

# Critical Third Parties Sourcebook

## Critical Third Parties Sourcebook

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# Chapter 1

## Application

1



1.1 Who?

1.1.1 **R** Unless otherwise stated, *CTPS* applies to *critical third parties*.

## 1.2 What?

- 1.2.1** **R** Unless a narrower application is specified, *CTPS* applies in connection with the provision of services to *firms*.
- 1.2.2** **G** ■ *CTPS 1.2.1R* reflects the scope of the *FCA*'s power to make *rules* in section 312M of the Act (Power to make rules).
- 1.2.3** **G** The scope of the *guidance* in ■ *CTPS 12* (Costs of skilled persons reports) and ■ *CTPS 13* (Reports by skilled persons) about the *FCA*'s policy on the use of its *skilled persons* powers follows the scope of those powers.

1



1.3 Where?

1.3.1

R

Except to the extent otherwise specified, *CTPS* applies to a *critical third party* in connection with the provision of *services* wherever those *services* are carried out and there is no territorial limitation on the application of *CTPS*.



## Chapter 2

# Purpose and other material



2.1 Purpose

- 2.1.1 G The purpose of *CTPS* is to set out the *FCA’s rules* for *critical third parties*.
- 2.1.2 G The purpose of the *FCA’s rules* for *critical third parties* is set out in the supervisory statement referred to in CTPS 2.2.1G.

## 2.2 Material outside the Handbook

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- 2.2.1** **G** The *regulators* have published a joint Supervisory Statement titled 'Operational resilience: Critical third parties to the UK financial sector'.
- 2.2.2** **G** That document sets out the *regulators'* expectations of how *critical third parties* should comply with the *regulators'* rules.
- 2.2.3** **G** That means that *CTPS* does not in general have *guidance* on the *rules* in *CTPS*. Instead, such *guidance* is to be found in the joint Supervisory Statement referred to in ■ **CTPS 2.2.1G**. That Supervisory Statement should be the main source of reference for *critical third parties* on how to approach, interpret and comply with the *rules* in *CTPS* and the rules of the other *regulators*.
- 2.2.4** **G** The only exception is that *guidance* on the *rules* about *skilled persons* can be found in ■ **CTPS 13** (Reports by skilled persons).

2.3

Other applicable parts of the Handbook

2.3.1

G

Virtually all the *rules* applicable to *critical third parties* are set out in CTPS. For the most part, a *critical third party* will not need to look at any other part of the *Handbook*.

2.3.2

G

The table in ■ CTPS 2.3.3G sets out the other parts of the *Handbook* and related provisions that apply to a *critical third party* in its capacity as such. The table does not cover a critical third party that is also subject to the *Handbook* in another capacity such as an *authorised person* or a *person* whose *securities* have been admitted to the *official list*.

2.3.3

G

Table: Other parts of the Handbook and related material that apply:

Module	Chapter or section	Comments
Glossary	The whole of the <i>Glossary</i> applies	
GEN	GEN 1.3 (Emergency) GEN 2 (Interpreting the Handbook)	
FEES	Rows (zp) and (zq) of Part 1A of the table in FEES 3.2.7R (Table of application, notification, vetting and other fees payable to the FCA) and other parts of <i>FEES</i> relating to the payment of such fees.	These cover fees under sections 166(3)(b) and 166A(2)(b) of the <i>Act</i> , which relate to fees in relation to <i>skilled persons</i> .
SUP	SUP 8 (Waiver and modification of rules)	While most of SUP 8 applies to a <i>critical third party</i> , the procedures for applying for a <i>waiver</i> do not apply. The <i>FCA</i> will direct what the application procedure is if and when a <i>critical third party</i> wants to apply for a <i>waiver</i> .  SUP 8.1.1AG states that a reference in the chapter to a <i>firm</i> includes a reference to a <i>person</i>

Module	Chapter or section	Comments
		subject to <i>rules</i> made by the <i>appropriate regulator</i> which would include, among others, a <i>critical third party</i> .
DEPP	SUP 9 (Individual guidance) The whole of <i>DEPP</i> applies	
ENFG	The whole of <i>ENFG</i> applies	



## Chapter 3

# Critical Third Party Fundamental Rules

3.1 Application

3.1.1

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- (1) ■ CTPS 3.2.6R applies to a *critical third party* in respect of a *critical third party's* provision of any services to *firms*; and
- (2) ■ CTPS 3.2.1R to ■ CTPS 3.2.5R only apply to a *critical third party* in respect of the *critical third party's* provision of *systemic third party services* to *firms*.





3.2 The CTP Fundamental Rules

- 3.2.1 **R** CTP Fundamental Rule 1: A critical third party must conduct its business with integrity.
- 3.2.2 **R** CTP Fundamental Rule 2: A critical third party must conduct its business with due skill, care and diligence.
- 3.2.3 **R** CTP Fundamental Rule 3: A critical third party must act in a prudent manner.
- 3.2.4 **R** CTP Fundamental Rule 4: A critical third party must have effective risk strategies and risk management systems.
- 3.2.5 **R** CTP Fundamental Rule 5: A critical third party must organise and control its affairs responsibly and effectively.
- 3.2.6 **R** CTP Fundamental Rule 6: A critical third party must deal with a regulator in an open and co-operative way, and must disclose to a regulator appropriately anything relating to the critical third party of which it would reasonably expect notice.



## Chapter 4

# Operational risk and resilience requirements

4.1 Cross-cutting requirement

- 4.1.1
- R
- A *critical third party* must have in place sound, effective and comprehensive strategies, controls, processes and systems that enable it to comply with the *rules* in CTPS.
- 4.1.2
- R
- The strategies, processes and systems required by CTPS 4.1.1R must be proportionate to the nature, scale and complexity of the *critical third party's* activities.

## 4.2 Requirement 1: Governance

4

### 4.2.1

**R** A *critical third party* must ensure that its governance arrangements promote the resilience of any *systemic third party service* it provides, including by:

- (1) appointing one or more individuals who:
  - (a) are *employees* of the *critical third party* or members of its *governing body*; and
  - (b) possess the appropriate authority, knowledge, skills and experience,  
to act as the central point of contact with the *regulators* in their capacity as authorities having *oversight functions*;
- (2) establishing clear roles and responsibilities at all levels of its staff who are essential to the delivery of a *systemic third party service*, with clear and well-understood channels for communicating and escalating issues and risks;
- (3) establishing, overseeing and implementing an approach that covers the *critical third party's* ability to prevent, respond and adapt to, as well as recover from, any *CTP operational incident*;
- (4) implementing lessons learned from *CTP operational incidents* and any testing and exercising undertaken, including but not limited to that undertaken in accordance with ■ CTPS 5 (Assurance, scenario testing and incident management playbook exercise);
- (5) ensuring appropriate review and approval of any information provided to the *regulators*;
- (6) notifying the *regulators* in writing of:
  - (a) the names of the individuals appointed under (1);
  - (b) the business address of those individuals; and
  - (c) the email address, telephone number and out of hours contact details for each of those individuals; and
- (7) notifying the *regulators* of any changes to the information notified under (6) as soon as is practicable.

## 4.3 Requirement 2: Risk management

### 4.3.1

**R**

A *critical third party* must manage effectively risks to its ability to deliver a *systemic third party service* including by:

- (1) identifying and monitoring relevant external and internal risks;
- (2) ensuring that it has in place risk management processes that are effective at managing those risks; and
- (3) regularly updating its risk management processes to reflect issues arising and lessons learned from:
  - (a) *CTP operational incidents*;
  - (b) engagement with the *regulators*;
  - (c) new and emerging risks; and
  - (d) any associated testing and exercising, including but not limited to that carried out in accordance with ■ CTPS 5 (Assurance, scenario testing and incident management playbook).

