

Employment in Financial Services

Contributing Editor

Louise Skinner at Morgan Lewis & Bockius

08. Are there particular training requirements for employees in the financial services sector?

United Kingdom

Author: *Louise Skinner, Thomas Twitchett, Oliver Gregory*
at Morgan Lewis & Bockius

The PRA and FCA training and competence regimes set the minimum standards that must be achieved by individuals working in the financial services industry. These regimes aim to ensure that authorised firms have arrangements in place to satisfy themselves that their employees are competent.

All FSMA-authorised firms are required to have adequately trained and competent senior management and employees. The training and competence requirements include:

- Threshold conditions on suitability – All firms must show that persons connected with the firm are fit and proper, taking into account all the circumstances. When assessing the suitability threshold of an employee, the FCA and the PRA will consider:
 - the nature of the regulated activity the firm carries on or is seeking to carry on;
 - the need to ensure that the firm's affairs are conducted soundly and prudently;
 - the need to ensure that the firm's affairs are conducted appropriately, considering especially the interests of consumers and the integrity of the UK financial system; and
 - whether those who manage the firm's affairs have adequate skills and experience and act with probity.
- FCA Principles for Businesses or PRA Fundamental Rules – These rules lay out the parameters of the “fit and proper” standard set for firms in the threshold condition on suitability, and require firms to undertake the following:
 - recruit staff in sufficient numbers;
 - provide employees with appropriate training, with competence assessed continuously;
 - make proper arrangements for employees involved with carrying on regulated activities to achieve, maintain and enhance competence; and
 - train employees to pay due regard to the interests of a firm's customers and treat them fairly.
- Competent employees rule in chapters 3 and 5 of the Senior Management Arrangement Systems and Controls Sourcebook – This is the main employee competence requirement in the training and competence regime under the FSMA and applies to individuals engaged in a regulated activity in UK-regulated firms. The application of this rule can be complex and dependent upon the firm and the activities it undertakes, but in general, it provides that firms must employ personnel with the skills,

knowledge and expertise necessary for the discharge of the responsibilities allocated to them.

- Detailed training and competence requirements in the FCA's training and competence handbook (TC) – The TC rules are designed to supplement the competent employees rule, especially concerning retail activities carried on by firms. Among others, these rules include the following:
 - rules on assessing and maintaining competence;
 - supervision of employees who have not yet been assessed as competent;
 - appropriate qualifications; and
 - recordkeeping and reporting for firms within its scope, including how a firm assessed its employees as competent, and how it has ensured that its employees remain competent.

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Contributors



United Kingdom

Louise Skinner

Thomas Twitchett

Oliver Gregory

Morgan Lewis & Bockius

www.internationalemploymentlawyer.com