* under ■ SUP 16.12 (Integrated Regulatory Reporting); or
  - (b) (where the *firm* carries out the assessment under ■ SYSC 1.5.4R at any time after the date of its most recent report in (a)) as the *firm* would report to the *FCA* in accordance with the relevant report, as if the reporting period for that report ended on the date of the assessment.
- (4) “client money” means *client money* that a *firm* receives or holds in the course of, or in connection with, all of the *regulated activities* that it carries on:
  - (a) as set out in the most recent client money and client asset report submitted to the *FCA* under ■ SUP 16.12 (Integrated Regulatory Reporting); or
  - (b) (where the *firm* carries out the assessment under ■ SYSC 1.5.4R at any time after the date of its most recent report in (a)) as the *firm* would report to the *FCA* in accordance with the relevant report, as if the reporting period for that report ended on the date of the assessment.
- (5) “Assets belonging to its *clients*” means the assets to which the *custody rules* apply:
  - (a) as set out in the most recent client money and client asset report submitted to the *FCA* under ■ SUP 16.12 (Integrated Regulatory Reporting); or
  - (b) (if the *firm* carries out the assessment under ■ SYSC 1.5.4R at any time after the date of its most recent report in (a)) as the *firm* would report to the *FCA* in accordance with the relevant report, as if the reporting period for that report ends on the date the assessment is carried out.

**1.5.4** **R** A *firm* must assess regularly whether it becomes a *significant SYSC firm*.

- 1.5.5** **R**
- (1) If a *firm*, at any time, becomes aware that it is likely to become a *significant SYSC firm*, it must forthwith make arrangements to establish and have in place sound, effective and comprehensive strategies, processes and systems to achieve compliance with the requirements that apply to a *significant SYSC firm*.
  - (2) The *firm* in (1) must comply with the requirements that apply to a *significant SYSC firm* on the expiry of a period of 3 *months* from the date it meets any one of the conditions in ■ SYSC 1.5.2R.

**1.5.6** **R** If a *firm* that is a *significant SYSC firm* ceases to meet any of the conditions in ■ SYSC 1.5.2R, it must continue to comply with the *rules* and requirements

applicable to a *significant SYSC firm* until the first anniversary of the date on which the *firm* ceased to be a *significant SYSC firm*.

**1.5.7** G The *FCA* may, on a case-by-case basis, require a *firm* which does not meet any of the conditions in ■ SYSC 1.5.2R to comply with the rules and requirements that apply to a *significant SYSC firm* if the *FCA* considers it appropriate to do so to meet its strategic objective or to advance one or more of its operational objectives under the *Act*.

**1.5.8** G

(1) A *firm* may apply to the *FCA* under section 138A of the *Act* to waive any one or more of the conditions in ■ SYSC 1.5.2R if it believes that one or more of the governance requirements in (2) that apply to a *significant SYSC firm* may be disproportionate. In its application for a *waiver*, the *FCA* expects the *firm* to demonstrate that it should not be considered as significant, taking into account the size, nature, scope and complexity of its activities, any membership of a *group* and the internal organisation of that *group*.

(2) The governance requirements referred to in (1) are:

- (a) ■ SYSC 4.3A.6R on the limitations in the number of directorships;
- (b) ■ SYSC 4.3A.8R on the nomination committee; or
- (c) ■ SYSC 7.1.18 R on the risk committee.

(3) The effect of such *waiver* is that the *firm* would not be a *significant SYSC firm* only for the purpose of the particular governance requirement in (2) that the *waiver* is expressed to apply to. For the avoidance of doubt, such a *firm* would still be a *significant SYSC firm* for the purpose of the other *rules* in the *FCA Handbook* that apply to a *significant SYSC firm*, except where expressly otherwise provided for.