Chapter 3

Systems and controls
3.1 Systems and controls

3.1.1 A firm must take reasonable care to establish and maintain such systems and controls as are appropriate to its business.

3.1.1A [deleted]

3.1.2 (1) The nature and extent of the systems and controls which a firm will need to maintain under SYSC 3.1.1 R will depend upon a variety of factors including:
   (a) the nature, scale and complexity of its business;
   (b) the diversity of its operations, including geographical diversity;
   (c) the volume and size of its transactions; and
   (d) the degree of risk associated with each area of its operation.

   (2) To enable it to comply with its obligation to maintain appropriate systems and controls, a firm should carry out a regular review of them.

   (3) The areas typically covered by the systems and controls referred to in SYSC 3.1.1 R are those identified in SYSC 3.2. Detailed requirements regarding systems and controls relevant to particular business areas or particular types of firm are covered elsewhere in the Handbook.

3.1.2A Firms should also consider the additional guidance on risk-centric governance arrangements for effective risk management contained in SYSC 21.

3.1.3 Where the UK Corporate Governance Code is relevant to a firm, the appropriate regulator, in considering whether the firm's obligations under SYSC 3.1.1 R have been met, will give it due credit for following corresponding provisions in the code and related guidance.

3.1.4 A firm has specific responsibilities regarding its appointed representatives or, where applicable, its tied agents (see SUP 12).

3.1.5 SYSC 2.1.3 R (2) prescribes how a firm must allocate the function of overseeing the establishment and maintenance of systems and controls described in SYSC 3.1.1 R.
### Competent employees rule

**3.1.6** A firm must employ personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them.

**3.1.7** When complying with the competent employees rules, a firm must take into account the nature, scale and complexity of its business and the nature and range of financial services and activities undertaken in the course of that business.

**3.1.7A** SYSC 28 contains rules and guidance relating to the minimum knowledge and competence requirements in relation to insurance distribution activities undertaken by a firm.

**3.1.8** The Training and Competence sourcebook (TC) contains additional rules and guidance relating to specified retail activities undertaken by a firm.

**3.1.9** Firms which are carrying on activities that are not subject to TC may nevertheless wish to take TC into account in complying with the competence requirements in SYSC.

**3.1.10** If a firm requires employees who are not subject to a qualification requirement in TC to pass a relevant examination from the list of appropriate qualifications maintained by the FCA, the appropriate regulator will take that into account when assessing whether the firm has ensured that the employee satisfies the knowledge component of the competent employees rule.

### Insurance distribution activities

**3.1.11** A firm carrying on insurance distribution activities must approve, implement and regularly review its internal policies and procedures in respect of its obligations under SYSC 28.

[Note: first paragraph of article 10(8) of the IDD]

**3.1.12** SYSC 2.1.6AR prescribes how a firm must allocate the function of ensuring the proper implementation of the policies and procedures approved in accordance with SYSC 3.1.11R.