

COMPLIANCE MANUAL TEMPLATE

[COMPANY'S NAME] [LIMITED/LLP]

Last updated: [date] [2023]

NOTES:

- This compliance manual template is to be used mainly by FCA authorised MiFID investment firms that do not hold client money or assets, do not have appointed representatives or tied agents and are categorised as small and non-interconnected firms (SNI) for IFPR purposes.
- This template was updated on:
 - 1 January 2022 to reflect the implementation of the Investment Firms Prudential Regime (IFPR); and
 - 1 January 2023 to reflect the implementation of the new FCA Consumer Duty.

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INTRODUCTION

This compliance manual (the “**Manual**”) summarises the main rules, policies and procedures that apply to [company’s name] [Limited/LLP] (the “**Firm**”) under the Handbook of Rules and Guidance (the “**Handbook**”) issued by the Financial Conduct Authority (the “**FCA**”), the retained EU law version of Regulation (EU) No 600/2014 on markets in financial instruments (“**MiFIR**”) and the retained EU law version of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 as regards organisational requirements and operating conditions for MiFID investment firms (the “**MiFID Org Regulation**”).

Firm’s staff must read this Manual carefully and comply with its provisions at all times. In case of doubt, the Firm’s compliance officer ([INSERT NAME]) (the “**Compliance Officer**”) must be consulted.

This Manual is not intended to be comprehensive and should not be used as a substitute for reading the full rules and guidance contained in the Handbook, MiFIR, the MiFID Org Regulation and any other laws and regulations that apply to the Firm.

This version of the Manual was approved by the [directors/managing members] of the Firm on [INSERT DATE].

CHAPTER 1 – FIRM DETAILS

1.1 COMPANIES HOUSE DETAILS

The Firm is a [private limited company/Limited Liability Partnership] incorporated on [incorporation date] and registered with the Registrar of Companies of [England & Wales/Scotland/Norther Ireland] with company number [registration number]. The Firm's registered office is at [Firm's registered office address].

The Firm has the following directors:

- [Name (Executive Director/Non-Executive Director)]; and
- [List all other directors].

[The Firm's company secretary is: [full name]/The Firm does not have a company secretary].

Further details about the Firm's Companies House registration can be found at the following link: find-and-update.company-information.service.gov.uk.

1.2 FCA REGISTER DETAILS

The Firm is authorised and regulated by FCA under Firm reference number [reference number].

The following details appear on the FCA Register in respect of the Firm:

- Firm's website: [website address].
- Trading names: [names].
- Details of the person responsible for receiving complaints: [name and email address]].

The regulated activities which the Firm is authorised to carry out are listed in section 1.3 of the Manual.

The Firm [can/cannot] hold [or control] client money.

The Firm must confirm to the FCA, every 12 months, that the details appearing on the FCA Register are correct.

The Firm's compliance officer is [name].

Further details about the Firm's FCA registration can be found at the following link: <https://register.fca.org.uk/s/>.

1.3 REGULATED ACTIVITIES

	Activity/Service	Customer type	Investment type	Limitations
1.	[List the Firm's regulated activities, e.g., advising on investments, arranging deals in investments, arranging safeguarding and administration of assets.]	[State the customer type for the specific regulated activity, e.g., eligible counterparty, professional and retail (investment).]	[State the investment type for the specific regulated activity, e.g., share, debenture, option, and future.]	[State any limitations for the specific regulated activity, e.g., rights to or interests in (both).]
2.				
3.				
4.				
5.				

CHAPTER 2 – HIGH LEVEL STANDARDS

2.1 PRINCIPLES FOR BUSINESSES

The FCA Principles for Businesses contain a general statement of the fundamental obligations of the Firm under the regulatory system. They derive their authority from the FCA's rule-making powers as set out in the Financial Services and Markets Act 2000 (“FSMA”) and reflect the FCA's statutory objectives.

The FCA Principles are:

- 1) **Integrity** - the Firm must conduct its business with integrity.
- 2) **Skill, care and diligence** - the Firm must conduct its business with due skill, care and diligence.
- 3) **Management and control** - the Firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
- 4) **Financial prudence** - the Firm must maintain adequate financial resources.
- 5) **Market conduct** - the Firm must observe proper standards of market conduct.
- 6) **Customers' interests** - the Firm must pay due regard to the interests of its customers and treat them fairly.
- 7) **Communications with clients** - the Firm must pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading.
- 8) **Conflicts of interest** - the Firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.
- 9) **Customers: relationships of trust** - the Firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.
- 10) **Clients' assets** - the Firm must arrange adequate protection for clients' assets when it is responsible for them.
- 11) **Relations with regulators** - the Firm must deal with its regulators in an open and cooperative way and must disclose to the FCA appropriately anything relating to the Firm of which the FCA would reasonably expect notice.
- 12) **Consumer Duty** – the Firm must act to deliver good outcomes for retail customers.

