

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.