

**PRA RULEBOOK: CRR FIRMS NON-CRR FIRMS: INDIVIDUAL ACCOUNTABILITY INSTRUMENT
(NO 2) 2015**

Powers exercised

A. The Prudential Regulation Authority ("PRA") makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

- (1) section 59 (Approval for particular arrangements);
- (2) section 60 (Applications for approval);
- (3) section 60A (Vetting of candidates by relevant authorised persons);
- (4) section 61 (Determination of applications);
- (5) section 62A (Changes of responsibilities of senior managers);
- (6) section 63F (Issuing of certificates);
- (7) section 64A (Rules of conduct);
- (8) section 64C (Requirement for relevant authorised persons to notify regulator of disciplinary action);
- (9) section 137G (The PRA's general rules);
- (10) section 137T (General supplementary powers); and

in exercise of the powers and related provisions in Articles, 2, 5, 6, 7, 8, 13, 15, 17, 19 and 20 of the Financial Services (Banking Reform) Act 2013 (Transitional and Savings Provisions) Order 2015 (SI 2015/492).

B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

C. In accordance with section 138J of the Act (Consultation by the PRA), and Article 5, Article 13 and Article 22 of the Financial Services (Banking Reform) Act 2013 (Transitional and Savings Provisions) Order 2015, the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: CRR Firms Non-CRR Firms: Individual Accountability Instrument (No 2) 2015

D. The PRA makes the rules in Annexes A to I of this instrument.

Commencement

E. Annexes A to H come into force on 7 March 2016. Annex I comes into force on 13 July 2015.

Citation

F. This instrument may be cited as the PRA Rulebook: CRR Firms Non-CRR Firms: Individual Accountability Instrument (No 2) 2015.

By order of the Board of the Prudential Regulation Authority

26 June 2015

Annex A

Amendments to the Glossary

In the Glossary Part of the PRA Rulebook, insert the following new definitions:

credit union non-executive director

means a non-executive director of a credit union who is not an approved person in relation to that credit union.

notified non-executive director

means a non-executive director of a CRR firm who is not an approved person in relation to that firm.

Annex B

In this Annex, the deleted text is struck through and new text is underlined.

Part

SENIOR MANAGEMENT FUNCTIONS

Chapter content

- 1. APPLICATION AND DEFINITIONS**
- 2. GENERAL**
- 3. EXECUTIVE**
- 4. OVERSIGHT**
- 5. GROUP ENTITIES**
- 6. CREDIT UNIONS**
- 7. COMBINATION OF SENIOR MANAGEMENT FUNCTIONS**

Links

1 APPLICATION AND DEFINITIONS

....

1.2 In this Part, the following definitions shall apply:

...

FCA activities

means a function which would, except for SUP10C.9.8R of the *FCA Handbook*, be an FCA governing function.

FCA responsibilities

means any of ~~any of the functions referred to in~~

(1) the responsibilities referred to SYSC 4.7.7R (Table of FCA prescribed senior management responsibilities) of the *FCA Handbook*; and

(2) the responsibilities allocated under SYSC 4.7.8R of the *FCA Handbook* SYSC 4Annex 1G (The main business areas and management functions of a relevant authorised person).

~~of the *FCA Handbook*~~

....

1.3 This Part does not apply to a function performed by:

...

(11) a *person* acting as an insolvency practitioner within the meaning of Article 3 of the Insolvency (Northern Ireland) Order 1989; or

(12) a *person* acting as a nominee in relation to a voluntary arrangement under Part II ((5 Company Voluntary Arrangements) of the Insolvency (Northern Ireland) Order 1989.

2 GENERAL

...