The Firm, its directors and employees must always comply with the FCA Principles for Businesses.

Additional information about this topic can be found at the PRIN Sourcebook of FCA Handbook (handbook.fca.org.uk/PRIN1/).

Additional details regarding the new Principle 12 (Consumer Duty) can be found at Chapter 3 (Consumer Duty) of this Manual.

2.2 THRESHOLD CONDITIONS

The FCA threshold conditions represent the minimum conditions, which the Firm is required to satisfy, and continue to satisfy, in order to be given and to retain permission to carry on regulated activities (“Part 4A permission”).

The threshold conditions are:

- 1) **Location of offices** – the Firm's head office and registered office must be in the United Kingdom.

- 2) **Effective supervision** – the Firm must be capable of being effectively supervised by the FCA having regard to all the circumstances including:
- (a) the nature (including the complexity) of the regulated activities that the Firm carries on or seeks to carry on;
 - (b) the complexity of any products that the Firm provides or will provide in carrying on those activities;
 - (c) the way in which the Firm's business is organised;
 - (d) if the Firm is a member of a group, whether membership of that group is likely to prevent the FCA's effective supervision of the Firm;
 - (e) whether the Firm is subject to consolidated supervision required under any of the relevant directives; and
 - (f) if the Firm has close links with another person: (i) the nature of the relationship; (ii) whether those links are or that relationship is likely to prevent the FCA's effective supervision of the Firm; and (iii) if another person is subject to the laws, regulations or administrative provisions of a territory which is not the UK ("the foreign provisions"), whether those foreign provisions, or any deficiency in their enforcement, would prevent the FCA's effective supervision of the Firm.
- 3) **Appropriate resources** - the resources of the Firm must be appropriate in relation to the regulated activities that the Firm carries on or seeks to carry on. The matters which are relevant in determining whether the Firm has appropriate resources include:
- (a) the nature and scale of the business carried on, or to be carried on, by the Firm;
 - (b) the risks to the continuity of the services provided by, or to be provided by, the Firm; and
 - (c) the Firm's membership of a group and any effect which that membership may have.
- 4) **Suitability** – the Firm must be a fit and proper person having regard to all the circumstances, including:
- (a) the Firm's connection with any person;
 - (b) the nature (including the complexity) of any regulated activity that the Firm carries on or seeks to carry on;
 - (c) the need to ensure that the Firm's affairs are conducted in an appropriate manner, having regard in particular to the interests of consumers and the integrity of the UK financial system;
 - (d) whether the Firm has complied and is complying with requirements imposed by the FCA in the exercise of its functions, or requests made by the FCA, relating to the provision of information to the FCA and, where the Firm has so complied or is so complying, the manner of that compliance;
 - (e) whether those who manage the Firm's affairs have adequate skills and experience and act with probity;
 - (f) whether the Firm's business is being, or is to be, managed in such a way as to ensure that its affairs will be conducted in a sound and prudent manner; and
 - (g) the need to minimise the extent to which it is possible for the business carried on by the Firm, or to be carried on by the Firm, to be used for a purpose connected with financial crime.

- 5) **Business model** – the Firm’s strategy for doing business must be suitable for a person carrying on the regulated activities that the Firm carries on or seeks to carry on. The matters which are relevant in determining whether the Firm satisfies this condition include:
- (a) whether the business model is compatible with the Firm’s affairs being conducted, and continuing to be conducted, in a sound and prudent manner;
 - (b) the interests of consumers; and
 - (c) the integrity of the UK financial system.

The Firm must ensure that it complies and meets the threshold conditions at all the times.

Further information on this topic, can be found in the COND Sourcebook of FCA Handbook (handbook.fca.org.uk/COND1/).

2.3 TRAINING AND COMPETENCE

The rules on training competence for the Firm are mainly set out in the Training and Competence (TC) Sourcebook of the FCA Handbook (handbook.fca.org.uk/TC1/).

The main rule is known as the “competent employee rule”, which state that the Firm must employ personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them. This is the main requirement relating to the competence of employees.

The purpose of the Training and Competence Sourcebook (TC) is to support the FCA's supervisory function by supplementing the competent employees’ rule for retail activities. The following rules apply only for firms that carry retail activities. [DELETE THE FOLLOWING RULES IF NOT APPLICABLE]

2.3.1 Assessing and Maintaining Competence

An employee is not competent to carry certain activities until the employee has demonstrated the necessary competence to do so and has attained each module of an appropriate qualification. This assessment need not take place before the employee starts to carry on the activity.

These activities include:

- (a) Providing basic advice regarding stakeholder products excluding a deposit-based stakeholder product;
- (b) Advising or giving personal recommendations (as relevant) on securities, derivatives, retail investment products;
- (c) Managing investments; and
- (d) Overseeing activities on a day-to-day basis.

