

Chapter 1

Application and purpose

1.5 Significant SYSC firm

Purpose

1.5.1

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- (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

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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

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- (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

		<ul style="list-style-type: none"> (b) (where the <i>firm</i> carries out the assessment under ■ SYSC 1.5.4R at any time after the date of its most recent report in (a)) as the <i>firm</i> would report to the <i>FCA</i> in accordance with the relevant report, as if the reporting period for that report ended on the date of the assessment. <p>(3) “Total liabilities” means the <i>firm’s</i> total liabilities:</p> <ul style="list-style-type: none"> (a) as set out in the most recent relevant report submitted to the <i>FCA</i> under ■ SUP 16.12 (Integrated Regulatory Reporting); or (b) (where the <i>firm</i> carries out the assessment under ■ SYSC 1.5.4R at any time after the date of its most recent report in (a)) as the <i>firm</i> would report to the <i>FCA</i> in accordance with the relevant report, as if the reporting period for that report ended on the date of the assessment. <p>(4) “client money” means <i>client money</i> that a <i>firm</i> receives or holds in the course of, or in connection with, all of the <i>regulated activities</i> that it carries on:</p> <ul style="list-style-type: none"> (a) as set out in the most recent client money and client asset report submitted to the <i>FCA</i> under ■ SUP 16.12 (Integrated Regulatory Reporting); or (b) (where the <i>firm</i> carries out the assessment under ■ SYSC 1.5.4R at any time after the date of its most recent report in (a)) as the <i>firm</i> would report to the <i>FCA</i> in accordance with the relevant report, as if the reporting period for that report ended on the date of the assessment. <p>(5) “Assets belonging to its <i>clients</i>” means the assets to which the <i>custody rules</i> apply:</p> <ul style="list-style-type: none"> (a) as set out in the most recent client money and client asset report submitted to the <i>FCA</i> under ■ SUP 16.12 (Integrated Regulatory Reporting); or (b) (if the <i>firm</i> carries out the assessment under ■ SYSC 1.5.4R at any time after the date of its most recent report in (a)) as the <i>firm</i> would report to the <i>FCA</i> 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 <i>firm</i> must assess regularly whether it becomes a <i>significant SYSC firm</i> .
1.5.5	R	<p>(1) If a <i>firm</i>, at any time, becomes aware that it is likely to become a <i>significant SYSC firm</i>, 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 <i>significant SYSC firm</i>.</p> <p>(2) The <i>firm</i> in (1) must comply with the requirements that apply to a <i>significant SYSC firm</i> on the expiry of a period of 3 <i>months</i> from the date it meets any one of the conditions in ■ SYSC 1.5.2R.</p>
1.5.6	R	If a <i>firm</i> that is a <i>significant SYSC firm</i> ceases to meet any of the conditions in ■ SYSC 1.5.2R, it must continue to comply with the <i>rules</i> 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*.

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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*.

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- (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.