## 4.4 Requirement 3: Dependency and supply chain risk management

- 4.4.1 **R** A *critical third party* must (as part of its obligation under ■ CTPS 4.3.1R (Requirement 2: Risk management)) identify and manage any risks to its *supply chain* that could affect its ability to deliver a *systemic third party service*.
- 4.4.2 **R** A *critical third party* must take reasonable steps to ensure that its *key nth-party providers* and *persons connected with a critical third party* that are part of its *supply chain*:
- (1) are informed of the *CTP duties* that apply to the *critical third party*;
  - (2) cooperate with the *critical third party* in meeting those *CTP duties*; and
  - (3) provide the *regulators* with access to any information relevant to the exercise of their *oversight functions*.

## 4.5 Requirement 4: Technology and cyber resilience

### 4.5.1

**R**

A *critical third party* must (as part of its obligation under ■ CTPS 4.3.1R (Requirement 2: Risk management)) take reasonable steps to ensure the resilience of any technology that delivers, maintains or supports a *systemic third party service*, including by having:

- (1) (as part of its obligation under ■ CTPS 4.1.1R (Cross-cutting requirement)) sound, effective and comprehensive strategies, processes and systems to adequately manage risks to its technology and cyber resilience; and
- (2) regular testing and exercising of those strategies, processes and systems (including as part of its obligations under ■ CTPS 5 (Information gathering, evidence and testing)) and processes and measures that reflect lessons learned from that testing and exercising.



## 4.6 Requirement 5: Change management

### 4.6.1

**R**

A *critical third party* must ensure that it has a systematic and effective approach to dealing with changes to a *systemic third party service*, including changes to the processes or technologies used to deliver, maintain or support a *systemic third party service*, including by:

- (1) implementing appropriate policies, procedures and controls to manage effectively the resilience of any change to a *systemic third party service*;
- (2) implementing any change to a *systemic third party service* in a way that minimises appropriately the risk of any *CTP operational incident* occurring; and
- (3) ensuring that prior to being implemented, any change is appropriately risk-assessed, recorded, tested, verified and approved.



4.7

Requirement 6: Mapping

4.7.1

R

- A critical third party must:
- (1) within 12 *months* of being designated by the Treasury, identify and document:
    - (a) the resources, including the *persons* (including *key nth-party providers*), *assets*, supporting *services* and technology, used to deliver, support and maintain each *systemic third party service* it provides; and
    - (b) any internal and external interconnections and interdependencies between the resources identified under (a) in respect of that *service*; and
  - (2) thereafter regularly update the process conducted under (1).

## 4.8 Requirement 7: Incident management

### 4.8.1

**R**

A *critical third party* must manage effectively *CTP operational incidents* including by:

- (1) implementing appropriate measures to respond to and recover from *CTP operational incidents* in a way that minimises the impact, or potential impact, on the stability of, or confidence in, the *UK financial system*;
- (2) setting an appropriate maximum tolerable level of *disruption* to each *systemic third party service*;
- (3) maintaining and operating an *incident management playbook*, the first version of which must be in place within 12 *months* of the *critical third party* being designated by the Treasury, which sets out the plans and procedures to be followed by the *critical third party* in the event of a *CTP operational incident* in order to:
  - (a) respond to and recover from the *CTP operational incident*; and
  - (b) facilitate effective communication with, and support to, the *regulators* and *affected firms* (individually and collectively); and
- (4) cooperating and coordinating with the *regulators* and *affected firms* in response to *CTP operational incidents*, including through *collective incident response frameworks*.

## 4.9 Requirement 8: Termination of a systemic third party service

### 4.9.1

**R**

A *critical third party* must have in place appropriate measures to respond to a termination of any of its *systemic third party services* (for any reason), including by putting in place:

- (1) arrangements to support the effective, orderly and timely termination of that *service*, and (if applicable) its transfer to another *person*, including the *firm* the *service* is provided to; and
- (2) provision for ensuring access to, recovery and return of any relevant *firm assets* to each *firm* it provides that *service* to and (where applicable) in an easily accessible format.

## Chapter 5

# Assurance, scenario testing and incident management playbook exercise

5



5.1 General evidence requirement

5.1.1

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A *critical third party* must be able to demonstrate to the *regulators* its ability to comply with *CTPS*.

## 5.2 Scenario testing

- 5.2.1 **R** As part of its obligation under ■ CTPS 5.1.1R (General evidence requirement), a *critical third party* must carry out regular scenario testing of its ability to continue providing each *systemic third party service* within its appropriate maximum tolerable level of *disruption* (set in accordance with ■ CTPS 4.8.1R(2) (Requirement 7: Incident management)) in the event of a severe but plausible disruption to its operations.
- 5.2.2 **R** When carrying out the scenario testing required by ■ CTPS 5.2.1R, a *critical third party* must identify an appropriate range of adverse circumstances of varying nature, severity and duration relevant to its business, risk profile and *supply chain* and consider the risks to the delivery of the *systemic third party service* in those circumstances.



5.3 Incident management playbook exercise

- 5.3.1

R

As part of its obligation under ■ CTPS 5.1.1R (General evidence requirement), a *critical third party* must assess the effectiveness of its incident management playbook regularly, including undertaking an appropriate *incident management playbook exercise* with a representative sample of the *firms* to which it provides *systemic third party services* within 12 months of the *critical third party* being designated by the Treasury and at least biennially thereafter.
- 5.3.2

R

A *critical third party* must, as soon as is practicable, prepare and submit to the *regulators* a report of the *incident management playbook exercise* undertaken under ■ CTPS 5.3.1R (including any actions taken in the light of the results of that exercise).



# Chapter 6

## Self-assessment



6.1 Self-assessment

- 6.1.1

**R**

A *critical third party* must provide to the *regulators*:

(1) within 3 *months* of the *critical third party* being designated by the Treasury, an interim self-assessment; and

(2) annually thereafter, an annual self-assessment,

of the *critical third party's* compliance with *CTPS*.
- 6.1.2

**R**

A *critical third party* must keep a copy of each interim and annual self-assessment referred to in **CTPS 6.1.1R** for a period of at least 3 years after submitting it to the *regulators*.

## Chapter 7

# Information sharing with firms

## 7.1 Information sharing with firms

- 7.1.1** **R** A *critical third party* must have in place effective and secure processes and procedures to ensure sufficient and timely information is given to a *firm* to which it provides any *systemic third party services* to enable that *firm* to manage adequately risks related to its use of the *critical third party's systemic third party services*.
- 7.1.2** **R** The information referred to in ■ CTPS 7.1.1R includes, but is not limited to:
- (1) results of testing and exercising carried out in accordance with ■ CTPS 5 (Assurance, scenario testing and incident management playbook exercise) (including any action taken in the light of the results of the testing and exercising);
  - (2) the annual self-assessment prepared in compliance with ■ CTPS 6.1.1R(2) (Self-assessment), redacted as appropriate; and
  - (3) the appropriate maximum tolerable level of *disruption* set by the *critical third party* in accordance with ■ CTPS 4.8.1R(2) for each *systemic third party service* provided to the *firm*.