2.4 (1) If a *person* has been approved to perform a *PRA senior management function* in relation to a *firm* and also performs a function which would, except for SUP10C.9.8R of the *FCA Handbook*, be an FCA governing function (~~such function, the *FCA activities*~~), performance of the *PRA senior management function* will include the performance of those *FCA activities*, provided the following conditions are met:

(a) the *PRA*'s approval to perform a *PRA senior management function* has been granted and continues in force;

(b) at the time of approval being granted by the *PRA*, that *person* was not subject to an *FCA approval* to perform the ~~that~~ particular *FCA governing function*;

- (c) the *firm* made the notification required by SUP10C.9.8 R (4) of the *FCA Handbook*; and
- (d) that *person* performs and is continuing to perform ~~the~~ these *FCA activities*.

....

2.6 If a *PRA approved person*:

- (1) (other than in the circumstances set out in 2.4 or 2.5), performs one or more *FCA responsibilities* ~~allocated under SYSC 4.7.5R of the *FCA Handbook*~~;

...

4 OVERSIGHT

....

4.3 The *Chairman of Risk Committee function* (SMF10) is the function of having responsibility for chairing, and overseeing the performance of any committee responsible for the oversight of the risk management systems, policies and procedures of a *firm* specified in Risk Control 2 SYSC 7.1 of the *PRA Handbook*, including where applicable to the *firm*, a committee established in accordance with Risk Control 3.1 SYSC 7.1.18R of the *PRA Handbook*.

4.4 The *Chairman of Audit Committee function* (SMF11) is the function of having responsibility for chairing, and overseeing the performance of any committee responsible for the oversight of the internal audit system of a *firm* specified in Compliance and Internal Audit 2 SYSC 6.2 of the *PRA Handbook*.

4.5 The *Chairman of Remuneration Committee function* (SMF12) is the function of having responsibility for chairing, and overseeing the performance of any committee responsible for the oversight of the design and the implementation of the remuneration policies of a *firm*, including where applicable to the *firm*, a committee established in accordance with Remuneration 7.4 SYSC 19A.3.12R of the *PRA Handbook*.

...

Annex C

In this Annex, the deleted text is struck through and new text is underlined.

Part

ALLOCATION OF RESPONSIBILITIES

Chapter content

- 1. APPLICATION AND DEFINITIONS**
- 2. STATEMENT OF RESPONSIBILITIES**
- 3. ALLOCATION OF RESPONSIBILITIES**
- 4. PRESCRIBED RESPONSIBILITIES**
- 5. PRESCRIBED RESPONSIBILITIES: SMALL FIRMS**
- 6. RECORDS**
- 7. CHAIRMAN'S OFFICE**

Links

1 APPLICATION AND DEFINITIONS

....

1.2 In this Part, the following definitions shall apply:

~~ancillary services~~

~~means any of the services listed in Section B of Annex I to MiFID.~~

...

~~FCA other overall responsibility significant responsibility senior management function~~

~~means the FCA controlled function specified in SUP10C.7.1R of the FCA Handbook.~~

~~FCA business functions~~

~~means any of the functions set out in SUP10C Annex 1R of the FCA Handbook.~~

~~FCA responsibilities~~

~~means any of the functions set out in~~

~~(1) any of the responsibilities set out in SYSC 4.7.7R (Table of FCA Prescribed senior management responsibilities) of the FCA Handbook; and~~

~~(2) any responsibility allocated under SYSC 4.7.8R of the FCA Handbook (SYSC 4 Annex 1G (The main business activities and functions of a relevant authorised person).~~

~~of the FCA Handbook.~~

....

~~ring-fencing obligation requirement~~

~~means any obligation, prohibition or other requirement imposed on a ring-fenced body by or under FSMA, by virtue as a consequence of it being a ring-fenced body, including any statutory instrument made under FSMA and any ring-fencing rule, but not including any rule made by the FCA ring-fencing rule or under s142G of FSMA.~~

....

1.3 This Part does not apply to a function performed by:

...

(3) a person acting as an insolvency practitioner within the meaning of Article 3 of the Insolvency (Northern Ireland) Order 1989;-or

(4) a person acting as a nominee in relation to a voluntary arrangement under Part II (Company Voluntary Arrangements) of the Insolvency (Northern Ireland) Order 1989.

