

# Service companies

## **Service companies**

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# Chapter 1

## Handbook requirements for service companies

## 1.1 Application and Purpose

- 1.1.1 **G** This special guide is for *service companies*. Its purpose is to help *service companies* find their way around the *Handbook* by setting out which parts of it apply to them.
- 1.1.2 **G** *Service companies* are *firms* whose *regulated activities* are restricted to *making arrangements with a view to transactions in investments* and *agreeing to carry on that regulated activity*. They are, in the main, technology companies who provide order routing, post-trade processing, or other services to market participants which assist them to *deal in investments* or *arrange (bring about) deals in investments* among themselves. A light-touch regulatory regime applies to *service companies* as set out in this Special guide.



## 1.2 Parts of the Handbook applicable to service companies

**1.2.1** G The parts of the *Handbook* applicable to *service companies* are listed in ■ SERV 1.2.2 G. *Service companies* should read applicable parts of the *Handbook* to find out what the detailed regulatory requirements for *service companies* are.

**1.2.2** G **Parts of the Handbook applicable to service companies**

This table belongs to ■ SERV 1.2.1 G

	Part of Handbook	Applicability to service companies
<b>High Level Standards</b>	Principles for Businesses ( <i>PRIN</i> )	This applies.
	Senior management arrangements, Systems and Controls ( <i>SYSC</i> )	This applies.
	Code of Conduct ( <i>COCON</i> )	This does not apply.
	Threshold Conditions ( <i>COND</i> )	This applies.
	Statements of Principle and Code of Practice for Approved Persons ( <i>APER</i> )	This applies to an <i>approved person</i> who performs a <i>controlled function</i> for a <i>service company</i> .
	The Fit and Proper test for Employees and Senior Personnel ( <i>FIT</i> )	This applies.
	The Financial Stability and Market Confidence sourcebook ( <i>FINMAR</i> )	This applies
	General provisions ( <i>GEN</i> )	This applies.
<b>Prudential Standards</b>	Interim Prudential sourcebooks ( <i>IPRU</i> )	In the Interim Prudential sourcebook for investment business ( <i>IPRU(INV)</i> ), only Chapters 1 (Application and General) and 6 (Service Companies) apply: see <i>IPRU(INV)</i> 1.2.4R. The other Interim Prudential sourcebooks do not apply.

	Part of Handbook	Applicability to service companies
<b>Business Standards</b>	[deleted]	[deleted]
	Conduct of Business sourcebook (COBS)	Only some parts of COBS apply to <i>service companies</i> : see COBS 18.10.  The <i>permission</i> given to <i>service companies</i> means that they must not approve <i>financial promotions</i> on behalf of another <i>person</i> or specified class of <i>person</i> , or deal with private customers. If the <i>firm</i> communicates <i>financial promotions</i> to <i>eligible counterparties</i> and <i>professional clients</i> only, the <i>financial promotion rules</i> will have only very limited application.
	Mortgages: Conduct of Business sourcebook (MCOB)	
	Client assets sourcebook (CASS)	This applies. However, <i>service companies</i> should not, ordinarily, hold client assets
	Market Conduct sourcebook (MAR)	MAR 1 (Market Abuse), MAR 2 (Stabilisation) and MAR 4 (Endorsement of the Takeover Code) apply to <i>service companies</i> .  MAR 5 (Multilateral Trading Facilities), MAR 5A (Organised Trading Facilities), MAR 6 (Systematic Internalisers), MAR 7A (Algorithmic Trading), and MAR 8 (Benchmarks), do not apply to <i>service companies</i> .
Training and Competence sourcebook (TC)	TC does not apply to <i>service companies</i> as they do not carry on activities for <i>retail clients</i> . But they are subject to the <i>competent employees rule</i> in SYSC 5.	
<b>Regulatory processes</b>	[deleted]	[deleted]
	Supervision manual (SUP)	This applies, with the following qualifications:  (a) in SUP 3 (Auditors), only sections 3.1, 3.2, and 3.7 apply to a <i>service company</i> (and only if it has an auditor) and only sections 3.1, 3.2 and 3.8 apply to its auditor (if it has one): see SUP 3.1.2 R;  (b) SUP 4 (Actuaries) does not apply: see SUP 4.1.1 R;  (c) in SUP 10 (Approved persons), if a <i>service company's</i> principal purpose is to carry on activities other than <i>regulated activities</i> , then the scope of the <i>significant influence functions</i> is restricted to