## Chapter 8

# Incident reporting

## 8.1 Initial incident report

### 8.1.1

**R**

A *critical third party* must, as soon as is practicable after the occurrence of a *CTP operational incident* and in so far as it is aware at the time of submission, submit the following information about the *CTP operational incident*:

- (1) to the *regulators* and to *affected firms*:
  - (a) a description of the *CTP operational incident*, including:
    - (i) the nature and extent of:
      - (A) the *disruption* to *systemic third party services*; or
      - (B) impact to the *critical third party's* operations;
    - (ii) the time when the *CTP operational incident* was detected (and, if different, the local time in the location where the *CTP operational incident* was detected);
    - (iii) the name and number of *systemic third party services* affected;
    - (iv) the geographical area, including the jurisdictions, affected by the *CTP operational incident*; and
    - (v) if known, the cause of the *CTP operational incident*;
  - (b) contact details of any individual who is responsible for communicating with the *affected firms* about the *CTP operational incident*;
  - (c) details of any initial action taken or planned in response to the *CTP operational incident*;
  - (d) the anticipated amount of time it will take to resolve the *CTP operational incident*, including the anticipated recovery time for each *systemic third party service* affected; and
  - (e) any other information the *critical third party* reasonably considers relevant to the *affected firms* and the *regulators* in making an initial assessment of the *CTP operational incident's* potential impact on *affected firms*; and
- (2) to the *regulators*:
  - (a) the names of the *affected firms*;
  - (b) the names of any other regulatory body or authorities (other than the *regulators*) that have been notified of the *CTP operational incident*; and

- 
- (c) any other information that the *critical third party* reasonably considers will assist the *regulators* in making an initial assessment of the impact the *CTP operational incident* could have on the stability of, or confidence in, the *UK's* financial system.

## 8.2 Intermediate incident report

### 8.2.1

**R**

A *critical third party* must, as soon as is practicable after any significant change in circumstances from that described in the initial report submitted under ■ CTPS 8.1.1R (Initial incident report) and any intermediate incident report already submitted under this *rule* (including the *CTP operational incident* being resolved) and in so far as it is aware at the relevant time, provide the *regulators* and the *affected firms* with information further to that already disclosed in relation to the *CTP operational incident*, including but not limited to:

- (1) any information that the *critical third party* reasonably considers will assist the *regulators* and *affected firms* in understanding the nature and extent of the *CTP operational incident*;
- (2) any steps taken to resolve the *CTP operational incident*;
- (3) if the *CTP operational incident* has been resolved, the time and date it was resolved; and
- (4) (a) any other information the *critical third party* reasonably considers to be relevant to *affected firms*; and  
(b) to the *regulators* only, any other information the *critical third party* reasonably considers to be relevant to the *regulators*.



## 8.3 Final incident report

### 8.3.1

**R** A *critical third party* must, within a reasonable time of the *CTP operational incident* being resolved, provide the *regulators* and the *affected firms* with the following information in relation to the *CTP operational incident*:

- (1) the time and date that the *CTP operational incident* was resolved;
- (2) a description of the root causes (in so far as it is aware at the time of submission);
- (3) a description of any remedial actions the *critical third party* has or is planning to put in place and an estimated timeline for the completion of those remedial actions;
- (4) a description of the *critical third party's* assessment of:
  - (a) the likelihood of recurrence of the *CTP operational incident*; and
  - (b) the long-term implications of the *CTP operational incident*;
- (5) a description of identified areas for improvement for the *critical third party* and, where relevant, the *affected firms*; and
- (6)
  - (a) any other information the *critical third party* reasonably considers to be relevant to *affected firms*; and
  - (b) to the *regulators* only, any other information the *critical third party* reasonably considers to be relevant to the *regulators*.



## Chapter 9

# Notifications

## 9.1 Notifications

### 9.1.1

**R**

A *critical third party* must notify the *regulators* immediately where there is an actual or potential circumstance or event that seriously and adversely impacts, or could seriously and adversely impact, the *critical third party's* ability to deliver any of its *systemic third party services* or meet any of its obligations under *CTPS*, including where:

- (1) civil proceedings are brought by or against the *critical third party* or a claim or dispute is referred to alternative dispute resolution in any jurisdiction;
- (2) disciplinary measures or sanctions have been imposed on the *critical third party* by any statutory or regulatory authority in any jurisdiction (other than the *regulators*), or the *critical third party* becomes aware that one of those authorities has commenced an investigation into its affairs;
- (3) the *critical third party* is in financial difficulty and is considering entering into an insolvency proceeding or a restructuring plan in any jurisdiction, or any such proceedings are likely to be brought against it in any jurisdiction; and
- (4) the *critical third party* is subject to criminal proceedings, or has been prosecuted for, or convicted of, a criminal offence in any jurisdiction involving fraud or dishonesty.

## Chapter 10

# Inaccurate, false or misleading information

		<div><div></div><div>10.1</div><div>Inaccurate, false or misleading information</div></div>
10.1.1	R	<p>A <i>critical third party</i> must take reasonable steps to ensure that all information it gives to the <i>regulators</i> and <i>firms</i> in accordance with the <i>CTP duties</i> (including information required by ■ CTPS 8 (Incident reporting) and ■ CTPS 9 (Notifications)) is:</p> <div><div>(1) factually accurate or, in the case of estimates and judgements, fairly and properly based after appropriate enquiries have been made by the <i>critical third party</i>; and</div><div>(2) complete, in that it should include anything of which the <i>regulators</i> would reasonably expect notice.</div></div>
10.1.2	R	<p>If a <i>critical third party</i> is unable to obtain the information required in ■ CTPS 10.1.1R, then it must inform the <i>regulators</i> that the scope of the information provided is, or may be, limited.</p>
10.1.3	R	<p>If a <i>critical third party</i> becomes aware, or has information that reasonably suggests, that it has or may have provided the <i>regulators</i> with information which was or may have been false, misleading, incomplete or inaccurate, or has or may have changed in a material way, it must notify the <i>regulators</i> immediately.</p>
10.1.4	R	<p>Subject to ■ CTPS 10.1.5R, the notification required by ■ CTPS 10.1.3R must include:</p> <div><div>(1) details of the information which is or may be false, misleading, incomplete or inaccurate, or has or may have changed;</div><div>(2) an explanation why such information was or may have been provided; and</div><div>(3) the correct information.</div></div>
10.1.5	R	<p>If the information in ■ CTPS 10.1.4R(3) cannot be submitted with the notification (because it is not immediately available), it must instead be submitted as soon as is practicable afterwards.</p>

# Chapter 11

## Address for service



11.1      Address for service

- 11.1.1      **R**      A *critical third party* must provide the *regulators* with an address in the *UK* for the service of *documents* (including *relevant documents*).
- 11.1.2      **R**      A *critical third party* must notify the *regulators* of any change to the information provided under ■ CTPS 11.1.1R as soon as is practicable.



## Chapter 12

# Costs of skilled persons reports



12.1 Costs of skilled persons reports

12.1.1 **G** Where a *regulator* appoints a *skilled person* under section 166(3)(b) or section 166A(2)(b) of the *Act* as applied by section 312P of the *Act*, the expenses incurred by the *regulator* in relation to that appointment will be payable to it by the *critical third party* or, as the case may be, the *person connected with a critical third party*. In the case of the *FCA*, this is provided for by **FEES 3.2.7R** (Table of application, notification, vetting and other fees payable to the FCA).

