

Senior management arrangements, Systems and Controls

Chapter 3

Systems and controls

3.1 Systems and controls

- 3.1.1** **R** A *firm* must take reasonable care to establish and maintain such systems and controls as are appropriate to its business.
- 3.1.1A** **R** [deleted]
- 3.1.2** **G**
- (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** **G** *Firms* should also consider the additional *guidance* on risk-centric governance arrangements for effective risk management contained in **SYSC 21**.
- 3.1.3** **G** 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** **G** A *firm* has specific responsibilities regarding its *appointed representatives* or, where applicable, its *tied agents* (see **SUP 12**).
- 3.1.5** **G** **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 **R** A firm must employ personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them.
- 3.1.7 **R** 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 **G** ■ 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 **G** The Training and Competence sourcebook (TC) contains additional *rules* and *guidance* relating to specified retail activities undertaken by a firm.
- 3.1.9 **G** 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 **G** 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 **R** 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 **G** ■ 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.