2 STATEMENT OF RESPONSIBILITIES

...

- 2.4 (1) A firm must have, at all times, a complete set of current and up to date statements of responsibilities for all persons approved to perform a PRA senior management function on its behalf.
- (2) A firm must prepare a statement of responsibilities for each PRA approved person as a single document covering every PRA senior management function and FCA designated senior management function for which
- (a) the PRA approved person has approval from the PRA or the FCA, as the case may be, to perform; or
- (b) an application for approval is being made.

3 ALLOCATION OF RESPONSIBILITIES

....

- 3.4 A firm which is a ring-fenced body must ensure that the ring-fenced body prescribed responsibility is allocated to each person who:
- (1) performs a PRA senior management function or, subject to 3.5(1), an FCA designated senior management function; and
- (2) is responsible for managing any area of the ring-fenced body's business that is subject to a ring-fencing obligation requirement
- on behalf of the firm.
- 3.5 (1) A firm must not allocate a prescribed responsibility to a person who performs an FCA other overall significant responsibility senior management function.
- (2) A small CRR firm or a credit union must not allocate a small firm prescribed responsibility to a person who performs an FCA other overall significant responsibility senior management function.

4 PRESCRIBED RESPONSIBILITIES

- 4.1 Each of the responsibilities set out in this rule is a *prescribed responsibility*:

...

- (4) ~~responsibility for the allocation of all prescribed responsibilities in accordance with 3.1;~~

responsibility for the firm's performance of its obligations under Fitness and Propriety in respect of its notified non-executive directors;

...

- (15) responsibility for safeguarding the independence of, and overseeing the performance of, the internal audit function, including the performance of a *person* approved to perform the *Head of Internal Audit function* on behalf of the *firm*, in accordance with Compliance and Internal Audit 3 SYSC 6.2 (audit) of the PRA Handbook;
- (16) responsibility for safeguarding the independence of, and overseeing the performance of, the compliance function, including the performance of a *person* approved by the *FCA* to perform the *compliance oversight function* on behalf of the *firm*, in accordance with Compliance and Internal Audit 2 SYSC 6.1 (Compliance) of the PRA Handbook;
- (17) responsibility for safeguarding the independence of, and overseeing of the performance of, the risk function , including the performance of a *person* approved to perform the *Chief Risk function* on behalf of the *firm*, in accordance with Risk Control 3.4 and 3.5 SYSC 7.1.21R and SYSC 7.1.22R (Risk control) of the PRA Handbook;
- (18) responsibility for overseeing the development of, developing and overseeing implementation of the *firm's* remuneration policies and practices in accordance with Remuneration;
- ...
- (20) responsibility for the allocation of all prescribed responsibilities in accordance with 3.1.

4.2 Each of the responsibilities set out in this rule is a *prescribed responsibility* in the circumstances specified:

- ...
- (2) if the *firm* does not have a *person* who performs the *Chief Risk function*, responsibility for the compliance of the *firm's* risk management systems, policies and procedures with the requirements of Risk Control 2.1 to 2.4 SYSC 7.1.2R to SYSC 7.1.5R of the PRA Handbook;
- ...
- (4) if the *firm* is a *ring-fenced body*, responsibility for ensuring that those aspects of the *firm's* affairs for which a *person* is responsible for managing are in compliance with the *ring-fencing obligations requirements*.
- ...

6 RECORDS

6.2 A *management responsibilities map* must in particular include:

- (1) the names of all the *firm's approved persons* (including *FCA approved persons*), *notified non-executive directors, credit union non-executive directors and senior management* and the responsibilities held by each, including all ~~*FCA business functions and FCA responsibilities*~~;

....

Annex D

Amendments to the Certification Part

In this Annex, new text is underlined and deleted text is struck through.

Part

CERTIFICATION

Chapter content

- 1. APPLICATION AND DEFINITIONS**
- 2. PERFORMANCE OF CERTIFICATION FUNCTIONS**

Links

1 APPLICATION AND DEFINITIONS

1.1 ...