## Chapter 13

# Reports by skilled persons

## 13.1 Purpose

- 13.1.1** **G** The purpose of this chapter is to give *guidance* on the FCA's use of the powers in section 166 (Reports by skilled persons) and section 166A (Appointment of skilled person to collect and update information) of the Act as applied by section 312P (Information gathering and investigations) of the Act.
- 13.1.2** **G** The purpose is also to make *rules* requiring a *critical third party* to give assistance to a *skilled person* and, where a *critical third party* is required to appoint a *skilled person*, to include certain provisions in its contract with a *skilled person*. These *rules* are designed to ensure that the FCA receives certain information from a *skilled person* and that a *skilled person* receives assistance from a *critical third party*.
- 13.1.3** **G**
- (1) It is possible that section 166 (Reports by skilled persons) or section 166A (Appointment of skilled person to collect and update information) of the Act may apply to a *critical third party* directly rather than through section 312P (Information gathering and investigations) of the Act.
  - (2) For example, section 166 might apply because the *critical third party* is a member of the same *group* as an *authorised person*.
  - (3) **SUP 5** (Reports by skilled persons) applies when section 166 or section 166A applies directly rather than through section 312P of the Act.
- 13.1.4** **G** If the FCA uses the powers in section 166 (Reports by skilled persons) or section 166A (Appointment of skilled person to collect and update information) of the Act in respect of a *critical third party*, it will normally make it clear whether it does so:
- (1) under the regime for *critical third parties* (that is, under section 312P (Information gathering and investigations) of the Act);
  - (2) directly under section 166 or section 166A; or
  - (3) under both (1) and (2).
- 13.1.5** **G** **CTPS 12** deals with certain aspects of the costs of *skilled persons* reports.



13.2 The FCA's power

Who may be required to provide a report?

- 13.2.1

G

Under section 166 (Reports by skilled persons) as applied by section 312P (Information gathering and investigations) of the *Act*, the *FCA* may, by giving a written notice, itself appoint a *skilled person* to provide it with a report, or require any of the following *persons* to provide it with a report by a *skilled person*:

  - (1) a *critical third party*;
  - (2) a member of a *critical third party's group*;
  - (3) a *controller* of the *critical third party*;
  - (4) a *person* mentioned in Part 1 of Schedule 15 to the *Act* (for example, an *employee* or agent of the *critical third party*); and
  - (5) a *person* who has at any relevant time been a *person* falling within (2) to (4).
- 13.2.2

G

Under section 166A (Appointment of skilled person to collect and update information) as applied by section 312P (Information gathering and investigations) of the *Act*, the *FCA* may require a *critical third party* to appoint, or may itself appoint, a *skilled person* to collect or update information.



13.3 Policy on the use of skilled persons

Section 166: General

- 13.3.1

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The appointment of a *skilled person* to produce a report under section 166 (Reports by skilled persons) of the *Act* is one of the *FCA*’s regulatory tools. The tool may be used for any matter including:

  - (1) for diagnostic purposes, to identify, assess and measure risks;
  - (2) for monitoring purposes, to track the development of identified risks, wherever these arise;
  - (3) in the context of preventative action, to limit or reduce identified risks and so prevent them from crystallising or increasing; and
  - (4) for remedial action, to respond to risks when they have crystallised.
- 13.3.2

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The use of the tool could be prompted by any matter, including:

  - (1) a specific requirement by the *FCA* for information;
  - (2) an analysis of information undertaken by the *FCA*;
  - (3) an assessment of a situation by the *FCA*;
  - (4) expert advice or recommendations received by the *FCA*; or
  - (5) a decision by the *FCA* to seek assurance in relation to a regulatory report or its compliance with any part of *CTPS*.
- 13.3.3

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The tool may also be used as part of the oversight programme applicable to a *critical third party*. It may be prompted by an event or development in relation to a *critical third party* or by a need for verification of information provided to the *FCA* as part of ongoing monitoring of a *critical third party*.
- 13.3.4

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The *FCA* encourages a *critical third party* to speak to its overseers before commissioning any external review on subject matters which may be of interest to the *FCA*. This may avoid the *critical third party* incurring unnecessary costs where the *FCA* wishes to make use of *skilled persons* on the same, or broadly the same, matter.

	<b>Section 166A: General</b>
13.3.5	<p><b>G</b> The appointment of a <i>skilled person</i> to collect and update information under section 166A (Appointment of skilled person to collect and update information) of the <i>Act</i> is another one of the <i>FCA's</i> regulatory tools. It may be used where the <i>FCA</i> considers that a <i>critical third party</i> has failed to collect, or keep up to date, information required by the <i>FCA</i>.</p>
	<b>Factors leading to the appointment of a skilled person: General</b>
13.3.6	<p><b>G</b> When making the decision to require a report by a <i>skilled person</i> under section 166 (Reports by skilled persons) or the collection or updating of information by a <i>skilled person</i> under section 166A (Appointment of skilled person to collect and update information) of the <i>Act</i>, the <i>FCA</i> will have regard, on a case-by-case basis, to all relevant factors. Those are likely to include:</p> <ul style="list-style-type: none"> <li>(1) circumstances relating to the <i>critical third party</i>;</li> <li>(2) alternative tools available, including other statutory powers;</li> <li>(3) legal and procedural considerations;</li> <li>(4) the objectives of the <i>FCA's</i> enquiries;</li> <li>(5) cost considerations; and</li> <li>(6) considerations relating to the <i>FCA's</i> resources.</li> </ul>
13.3.7	<p><b>G</b> ■ CTPS 13.3.8G to ■ CTPS 13.3.14G give further guidance on the factors in ■ CTPS 13.3.6G.</p>
	<b>Factors leading to the appointment of a skilled person: Circumstances relating to the critical third party</b>
13.3.8	<p><b>G</b> The <i>FCA</i> will have regard to circumstances relating to the <i>critical third party</i>, including, for example:</p> <ul style="list-style-type: none"> <li>(1) attitude of the <i>critical third party</i>: whether the <i>critical third party</i> is being cooperative;</li> <li>(2) history of similar issues: whether similar issues have arisen in the past and, if so, whether timely corrective action was taken;</li> <li>(3) quality of a <i>critical third party's</i> systems and records: whether the <i>FCA</i> has confidence that the <i>critical third party</i> has the ability to provide the required information;</li> <li>(4) objectivity: whether the <i>FCA</i> has confidence in the <i>critical third party's</i> willingness and ability to deliver an objective report;</li> <li>(5) conflicts of interest: whether: <ul style="list-style-type: none"> <li>(a) it would be inappropriate for the <i>FCA</i> to rely on the <i>critical third party</i> itself to enquire into the matter because, for example, the</li> </ul> </li> </ul>

13.3.9

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- subject matter of the enquiries or the report involves actual or potential misconduct; or
- (b) the subject matter of the report is such that the *critical third party* and the *FCA* would benefit from an external third party; and
- (6) knowledge or expertise available to the *critical third party*: whether it would be appropriate to involve a third party with the required technical expertise.

**Factors leading to the appointment of a skilled person: Alternative tools available, including other statutory powers**

- The *FCA* will have regard to alternative tools that may be available, including, for example:
- obtaining what is required without using specific statutory powers (for example, by a visit by staff of the *FCA* or a request for information on an informal basis);
- requiring information from *critical third parties* and others, including authorising an agent to require information, under section 165 (Power to require information) of the *Act*;
- appointing investigators to carry out general investigations under section 167 (Appointment of investigator in general cases) of the *Act* if that power applies; and
- appointing investigators to carry out investigations in particular cases under section 168 (Appointment of investigator in specific cases) of the *Act*.