The Firm should ensure that employees are appropriately supervised at all times. The Firm should have clear criteria and procedures relating to the specific point at which the employee is assessed as competent in order to be able to demonstrate when and why a reduced level of supervision may then be considered appropriate.

Supervisors

The Firm should ensure that those supervising employees carrying on the previously mentioned activities have the necessary coaching and assessment skills as well as technical knowledge and experience to act as a competent supervisor and assessor.

Where an employee has not been assessed as competent to do so and gives personal recommendations on retail investment products to retail clients, the Firm must ensure that the individual supervising and assessing that employee has attained an appropriate qualification.

To ensure that a qualification is appropriate, the Firm should select a qualification from the list of qualifications set out here: handbook.fca.org.uk/TC4/.

Training needs

The Firm should ensure that its employees' training needs are assessed at the outset and at regular intervals (including if the employees' role changes).

Continuing professional development for retail investment advisors

The Firm must ensure that a retail investment adviser who has been assessed as competent remains competent by completing a minimum of 35 hours of appropriate continuing professional development in each 12-month period.

To meet this requirement, a retail investment adviser should complete no less than 21 hours of structured continuing professional development activities.

Examples of structured continuing professional development activities include participating in courses, seminars, lectures, conferences, workshops, web-based seminars or e-learning which require a contribution of thirty minutes or more.

Continuing professional development record-keeping

The Firm must make and retain records of:

- (1) the continuing professional development completed by a retail investment adviser; and
- (2) the dates of and reasons for any suspension of the continuing professional development requirements.

Annual declarations

The Firm must ensure that a retail investment adviser confirms annually in writing that the retail investment adviser has, in the preceding 12 months:

- (1) complied with the Statements of Principle and Code of Practice for Approved Persons (“**APER**”) or the Code of Conduct for Staff (“**COCON**”) (as applicable); and
- (2) if applicable, completed the continuing professional development required.

Independent verification

The Firm must obtain from an accredited body independent verification of the Firm's compliance with:

- (1) The requirement to attain each module of an appropriate qualification;
- (2) The requirement to complete a minimum of 35 hours of appropriate continuing professional development; and
- (3) The requirement of annual declarations.

Notification requirements

The Firm must notify the FCA as soon as reasonably practicable after it becomes aware, or has information which reasonably suggests, that any of the following events has occurred and the event is significant:

- (1) A retail investment adviser, who has been assessed as competent for carrying out the previous activities is no longer considered competent for those purposes;
- (2) A retail investment adviser has failed to attain an appropriate qualification within the prescribed time limit;

- (3) A retail investment adviser has failed to comply with APER or COCON (as applicable) in carrying out their controlled function; and/or
- (4) A retail investment adviser has performed the previous activities before having demonstrated the necessary competence and without appropriate supervision.

To determine whether the event is significant, consider the potential risk of consumer detriment as a result of the event and whether the event or a pattern of events indicate recurrent issues in relation to one or more retail investment advisers.

2.3.2 Time Limits

Calculation of time limits for attaining an appropriate qualification

If an employee carries on a previously mentioned activity (other than an overseeing activity) the Firm must ensure that the employee attains an appropriate qualification within 48 months of starting to carry on that activity. Consequently, the Firm must record the date on which the employee starts to carry on that activity.

The Firm must ensure that any employee who does not attain an appropriate qualification within the specified time ceases to engage in the activity to which that qualification would relate and does not resume that activity without first attaining an appropriate qualification.

2.4 GENERAL PROVISIONS

Disclosure in letters to retail clients

The Firm must take reasonable care to ensure that every letter (or electronic equivalent) which it or its employees send to a retail client, with a view to or in connection with the Firm carrying on a regulated activity includes the disclosure "Authorised and regulated by the Financial Conduct Authority".

2.5 FEES MANUAL

The FEE sourcebook of the FCA handbook specifies the fees and levies payable by the Firm to the FCA.

The Firm is required to pay to the FCA the following fees [DELETE ANY FEE THAT DOES NOT APPLY]:

- (1) Periodic fees;
- (2) The Financial Ombudsman Service ("FOS") funding levy;
- (3) The Financial Services Compensation Scheme ("FSCS") funding levy;
- (4) The Single Finance Guidance Body ("SFGB") levy; and
- (5) The Devolved Authorities ("DA") levy.

2.5.1 Periodic Fees

The Firm must pay each periodic fee applicable to it, calculated in accordance with the provisions referred to in handbook.fca.org.uk/FEES4.2/.

The FCA links the regulated activities for which the Firm has permission to activity groups (fee-blocks). The Firm can use the table available at the following link to identify which fee-blocks it falls into based on its permission. This table can be found here handbook.fca.org.uk/FEES4/.

Based on such table the Firm has determined that it falls within the following fee block(s): [TO BE COMPLETED e.g., Fee block A.7 (portfolio management)].