...

1.3 This Part does not apply to a function performed in relation to the firm by:

...

(3) a *person* acting as an insolvency practitioner within the meaning of Article 3 of the Insolvency (Northern Ireland) Order 1989;~~or~~

(4) a *person* acting as a nominee in relation to a voluntary arrangement under Part II (Company Voluntary Arrangements) of the Insolvency (Northern Ireland) Order 1989;

(5) a PRA approved person;

(6) a person who performs an FCA controlled function; or

(7) a non-executive director in relation to their non-executive director function.

...

Annex E

Amendments to the Fitness and Propriety Part

In this Annex, new text is underlined and deleted text is struck through.

Part

FITNESS AND PROPRIETY

Chapter content

1. APPLICATION AND DEFINITIONS
2. FITNESS AND PROPRIETY ASSESSMENTS BY FIRMS
3. CONDUCT STANDARDS
4. NOTIFIED NON-EXECUTIVE DIRECTORS – NOTIFICATIONS
5. [REGULATORY REFERENCES - not yet in force]
6. FITNESS AND PROPRIETY TRANSITIONAL PROVISIONS

Links

1 APPLICATION AND DEFINITIONS

...

1.3 In this Part, the following definitions shall apply:

continued approval

has the meaning in Senior Managers Regime – Transitional Provisions 1.2.

...

2 FITNESS AND PROPRIETY ASSESSMENTS BY FIRMS

2.1 ~~(1)~~ A *firm* must not make a *senior management application* in relation to a *person* unless it is satisfied that *person* is fit and proper to perform the *PRA senior management function* to which the application relates.

2.2 ~~(2)~~ A *firm* must not issue a *certificate* in relation to a *person*, unless it is satisfied that *person* is fit and proper to perform the *certification function* to which the *certificate* relates.

2.3 A *firm* must not appoint a *person* as a *notified non-executive director* or *credit union non-executive director*, unless it is satisfied that *person* is fit and proper to perform that *non-executive director* role.

2.4 A *firm* must ensure that each member of its *management body* is at all times fit and proper.

[Article 91(1) CRD IV]

2.5 ~~(3)~~ In deciding whether a *person* is fit and proper, a *firm* must be satisfied that the *person*:

...

2.6 Before deciding whether a *person* is fit and proper, a *firm* must take reasonable steps to obtain appropriate references covering at least the past 5 years from that *person's* current and previous employers, and from organisations at which that *person* served as, or is currently, a non-executive director.

2.7 ~~(5)~~ In deciding whether a *person* (P) is fit and proper in connection with a *senior management application* or on appointment as a *notified non-executive director* or *credit union non-executive director*, a *firm* must:

...

2.8 If a *firm* engages a *person* for a continuous period of time it is only required to comply with 2.6 and 2.7 the first time it determines that *person* is fit and proper in relation to a *senior management function*, *non-executive director function* or *certification function*.

3 CONDUCT STANDARDS

- 3.1 A firm must contractually require any PRA approved person, notified non-executive director or credit union non-executive director to:
- (a) act with integrity;
 - (b) act with due skill, care and diligence;
 - (c) be open and co-operative with the FCA, the PRA and other regulators; and
 - (d) disclose appropriately any information to the FCA or PRA which they would reasonably expect notice.
- 3.2 A firm must contractually require any PRA approved person to:
- (a) take reasonable steps to ensure that the business of the firm for which they are responsible is controlled effectively;
 - (b) take reasonable steps to ensure that the business of the firm for which they are responsible complies with relevant requirements and standards of the regulatory system; and
 - (c) take reasonable steps to ensure that any delegation of their responsibilities is to an appropriate person and that they oversee the discharge of the delegated responsibility effectively.