**Factors leading to the appointment of a skilled person: Legal and procedural considerations**

13.3.10

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- The *FCA* will have regard to legal and procedural considerations, including:
- (1) statutory powers: whether one of the other available statutory powers is more appropriate for the purpose than the power in section 166 (Reports by skilled persons) or section 166A (Appointment of skilled person to collect and update information) of the *Act*;
- (2) subsequent proceedings: whether it is desirable to obtain an authoritative and independent report for use in any subsequent proceedings; and
- (3) application of the *Handbook rules*: whether it is important that the relevant *rules* in the *Handbook* should apply, for example ■ CTPS 13.5.1R, which obliges the *critical third party* to require and permit the *skilled person* to report specified matters to the *FCA*.

**Factors leading to the appointment of a skilled person: The objectives of the FCA's enquiries**

13.3.11

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- The *FCA* will have regard to the objectives of its enquiries, and the relative effectiveness of its available powers to achieve those objectives. For example:



- (1) historic information or evidence: if the objectives are limited to gathering historic information, or evidence for determining whether enforcement action may be appropriate, the *FCA's* information gathering and investigation powers under section 165 (Power to require information), section 167 (Appointment of investigator in general cases) (if that power applies) and section 168 (Appointment of investigator in specific cases) of the *Act* may be more appropriate than the power in section 166 (Reports by skilled persons) or section 166A (Appointment of skilled person to collect and update information) of the *Act* if they are available; and
- (2) expert analysis or recommendations: if the objectives include obtaining expert analysis or recommendations (or both) for diagnostic, monitoring, preventative or remedial purposes, the power in section 166 (Reports by skilled persons) may be an appropriate power to use, instead of, or in conjunction with, the *FCA's* other available powers.

### Factors leading to the appointment of a skilled person: Cost considerations

#### 13.3.12

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In accordance with its general policy, the *FCA* will have regard to the question of cost, which is particularly pertinent in relation to *skilled persons* because:

- (1) if the *FCA* uses the power in section 166 (Reports by skilled persons) or section 166A (Appointment of skilled person to collect and update information) of the *Act*, either:
  - (a) the *critical third party* will appoint, and will have to pay for the services of, the *skilled person*; or
  - (b) the *FCA* will appoint, and will require under ■ FEES 3.2.7R(zp) or ■ FEES 3.2.7R(zq) that the relevant *critical third party* pays for the services of, the *skilled person*; and
- (2) if the *FCA* uses its other information gathering and investigation powers, it will either:
  - (a) authorise or appoint its own staff to undertake the information gathering or investigation (or both); or
  - (b) pay for the services of external competent *persons* to do so, and in either case the costs will be recovered under the *FCA's* general fee scheme.

#### 13.3.13

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In having regard to the cost implications of using the power in section 166 (Reports by skilled persons) or section 166A power (Appointment of skilled person to collect and update information) of the *Act*, alternative options (such as visits) or other powers, the *FCA* will take into account relevant factors, including:

- (1) whether the *critical third party* may derive some benefit from the work carried out and recommendations made by the *skilled person*, for instance a better understanding of its business and its risk profile, or the operation of its information systems, or improvements to its systems and controls;

- (2) whether the work to be carried out by the *skilled person* is work that should otherwise reasonably have been carried out by the *critical third party*, or by *persons* instructed by the *critical third party* on its own initiative; for instance, a compliance review or the development of new systems;
- (3) whether the *critical third party's* record-keeping and management information systems are poor and:
  - (a) the required information and documents are not readily available; or
  - (b) an analysis of the required information cannot readily be performed without expert assistance;
- (4) whether the *critical third party* appears to have breached requirements or standards under the *regulatory system* or otherwise put the integrity of the *UK* financial system at risk, and it is unable or unwilling to review and remedy the matters of concern, or the *FCA* considers that it cannot rely on the *critical third party* to do so;
- (5) the extent to which there appear to be risks that could threaten the *FCA's* objectives; and
- (6) the perceived probability and seriousness of possible breaches of regulatory requirements and the possible need for further action.

**Factors leading to the appointment of a skilled person:  
Considerations relating to FCA resources**

13.3.14

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The *FCA* will have regard to *FCA*-related considerations, including:

- (1) whether the *FCA* has the necessary expertise; and
- (2) whether the resources required to produce a report or to make enquiries, or to appoint a *skilled person* itself are available within the *FCA*, or whether the exercise will be the best use of the *FCA's* resources at the time.



## 13.4 Appointment and reporting process

### Appointment process

- 13.4.1** **G** When the *FCA* is contracting directly with a *skilled person* it will itself appoint the *skilled person*.
- 13.4.2** **G** Where the *skilled person* is appointed by the *person* in ■ CTPS 13.2.1G or ■ CTPS 13.2.2G, the *Act* requires that such *skilled person* be nominated or approved by the *FCA*:
- (1) if the *FCA* decides to nominate the *skilled person* who is to make the report or collect or update the information, it will notify the *person* in ■ CTPS 13.2.1G or ■ CTPS 13.2.2G accordingly; and
  - (2) alternatively, if the *FCA* is content to approve a *skilled person* selected by the *person* in ■ CTPS 13.2.1G or ■ CTPS 13.2.2G, it will notify the latter *person* of that fact.
- 13.4.3** **G** Where the *person* in ■ CTPS 13.2.1G or ■ CTPS 13.2.2G is selecting the *skilled person*, the *FCA* may give that *person* in ■ CTPS 13.2.1G or ■ CTPS 13.2.2G a shortlist from which to choose.
- 13.4.4** **G** Where a *critical third party* is contracting with a *skilled person*, it remains the *critical third party's* responsibility to assess the individual appropriateness of the *skilled person*.
- 13.4.5** **G** As part of the decision-making process, the *FCA* will normally contact the *person* in ■ CTPS 13.2.1G or in ■ CTPS 13.2.2G to discuss its needs before finalising its decision to require a report or the updating or collection of information by a *skilled person*. This will provide an opportunity for discussion about:
- (1) the appointment;
  - (2) whether an alternative means of obtaining the information would be better;
  - (3) what the scope of a report should be;
  - (4) who should be appointed;

(5) who should appoint; and

(6) the likely cost.

### Skills, resources and conflicts of interest

13.4.6

G

A *skilled person* must appear to the *FCA* to have the skills necessary to make a report on the matter concerned or collect or update the relevant information. A *skilled person* may be an accountant, lawyer, compliance consultant, actuary or *person* with relevant business, technical or technological skills.

13.4.7

G

When considering whether to nominate, approve or appoint a *skilled person* to make a report or collect or update information, the *FCA* will have regard to the circumstances of the case, including whether the proposed *skilled person* appears to have:

- (1) the skills necessary to make a report on the matter concerned or collect or update the relevant information;
- (2) the ability to complete the report or collect or update the information within the time expected by the *FCA*;
- (3) any relevant specialised knowledge, for instance, of:
  - (a) the *person* in ■ CTPS 13.2.1G or ■ CTPS 13.2.2G;
  - (b) the type of business carried on by the *person* in ■ CTPS 13.2.1G or ■ CTPS 13.2.2G;
  - (c) the services provided by the *critical third party*; and
  - (d) the matter to be reported on or information to be collected or updated;
- (4) any professional difficulty or potential conflict of interest in reviewing the matters to be reported on, or the information to be collected or updated, for instance because it may involve questions reflecting on the quality or reliability of work previously carried out by the proposed *skilled person*; and
- (5) enough detachment, bearing in mind the closeness of an existing professional or commercial relationship, to be able to collect or update the information or to give an objective opinion on matters such as:
  - (a) matters already reported on by the *skilled person*; or
  - (b) matters that are likely to be contentious and may result in disciplinary or other enforcement action against the *person* in ■ CTPS 13.2.1G or ■ CTPS 13.2.2G, its management, shareholders or controllers; or
  - (c) matters that the *skilled person* has been involved in, in another capacity (for example, when a *skilled person* has been involved in developing aspects of a *systemic third party service*, it may not be appropriate for them to provide a subsequent opinion on the adequacy of that service).