	Part of Handbook	Applicability to service companies
		<p>the <i>required functions</i>: see SUP 10A.1.18 R - SUP 10A.1.19 G;</p> <p>(d) SUP 13 (Exercise of passport rights by UK firms) does not apply because <i>service companies</i> do not conduct <i>investment services and activities</i>.</p> <p>(e) SUP 14 (Incoming EEA firms changing details and cancelling qualification for authorisation) does not apply because a <i>service company</i> cannot be an <i>incoming EEA firm</i> (see explanation in (d));</p> <p>(f) in SUP 16 (Reporting requirements), sections 16.4 - 16.6 do not apply and in section 16.7, only SUP 16.7.20 R - SUP 16.7.21 R apply: see SUP 16.1.1 R;</p> <p>(g) SUP 17A (Transaction reporting) does not apply; and</p> <p>(h) SUP App 2 (Insurers: Scheme of operations) does not apply.</p>
	Decision Procedure and Penalties Manual (DEPP)	This applies.
Redress	Dispute resolution: the Complaints sourcebook (DISP)	<p>All <i>firms</i> are subject to the <i>Compulsory Jurisdiction</i> of the <i>Financial Ombudsman Service</i>.</p> <p>However, a <i>firm</i> which does not, and notifies the FCA under DISP 1.1.12 R that it does not, conduct business with <i>eligible complainants</i> (<i>persons</i> eligible to have a <i>complaint</i> considered under the <i>Financial Ombudsman Service</i>, as defined in DISP 2.4) will be exempt from the rules on treating complainants fairly (DISP 1.2 to DISP 1.11) and from the <i>Financial Ombudsman Funding rules</i> (FEES 5.1 to FEES 5.7).</p> <p>The definition of a <i>service company</i> means that a <i>service company</i> will qualify for these exemptions if it applies for them: see DISP 2.4.3 R (2)(a).</p>
	Compensation sourcebook (COMP)	COMP does not apply to <i>service companies</i> , which are not <i>participating firms</i> under the <i>compensation scheme</i> , and are exempt from funding it.
	Complaints against the FCA (COAF)	This applies to <i>service companies</i> , although it contains no requirements for <i>service companies</i> .

	Part of Handbook	Applicability to service companies
<b>Specialist sourcebooks</b>	[deleted]	[deleted]
	Collective Investment Schemes sourcebook ( <i>COLL</i> )	None of the specialist sourcebooks applies.
	Investment Funds sourcebook ( <i>FUND</i> )	
	Professional firms sourcebook ( <i>PROF</i> )	
Deleted		
<b>Special guides</b>	Recognised Investment Exchange and Recognised Clearing House sourcebook ( <i>REC</i> )	
	Special guide for service companies ( <i>SERV</i> )	This applies.
	Special guide for energy market participants ( <i>EMPS</i> )	This does not apply because an <i>energy market participant</i> is defined to exclude a <i>service company</i> .
	Special guide for small friendly societies ( <i>FREN</i> )	This does not apply.
	Special guide for oil market participants ( <i>OMPS</i> )	This does not apply because an <i>oil market participant</i> is defined to exclude a <i>service company</i> .
	Summary schedules Record keeping requirements Notification requirements Fees and other required payments Powers exercised in making the Handbook Rights of action for damages Rules that can be waived Releases	These apply, but only to the extent that the sourcebook or manual to which they relate applies.
<b>Schedules</b>	This applies.	
Glossary of definitions		This applies.

The following Regulatory Guides may also be relevant to *service companies*:

1. Enforcement Guide (*EG*)