4 NOTIFIED NON-EXECUTIVE DIRECTORS - NOTIFICATIONS

- 4.1 This chapter applies to CRR firms only.
- 4.2 A firm must notify the PRA when a person becomes a notified non-executive director and shall provide the PRA with all of the information needed to assess whether that person is fit and proper.
- 4.2 If the notification referred to in 4.2 is in respect of a person who, on becoming a notified non-executive director, ceases to perform a PRA senior management function or an FCA designated senior management function, the firm is not required to provide information needed to assess the fitness and propriety of that person unless there has been a change in the information provided in respect of that person regarding fitness and propriety provided to the PRA or the FCA at the time the application for the approval for performance of the PRA senior management function or the FCA designated senior management function was made.
- 4.3 If a firm becomes aware of information which would reasonably be material to the assessment of a current or former notified non-executive director's fitness and propriety under this Part, it must inform the PRA in writing as soon as practicable.
- 4.4 Where a firm replaces an notified non-executive director because the firm considers that person no longer fulfils the requirements of 2.4, the firm must notify the PRA as soon as reasonably practicable.
- 4.5 Where a notified non-executive director assumes a new role with the firm or ceases to be a director of the firm, the firm must notify the PRA in writing as soon as reasonably practicable.

5 [NOT YET IN FORCE]

6 FITNESS AND PROPRIETY TRANSITIONAL PROVISIONS

- 6.1 The requirement to obtain regulatory references in accordance with 2.6 does not apply to a *firm* in respect of any *person* to the extent that:
- (a) the *firm* is deciding whether the *person* is fit and proper for the purpose of issuing a *certificate*;
 - (b) the *person* will be performing a *certification function* from 7 March 2016; and
 - (c) immediately prior to 7 March 2016, the *person* performed the same function for the *firm*.
- 6.2 The requirement to obtain regulatory references in accordance with 2.6 does not apply to a *firm* in respect of any *person* who has *continued approval*.
- 6.3 The requirements of 2.3, 2.6, 2.7 and 4.2 do not apply to a *director* who, in relation to the *firm*:
- (a) on 7 March 2016 is a *notified non-executive director* or *credit union non-executive director*; and
 - (b) immediately prior 7 March 2016, was approved as a *non-executive director* or *credit union non-executive director*.
- 6.4 A *CRR firm* must notify the PRA before 7 March 2016 of any *director* who, in relation to the *firm*, will be a *notified non-executive director* on 7 March 2016 and who immediately prior to 7 March 2016 was approved as a *non-executive director*.

Annex F

In this Annex, the text is all new and is not underlined.

Part

CONDUCT RULES

Chapter content

- 1. APPLICATION AND DEFINITIONS**
- 2. INDIVIDUAL CONDUCT RULES**
- 3. SENIOR MANAGER CONDUCT RULES**

Links

1 APPLICATION AND DEFINITIONS

- 1.1 (1) This Part applies to every function a *person* (P) performs in relation to a *firm* (A) that is:
- (a) a *CRR firm*;
 - (b) a *credit union*; or
 - (c) [not yet in force].
- (2) This Part only applies if P:
- (a) is approved under section 59 of *FSMA* to perform a *senior management function* in relation to A;
 - (b) is an *employee* of A that should have been so approved;
 - (c) is an *employee* who is performing a function that would have been a controlled function but for *Senior Management Functions 2.3*; or
 - (d) performs a *certification function* in relation to A.
- (3) Chapter 3 only applies to a *person* in (2)(a) or (b).

1.2 In this Part, the following definitions shall apply:

employee

has the meaning given in Certification 1.3.

FCA designated senior management function

means an *FCA controlled function* specified in *SUP 10C.4.3R* of the *FCA Handbook*.

senior management function

means either a *PRA senior management function* or an *FCA designated senior management function*.

2 INDIVIDUAL CONDUCT RULES

- 2.1 **Individual Conduct Rule 1:** You must act with integrity.
- 2.2 **Individual Conduct Rule 2:** You must act with due skill, care and diligence.
- 2.3 **Individual Conduct Rule 3:** You must be open and co-operative with the *FCA*, the *PRA* and other regulators.