- 13.4.8 **G** In appropriate circumstances, it may be cost effective for the *FCA* to nominate or approve the appointment of, or appoint itself, a *skilled person* who has previously acted for, or advised, the *person* in ■ CTPS 13.2.1G or ■ CTPS 13.2.2G.
- 13.4.9 **G** **Scope of report**.....  
The *FCA* may require a report by a *skilled person* under section 166 (Reports by skilled persons) of the *Act* on any matter if it is reasonably required in connection with the exercise of the *FCA*'s functions conferred by or under Chapter 3C (Critical Third Parties) of Part XVIII (Recognised Investment Exchanges, Clearing Houses, CSDs and Other Parties) of the *Act*.
- 13.4.10 **G** If the *skilled person* appointed to make a report under section 166 (Reports by skilled persons) of the *Act* is appointed by the *person* in ■ CTPS 13.2.1G, the *FCA* may require the report to be in whatever form it specifies in the notice to the *person* concerned.
- 13.4.11 **G** The *FCA* will give written notification to the *person* in ■ CTPS 13.2.1G or ■ CTPS 13.2.2G of the purpose of the report or collection or updating of information, its scope, the timetable for completion and any other relevant matters. The *FCA* will state the matters which the report is to contain, or the information which is to be collected or updated, as well as any requirements as to the report's format.
- 13.4.12 **G** The *FCA* attaches importance to:
- (1) there being a timetable for each report or collection and updating of information; and
  - (2) the *skilled person*, with the cooperation of the *person* in ■ CTPS 13.2.1G or the *critical third party* in ■ CTPS 13.2.2G, as relevant, keeping to that timetable.
- 13.4.13 **G** The written notification in ■ CTPS 13.4.11G may be preceded or followed by a discussion of the *FCA*'s requirements and the reasons for them. This may involve the *FCA*, the *person* in ■ CTPS 13.2.1G or in ■ CTPS 13.2.2G and the *person* who has been, or is expected to be, appointed as the *skilled person*. The *FCA* recognises that there will normally be value in holding discussions involving the *skilled person* at this stage. These discussions may include others if appropriate.
- 13.4.14 **G** The *FCA* will wish to conduct the discussion with the *critical third party*, the *skilled person* and any others within a timescale appropriate to the circumstances of the case.
- 13.4.15 **G** Where enforcement action is anticipated as a likely outcome, the *FCA* would normally signal this to the *skilled person* prior to work commencing as this would impact the type of evidence which should be provided in support of the findings in the *skilled person* report.

## Reporting process

- 13.4.16** **G** Where the *skilled person* is appointed by the *person* in ■ CTPS 13.2.1G or ■ CTPS 13.2.2G, the *FCA* will normally require the *skilled person* to be appointed to report to the *FCA* through that *person*.
- 13.4.17** **G** Where the *skilled person* is to be appointed by the *FCA* itself, the *skilled person* will report directly to the *FCA*.
- 13.4.18** **G** Regardless of how the *skilled person* is appointed, they will usually be in regular contact with the *FCA* throughout the process.
- 13.4.19** **G**
- (1) The *FCA* expects the *skilled person* normally to give a periodic update on progress and issues during the engagement, the frequency of which is to be discussed with the *FCA*. This should allow for a re-focusing of the report if necessary.
  - (2) Where the *skilled person* is appointed by the *person* in ■ CTPS 13.2.1G or ■ CTPS 13.2.2G:
    - (a) the channel of communication would normally be directly between the *skilled person* and the *FCA*; and
    - (b) the *skilled person* would usually be expected to keep the *critical third party* or other *person* informed of any communication between the *skilled person* and the *FCA*.
- 13.4.20** **G** It may be appropriate for the *skilled person* to communicate matters of material significance to the *FCA* set out in ■ CTPS 13.5.1R(1)(b) without first informing the *critical third party*. The same applies to equivalent material in the case of another *person* in ■ CTPS 13.2.1G or ■ CTPS 13.2.2G.
- 13.4.21** **G** If the *FCA* is considering asking for additional information during the engagement, it will take into consideration the cost of the *skilled person* complying with the request and the benefit that the *FCA* may derive from the information.
- 13.4.22** **G**
- (1) In most cases, the *FCA* will not need to request a *skilled person* to give it source data, *documents* and working papers.
  - (2) However, the *FCA* may do so when it reasonably believes that this information will be relevant to any investigation it may be conducting, or any action it may consider taking against the *critical third party* or other *person*.
- 13.4.23** **G**
- (1) The *FCA* will normally specify a time limit within which it expects the *skilled person* to deliver the report or collect or update the relevant information.
  - (2) The *skilled person* should take reasonable steps to achieve delivery by that time. Where the *skilled person* is appointed by the *critical third party*, this will be part of its contractual duty under ■ CTPS 13.5.1R.

- (3) If the *skilled person* becomes aware that the report may not be delivered, or collection or updating of the relevant information may not be on time or within cost estimates, the *skilled person* should inform as soon as possible:
- (a) the *FCA*; and
  - (b) if the *skilled person* is appointed by the *person* in ■ CTPS 13.2.1G or ■ CTPS 13.2.2G, that *person*.

- 13.4.24** G
- (1) This paragraph applies where the *skilled person* is appointed by the *person* in ■ CTPS 13.2.1G or ■ CTPS 13.2.2G.
  - (2) In the normal course of events, the *FCA* expects that the *person* in ■ CTPS 13.2.1G or ■ CTPS 13.2.2G will be given the opportunity to provide written comments on the report or the collection of the relevant information prior to its submission to the *FCA*.
  - (3) The *skilled person* is expected to provide the *FCA* with identical copies of any draft report or relevant information at the same time they are issued to the *person* in ■ CTPS 13.2.1G or ■ CTPS 13.2.2G.

- 13.4.25** G The *FCA* may meet with the *person* in ■ CTPS 13.2.1G or ■ CTPS 13.2.2G and the *skilled person* together to discuss the final report.

- 13.4.26** G The *FCA* may also wish to discuss the final report with the *skilled person* present but without the *person* in ■ CTPS 13.2.1G or ■ CTPS 13.2.2G.

## 13.5 Duties of critical third parties

### Contract with the skilled person

#### 13.5.1

**R**

When a *critical third party* appoints a *skilled person*, the *critical third party* must, in a contract with that *person*:

- (1) require and permit the *skilled person* during and after the course of their appointment:
  - (a) to cooperate with the *regulators* in connection with the discharge of their *oversight functions*; and
  - (b) to communicate to the *regulators* information on, or the *skilled person's* opinion on, matters of which they have, or had, become aware in their capacity as a *skilled person* reporting on the *critical third party* in the following circumstances:
    - (i) the *skilled person* reasonably believes that the information on, or their opinion on, matters for which they were appointed may be of material significance to the *regulators* in determining whether the *critical third party* concerned complies with and will continue to comply with the *CTP duties*; or
    - (ii) the *skilled person* reasonably believes that the *critical third party* is not, may not be or may cease to be a going concern;
- (2) require the *skilled person* to prepare a report or collect or update information, as notified to the *critical third party* by the *regulator* that has required such report, collection or updating within the time specified by the *regulator*; and
- (3) waive any contractual or other duty of confidentiality owed by the *skilled person* to the *critical third party* which might limit the provision of information or opinion by that *skilled person* to the *regulators* in accordance with (1) or (2).

