

## FCA Clarifies Its Position on ‘Significant SYSC Firm’ Dilemma

August 17, 2022

The FCA announced earlier yesterday<sup>1</sup> that it will consult on amending the definition of ‘Significant SYSC Firm’ to ensure that no firms will be subject to the enhanced rules of the Senior Managers and Certification Regime (SMCR) as a result of implementation of the Investment Firm Prudential Regime (IFPR) that were not already treated as being subject to those rules under the previous prudential rules (IFPRU).

We noted previously ([see here](#)) that, as part of the introduction of the FCA’s Investment Firm Prudential Regime (IFPR), one of the consequential changes to the Glossary of the FCA Handbook had been to introduce a new definition of “significant SYSC firm” to replace the previously defined term “significant IFPRU firm”.

As a consequence of the way that the new definition was drafted, this change potentially had the unwelcome effect of causing a number of asset management firms currently categorised as “core SMCR firms” to be recategorised as “enhanced scope SMCR firms” subject to a higher level of regulatory oversight under the SMCR.

Following industry feedback, the FCA has now announced that they will be consulting on making the necessary changes to clarify that only firms that would have been “significant IFPRU Firms” and “IFPRU investment firms” under the pre-IFPR arrangements fall within the new definition of “significant SYSC firm” for the purposes of SMCR. The effect of this clarification should be that the scope of the firms that fall within the scope of the SMCR “enhanced” regime should not be expanded as a result of the introduction of IFPR.

The FCA has confirmed that, in the meantime, any firms which have come under the SMCR “enhanced” regime as a result of these changes need take no action. This is reassuring for the non-IFPRU firms that have implemented the SMCR as firms in the ‘core’ regime.

This is a welcome change of direction from the FCA. We await details of the consultation.

<sup>1</sup> <https://www.fca.org.uk/news/statements/ifpr-and-eligibility-enhanced-smcr-status-significant-sysc-firm>

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