3 SENIOR MANAGER CONDUCT RULES

- 3.1 **Senior Manager Conduct Rule 1:** You must take reasonable steps to ensure that the business of the *firm* for which you are responsible is controlled effectively.
- 3.2 **Senior Manager Conduct Rule 2:** You must take reasonable steps to ensure that the business of the *firm* for which you are responsible complies with the relevant requirements and standards of the *regulatory system*.
- 3.3 **Senior Manager Conduct Rule 3:** You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate *person* and that you oversee the discharge of the delegated responsibility effectively.
- 3.4 **Senior Manager Conduct Rule 4:** You must disclose appropriately any information of which the *FCA* or *PRA* would reasonably expect notice.

Annex G

Amendments to Notifications Part

In this Annex, new text is underlined.

Part

NOTIFICATIONS

Chapter content

1. APPLICATION AND DEFINITIONS
2. GENERAL NOTIFICATION REQUIREMENTS
3. LLOYD'S OF LONDON
4. NOTIFIED PERSONS
5. CORE INFORMATION REQUIREMENTS
6. INACCURATE, FALSE OR MISLEADING INFORMATION
7. FORM AND METHOD OF NOTIFICATION
8. SPECIFIC NOTIFICATIONS
9. FINANCIAL CONGLOMERATE NOTIFICATIONS
10. FORMS
11. CONDUCT RULES: NOTIFICATIONS

Links

Annex B
Amendments to Notifications Part

In the Notifications Part of the PRA Rulebook, insert the following new definitions in 1.2 and new chapter 11.

1 APPLICATION AND DEFINITIONS

1.2 disciplinary action

has the meaning given in section 64C of FSMA.

conduct rules

means the rules in Conduct Rules 2 and 3.

...

11 CONDUCT RULES: NOTIFICATIONS

11.1 This Chapter applies to every firm that is:

(a) a CRR firm;

(b) a credit union; or

(c) [not yet in force].

11.2 If a firm knows or suspects that a person has failed to comply with any conduct rules it must notify the PRA.

11.3 If a firm is required to notify the PRA in compliance with 11.2 based on a suspicion, it must notify the PRA of any subsequent determination it makes in relation to that matter.

11.4 If a firm is required to notify the PRA in compliance with 11.2 to 11.3 based on a determination, it must notify the PRA of any different determination it subsequently makes in relation to that matter.

11.5 If a firm takes disciplinary action against a person relating to any action, failure to act, or circumstance that amounts to a breach of any conduct rule it must notify the PRA.

11.6 If a firm is required to notify the PRA under 11.2 to 11.5 in respect of persons performing certification functions, it must do so within seven business days of the point at which it determined the relevant requirement applied, by submitting Form L. A firm must not unreasonably delay its determination of whether or not the requirement applies.

11.7 If a firm is required to notify the PRA under 11.2 – 11.5 in respect of a person performing a senior management function, it must do so within seven business days of the point at which it determined the relevant requirement applied, by submitting:

(1) if the circumstances set out in Senior Managers Regime – Applications and Notifications 5.2 apply, Form C;

(2) and in all other cases, Form D.

A firm must not unreasonably delay its determination of whether or not the requirement applies.

11.8 If a *firm* becomes aware of information which would reasonably be material to the assessment of the fitness and propriety of a *PRA approved person*, or a *person* in respect of whom an application for approval to perform a *PRA senior management function* has been made, it must inform the *PRA* on Form D, or (if it is more practical to do so and with the prior agreement of the *PRA*) by fax or e-mail, as soon as practicable.

11.9 A *firm* other than a *credit union* must submit:

- (1) Form C and Form D using the *ONA system*; and
- (2) Form L using the *PRA* email address specified in Form L.

11.10 A *credit union* must submit:

- (1) Form C and Form D using the *ONA system* or in the manner set out in Notifications 7;
- (2) Form L using the *PRA* email address specified in Form L.