#### 13.5.2

**R**

A *critical third party* must ensure that the contract it makes with the *skilled person* under ■ CTPS 13.5.1R requires and permits the *skilled person* to provide the following to the *regulators* if requested to do so:

- (1) interim reports;
- (2) source data, *documents* and working papers;
- (3) copies of any draft reports given to the *critical third party*; and



- (4) specific information about the planning and progress of the work to be undertaken (which may include project plans, progress reports including percentage of work completed, details of time spent, costs to date, and details of any significant findings and conclusions).
- 13.5.3** **R** A *critical third party* must ensure that the contract required by **■ CTPS 13.5.1R** is:
- (1) governed by the laws of a part of the *UK*;
  - (2) in writing, and:
    - (a) expressly provides that the *regulators* have a right to enforce the provisions included in the contract under **■ CTPS 13.5.1R**, **■ CTPS 13.5.2R** and **■ CTPS 13.5.3R(2)(b)** to **■ (d)**;
    - (b) expressly provides that, in proceedings brought by the *regulators* for the enforcement of those provisions, the *skilled person* is not to have available by way of defence, set-off or counterclaim any matter that is not relevant to those provisions;
    - (c) if the contract includes an arbitration agreement, expressly provides that the *regulators* are not, in exercising the right in (a), to be treated as a party to, or bound by, the arbitration agreement; and
    - (d) expressly provides that the provisions included in the contract under **■ CTPS 13.5.1R**, **■ CTPS 13.5.2R** and **■ CTPS 13.5.3R(2)** are irrevocable and may not be varied or rescinded without the *regulators'* consent; and
  - (3) not varied or rescinded in such a way as to extinguish or alter the provisions referred to in (2)(d).
- 13.5.4** **G** The Contracts (Rights of Third Parties) Act 1999, or Scots common law, enables the *FCA* to enforce the rights conferred on it under the contract required by **■ CTPS 13.5.1R** against the *skilled person*.
- 13.5.5** **R** If a *critical third party* appoints a *skilled person*, that *critical third party* must give the *regulators* sufficient and timely information about the cost of the *skilled person's* report or collection or updating of information, including both an initial estimate of the cost as well as the cost of the completed report, collection or updating of information.
- 13.5.6** **G** If the *FCA* considers it appropriate, it may request the *critical third party* to give it a copy of the draft contract required by **■ CTPS 13.5.1R** before it is made with the *skilled person*. The *FCA* will inform the *critical third party* of any matters that it considers require further clarification or discussion before the contract is finalised.
- 13.5.7** **G** The *FCA* expects a *skilled person* to clarify or discuss any matters that are raised by the *FCA* regarding a contract before it is finalised.

<b>Responsibility for delivery</b>	
13.5.8	<b>R</b> When a <i>critical third party</i> appoints a <i>skilled person</i> , a <i>critical third party</i> must take reasonable steps to ensure that the <i>skilled person</i> delivers a report or collects or updates information in accordance with the terms of the <i>skilled person's</i> appointment.
<b>Assisting the skilled person</b>	
13.5.9	<b>R</b> A <i>critical third party</i> must provide all reasonable assistance to a <i>skilled person</i> appointed to provide a report under section 166 (Reports by skilled persons) of the Act or to collect or update information under section 166A (Appointment of skilled person to collect and update information) of the Act (as applied by section 312P of the Act) and take reasonable steps to ensure that its <i>employees</i> and agents also provide all reasonable assistance to that <i>skilled person</i> .
13.5.10	<b>G</b> Reasonable assistance in <b>CTPS 13.5.9R</b> should include: <ol style="list-style-type: none"> <li>(1) access at all reasonable business hours for the <i>skilled person</i> to the <i>critical third party's</i> accounting and other records in whatever form;</li> <li>(2) providing such information and explanations as the <i>skilled person</i> reasonably considers necessary or desirable for the performance of their duties; and</li> <li>(3) permitting a <i>skilled person</i> to obtain such information directly from the <i>critical third party's</i> auditor as they reasonably consider necessary or desirable for the proper performance of their duties.</li> </ol>
<b>Assistance to skilled persons from others</b>	
13.5.11	<b>G</b> In respect of the appointment of a <i>skilled person</i> under section 166 (Reports by skilled persons) of the Act, section 166(7) (as applied by section 312P (Information gathering and investigations) of the Act), imposes a duty on certain <i>persons</i> to give assistance to a <i>skilled person</i> . The <i>persons</i> on whom this duty is imposed are those who are providing, or have at any time provided, services to any <i>person</i> falling within <b>CTPS 13.2.1G</b> .
13.5.12	<b>G</b> In respect of the appointment of a <i>skilled person</i> under section 166A (Appointment of skilled person to collect and update information) of the Act, under section 166A(5) (as applied by section 312P (Information gathering and investigations) of the Act), a <i>skilled person</i> may require any <i>person</i> to provide all such assistance as the <i>skilled person</i> may reasonably require to collect or update the information in question.



13.6 Confidential information and privilege

Confidential information

- 13.6.1 G Within the legal constraints that apply, the *FCA* may pass on to a *skilled person* any information which it considers relevant to the *skilled person's* function.
- 13.6.2 G A *skilled person*, being a primary recipient under section 348 (Restrictions on disclosure of confidential information by Authority etc.) of the *Act*, is bound by the confidentiality provisions in Part XXIII (Public record, disclosure of information and cooperation) of the *Act* as regards confidential information received from the *FCA* or directly from a *critical third party* or other *person*.
- 13.6.3 G A *skilled person* may not pass on confidential information without lawful authority. Lawful authority may exist, for example, where an exception applies under the Financial Services and Markets Act 2000 (Disclosure of Confidential Information) Regulations 2001 (SI 2001/2188) or with the consent of the *person* from whom that information was received and (if different) to whom the information relates.
- 13.6.4 G The *FCA* will indicate to a *skilled person* if there is any matter which cannot be discussed with the *person* in ■ CTPS 13.2.1G.

Legal privilege

- 13.6.5 G The limitations in section 413 (Protected items) of the *Act* are relevant to this chapter. This section provides that no *person* may be required to produce, disclose or allow the inspection of *protected items*.

Effect of confidentiality restrictions

- 13.6.6 G In respect of the appointment of a *skilled person* under section 166A (Appointment of skilled person to collect and update information) of the *Act*, a contractual or other requirement imposed on a *person* to keep any information confidential will not apply if:
  - (1) the information is or may be relevant to anything required to be done as part of the *skilled person's* appointment under section 166A of the *Act*;

- (2) a *critical third party* or a *skilled person* requests or requires the person to provide the information for the purpose of securing that those things are done; and
- (3) the *FCA* has approved the making of the request or the imposition of the requirement before it is made or imposed.

13.6.7

**G**

A *critical third party* may provide information that would otherwise be subject to a contractual or other requirement to keep it in confidence if it is provided for the purposes of anything required to be done in respect of the *skilled person's* collection or updating of information under section 166A (Appointment of skilled person to collect and update information) of the Act.

