

# LGPS CENTRAL LIMITED

## *FCA Compliance*

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# Agenda

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1. Introduction
2. The FCA
3. FCA Principles
4. Approved Persons Regime (APER)
5. Systems & Controls (SYSC)
6. Developments
7. Conclusion

# Objectives of the FCA

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- protect consumers – secure an appropriate degree of protection for consumers
- protect financial markets – protect and enhance the integrity of the UK financial system
- promote competition – promote effective competition in the interests of consumers

# FCA Approach

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- Rule book & guidance
- Principles
- Authorisation
- Supervision
- Enforcement

# FCA Principles for Business

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- Principle 1: Integrity
- Principle 2: Skill, Care and Diligence
- Principle 3: Management and Control
- Principle 4: Financial Prudence
- Principle 5: Market Conduct
- Principle 6: Customers' Interests
- Principle 7: Communications with Clients
- Principle 8: Conflicts of Interest
- Principle 9: Customers: Relationships of Trust
- Principle 10: Clients' Assets
- Principle 11: Relations with Regulators

# Approved Persons Regime

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- An approved person is a person to whom the FCA has given its approval for the performance of an FCA Controlled Function.

# Approved Persons Regime

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- **Statement of Principle 5:** must take reasonable steps to ensure that the business of the firm for which they are responsible in their accountable function is organised so that it can be controlled effectively
- **Statement of Principle 7:** must take reasonable steps to ensure that the business of the firm for which they are responsible in their accountable function complies with the relevant requirements and standards of the regulatory system

# Systems & Controls (SYSC)

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- a firm must take reasonable care to maintain a clear and appropriate apportionment of significant responsibilities among its directors and senior managers (SYSC 2.1.1)
- a firm is expected to consider in establishing and maintaining the systems and controls appropriate to its business (SYSC 3.1.1 R )



# Control Framework – Three lines of defence

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- 1<sup>st</sup> Line – CEO, Exec Committee, Business unit management
- 2<sup>nd</sup> Line – Risk, Compliance and risk committees
- 3<sup>rd</sup> Line – Internal audit and audit committee

# Developments

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- Senior Managers & Certification Regime (SM&CR)
- FCA's Asset Management Market Study

## Senior Managers Regime

The rules for Senior Managers cover certain individuals who are subject to approval by the regulator. The FCA has set out the senior management functions (SMFs) which will apply to firms.

## Certification Regime

This requires firms to assess the fitness and propriety of certain employees who, by virtue of their role, could pose a risk of significant harm to the firm or any of its customers. This moves the onus from the regulator to firms themselves

# FCA's Asset Management Market Study

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- Independent Directors
- Prescribed Responsibility – extension of SM&CR

# Conclusion

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- FCA Regime
- Senior managers responsible
- Systems & Controls
- Shareholders and clients derive comfort
- Regulatory Developments – make the regime tougher
- The end result is a framework that aims to protect clients

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Any questions?