11.11 If, under any rule in this Chapter:

- (1) a *firm* is required to make a notification; and
- (2) the information technology systems used by the *PRA* fail and online submission is unavailable for 24 hours or more,

until such time as facilities for online submission are restored a *firm* must submit the specified form in the way set out in Notifications 7.

11.12 (1) Form C may be found [here](#).

(2) Form D may be found [here](#).

(3) Form L may be found [here](#).

Annex H

In this Annex, the text is all new and is not underlined.

Part

SENIOR MANAGERS REGIME – APPLICATIONS AND NOTIFICATIONS

Chapter content

1. APPLICATION AND DEFINITIONS
2. APPLICATION TO PERFORM A PRA SENIOR MANAGEMENT FUNCTION
3. APPLICATION TO VARY A CONDITIONAL APPROVAL
4. WITHDRAWAL OF A SENIOR MANAGEMENT APPROVAL APPLICATION OR AN APPLICATION TO VARY A CONDITIONAL APPROVAL
5. CEASING TO PERFORM A PRA SENIOR MANAGEMENT FUNCTION
6. CHANGE IN DETAILS OR RESPONSIBILITIES RELATING TO PRA APPROVED PERSON
7. PROCEDURE FOR MAKING APPLICATIONS AND NOTIFICATIONS
8. FORMS

Links

Annex

Senior Managers Regime – Applications and Notifications Part

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to every *firm* that is

- (1) a *CRR firm*; and
- (2) a *credit union*.

1.2 In this Part, the following definitions shall apply:

commencement date

means 7 March 2016.

current approved person approval

means

- (1) an approval granted to a *person* under section 59 of *FSMA* (Approval for particular arrangements):
 - (a) by the *PRA* for the performance of a *PRA senior management function*; or
 - (b) by the *FCA* for the performance for the performance of an *FCA designated senior management function* or a *significant influence function*;
- (2) a deemed approval given by either the *PRA* following the submission of a *grandfathering notification* under Senior Managers Regime (Transitional Provisions) or by the *FCA* under any equivalent rules in the *FCA Handbook*; or
- (3) for the purposes of 2.5(2) and 2.6(1)(a), an approval granted to that *person* under section 59 of *FSMA* by either the *PRA* or the *FCA* to perform a *controlled function* as defined in section 59 of *FSMA* prior to the *commencement date* but which ceased (i) on or before the *commencement date*; and (ii) during the period specified in 2.5(2) or 2.6(1)(a), as the case may be.

FCA designated senior management function

means an *FCA controlled function* specified in in *SUP 10C.4.3R* of the *FCA Handbook*.

grandfathering notification

has the meaning given in Senior Managers Regime – Transitional Provisions.

management responsibilities map

has the meaning given in Allocation of Responsibilities 6.

regulatory body

means any authority, body or *person* having, or who has had, responsibility for the supervision or regulation of any *regulated activities* or other financial services, whether within the *United Kingdom* or overseas.

PRA senior management approval application

means an application for approval to perform a *PRA senior management function* under section 59 of *FSMA*.

significant influence function

has the meaning given in the *FCA Handbook*.

statement of responsibilities

has the meaning given in Allocation of Responsibilities 1.

2 APPLICATION TO PERFORM A PRA SENIOR MANAGEMENT FUNCTION

- 2.1 The *PRA* directs that a *firm* must make a *PRA senior management approval application* in accordance with 2.2, before the activities requiring approval commence.
- 2.2 The *PRA* directs that a *firm* must use form A (long form) for a *PRA senior management approval application* unless
- (1) the *firm* must use Form E under 2.3; or
 - (2) the *firm* must use Form A (shortened form) under 2.6.
- 2.3 The *PRA* directs that, subject to 2.4 and 2.5, a *firm* must use Form E for a *PRA senior management approval application* if the *PRA senior management approval application* is in respect of a *person* who has a *current approved person approval* and is either:
- (1) ceasing to perform a *PRA senior management function* and taking up a new *PRA senior management function* for the same *firm* or another member of its *group*; or
 - (2) ceasing to perform an *FCA designated senior management function* or *significant influence function* and taking up a *PRA senior management function* for the *firm* or another member of its *group*.
- 2.4 The *PRA* directs that a *firm* must not use Form E for a *PRA senior management approval application* if:
- (1) a notification has been made or should be made to the *PRA* or *FCA* under any of the following:
 - (a) section 63(2A) of *FSMA* (Duty to notify regulator of grounds for withdrawal of approval);
 - (b) section 64B(5) of *FSMA* (Notification of non-compliance with Conduct Rules or equivalent *FCA* rules);
 - (c) section 64C of *FSMA* (Requirement for relevant authorised persons to notify regulator of disciplinary action);