## Chapter 14

# Referring to oversight by the regulators or Treasury designation



14.1 Referring to oversight by the  
regulators or Treasury designation

- 14.1.1 **R** A *critical third party* must ensure that it does not, and must take reasonable steps to ensure that any *person* acting on its behalf does not, in any way indicate or imply that the *critical third party* has the approval or endorsement of any of the *regulators* by virtue of:
- (1) its designation as a *critical third party*; or
  - (2) being overseen by the *regulators* in respect of *services* it provides to *firms*.
- 14.1.2 **R** A *critical third party* must not, and must take reasonable steps to ensure that any *person* acting on its behalf does not, in any communication indicate or imply that the *critical third party's* designation by the Treasury or oversight by the *regulators* confers any advantage to a *firm* or anyone else in using its *services* as compared to a service provider who is not designated as a *critical third party*.
- 14.1.3 **R** ■ CTPS 14.1.1R and ■ CTPS 14.1.2R do not prevent the making of statements that explain, in a way that is fair, clear and not misleading:
- (1) that the *critical third party* has been designated by the Treasury;
  - (2) that the *critical third party* is subject to oversight by the *regulators* in respect of the *systemic third party services* it provides to *firms*; and
  - (3) the *systemic third party services* the *critical third party* provides to *firms*.

# Chapter 15

## Record keeping

## 15.1 Record keeping

### 15.1.1

**R**

A *critical third party* must arrange for orderly records to be kept of its business and internal organisation, in so far as they concern the provision of *systemic third party services* to *firms*, which must be sufficient to enable each *regulator* to:

- (1) perform its *oversight functions*; and
- (2) ascertain whether or not the *critical third party* has complied with its *CTP duties*.



## Chapter 16

# Electronic submission of information



16.1      Electronic submission of  
information

16.1.1      **R**      A *critical third party* must submit the information required under *CTPS* to the  
regulators and *affected firms* (as the context requires) by electronic means.

## Critical Third Parties sourcebook

### Schedule 1 Recordkeeping requirements

#### Sch 1.1 G

The aim of the *guidance* in the following table is to give the reader a quick overall view of the relevant record keeping requirements.

#### Sch 1.2 G

It is not a complete statement of those requirements and should not be relied on as if it were.

#### Sch 1.3 G

Table: Record keeping requirements

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
CTPS 4.7.1R	Resources map	Identification of resources used to deliver, support and maintain <i>systemic third party services</i>	Within 12 months of designation, and on-going thereafter	None specified
CTPS 6.1.2R	Interim and annual written self-assessment	Copy of that self-assessment	Completion of assessment	3 years
CTPS 14	General record keeping requirement about the provision of services to <i>firms</i>	Sufficient to enable each <i>regulator</i> to: (1) perform its <i>oversight functions</i> ; and (2) ascertain whether or not the <i>critical third party</i> has complied with its <i>CTP duties</i>	None specified  Therefore, this is governed by the requirement in CTPS 14 described in column (3)	See column (4)



## Critical Third Parties sourcebook

### Schedule 2 Notification requirements

#### Sch 2.1 G

The aim of the *guidance* in the following table is to give the reader a quick overall view of the relevant notification requirements.

#### Sch 2.2 G

It is not a complete statement of those requirements and should not be relied on as if it were.

#### Sch 2.3 G

Unless otherwise specified, the notification is to be given to the *regulators*.

#### Sch 2.4 G

Table: Notification requirements

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
CTPS 3.2.6R	Any information of which the <i>regulators</i> would reasonably expect notice.	Appropriate disclosure.	Any information of which the <i>regulators</i> would reasonably expect notice.	Appropriate
CTPS 4.2.1R(5) and (6)	Details about central point of contact and changes to those details.	Those details.	The initial notification is made when the <i>critical third party</i> becomes subject to CTPS.  Thereafter, notification is to be given when the details change.	As soon as practicable.
CTPS 5.3.2R	Report of <i>incident management playbook exercise</i> .	That report.	Completion of test.	As soon as practicable.
CTPS 6.1.1R	Interim and annual written self-assessment.	That self-assessment.	Completion of assessment.	For interim written self-assessments - within 3 <i>months</i> of the <i>critical third party</i> being des-

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
CTPS 7	Information about risks.  It is to be sent to the <i>firms</i> to which the <i>critical third party</i> supplies <i>systemic third party services</i> .	Sufficient information about risks.  It includes the results of testing and exercising under CTPS 5, the annual self-assessment under CTPS 6.1.1R (redacted as appropriate), and the appropriate maximum tolerable level of <i>disruption</i> set in accordance with CTPS 4.8.1R(2)	Ongoing obligation.	Ignated by the <i>Treasury</i> .  For annual written self-assessments - annually thereafter.  Ongoing obligation.
CTPS 8	Incident reports relating to a <i>CTP operational incident</i> .  Reports should be given to the <i>regulators</i> and <i>affected firms</i> .	Specified details of the <i>CTP operational incident</i> .	The initial incident report is on occurrence.  Thereafter, intermediate incident reports should be given upon any significant change in circumstances from those set out in the initial incident report.  A final incident report should be given on resolution.	Initial incident report: as soon as is practicable. Intermediate incident report(s): as soon as is practicable following a significant change of circumstances.  Final incident report: within reasonable time of resolution.
CTPS 9	Actual or potential circumstances or events that seriously and adversely impact or could seriously and adversely impact the <i>critical third party's</i> ability to deliver any of its <i>systemic third party services</i> or meet	Description of event.	Occurrence.	Immediately.

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
	any of its obligations under <i>CTPS</i> , including civil or criminal proceedings, disciplinary measures or sanctions, and insolvency and restructuring proceedings.			
CTPS 10	The <i>critical third party</i> has given a <i>regulator</i> information that is or may be false, misleading, incomplete or inaccurate, or that has or may have changed in a material way.	Details of the matters in column (2), an explanation of how and why such information was provided, and the correct information.	Becoming aware or having information that reasonably suggests that it has or may have provided such information.	Immediately.
CTPS 11	An address in the <i>UK</i> for the service of <i>documents</i> (including <i>relevant documents</i> ), and any changes to that information.	The information in column (2).	When the <i>critical third party</i> is designated, and following any change to the information provided.	As soon as practicable.
CTPS 13.5.5R	Cost of <i>skilled person</i> report.	Details of those costs.	When facts arise.	Timely.





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## Critical Third Parties sourcebook

### Schedule 3 Fees

#### Sch 3.1 G

There are no *rules* providing for the payment of fees in *CTPS*.



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## Critical Third Parties sourcebook

### Schedule 4 Powers exercised

#### Sch 4.1

The following powers and related provisions in or under the *Act* have been exercised by the *FCA* to make the rules and guidance in *CTPS*:

- (1) Section 137T (General supplementary powers);
- (2) Section 139A (Power of the *FCA* to give guidance);
- (3) Section 166(9) (Reports by skilled persons);
- (4) Section 166A(9) (Appointment of skilled person to collect and update information);
- (5) Section 312M (Power to make rules);
- (6) Section 312P (Information gathering and investigations); and
- (7) paragraph 23 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority).



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## Critical Third Parties sourcebook

### Schedule 5 Rights of action for damages

#### Sch 5.1 G

Section 312 (Application of provisions of this Act to this chapter 5) of the *Act* provides that section 138D (Actions for damages) of the *Act* does not apply to the *rules* in *CTPS*.



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## Critical Third Parties sourcebook

### Schedule 6 Rules that can be waived or modified

#### Sch 6.1 G

The *rules* in *CTPS* may be waived or modified by the *FCA* under section 138A (Modification or waiver of rules) of the *Act* where the conditions in that section are met.