- (2) a notification has been made or should be made to the *PRA* under any of the rules in Notifications 11 or to the *FCA* under any equivalent provisions of the *FCA Handbook*; or
- (3) any of the circumstances in 5.2 apply in relation to:
 - (a) any *PRA senior management function* or *FCA designated senior management function* or *significant influence function* that that *person* is ceasing to perform; or
 - (b) any *PRA senior management function* or *FCA designated senior management function* or *significant influence function* that the *person* is continuing to perform in relation to that *firm* or a *firm* in the same *group*.

2.5 The *PRA* directs that a *firm* must not use form E if the *person* to whom the *PRA senior management approval application* relates:

- (1) has never before been approved:
 - (a) by the *PRA* to perform a *PRA senior management function*; or
 - (b) by the *FCA* to perform an *FCA designated senior management function* or a *significant influence function*for any *firm*;
or
- (2) has not been the subject of a *current approved person approval* in relation to any *firm* for more than six *months* prior to the date of application.

- 2.6 (1) The *PRA* directs that a *firm* must use form A (shortened form) for a *PRA senior management approval application* if
- (a) the *person* to whom the application relates:
 - (a) has at the time of application a *current approved person's approval*; or
 - (b) has had a *current approved person's approval* within the previous six months; and
 - (b) there have been no matters arising in relation to the fitness and propriety of the *person* to whom the *PRA senior management approval application* relates which mean that the information provided to the *FCA* or *PRA* regarding fitness and propriety in connection with a *current approved person's approval* may have changed since the application for the *current approved person's approval* was made.
- (2) A *firm* must not use Form A (shortened form) if the circumstances set out in 2.3 apply.
- 2.7 (1) The *PRA* directs that the form submitted for a *PRA senior management approval application* must be accompanied by a *statement of responsibilities* in accordance with Allocation of Responsibilities 2.1.

(2) A *statement of responsibilities* must be in the form set out [here](#).

2.8 A *firm* must (as part of its assessment of whether a *person* is a fit and proper *person* to perform a *PRA senior management function* and in order to verify the information contained in the application to carry out the *PRA senior management function*) obtain the fullest information that it is lawfully able to obtain about the *person* under Part V of the Police Act 1997 (Certificates of Criminal records, etc.) and related subordinated legislation of the *UK* or any part of the *UK* before making the application.

3 APPLICATION TO VARY A CONDITIONAL APPROVAL

3.1 A *firm* making an application to the *PRA* under section 63ZA of *FSMA* (for the variation of a conditional approval) must do so by submitting

(1) Form I; and

(2) a *statement of responsibilities* for the *PRA-approved person* concerned.

4 WITHDRAWAL OF A PRA SENIOR MANAGEMENT APPROVAL APPLICATION OR OF AN APPLICATION TO VARY A CONDITIONAL APPROVAL

4.1 The *PRA* directs that a *firm* withdrawing an outstanding *PRA senior management approval application* must do so using Form B.

4.2 A *firm* withdrawing an application made under section 63ZA of *FSMA* (Variation of senior managers approval at request of relevant authorised person) must do so using Form B.

5 CEASING TO PERFORM A PRA SENIOR MANAGEMENT FUNCTION

5.1 (1) A *firm* must notify the *PRA* no later than seven *business days* after a *person* ceases to perform a *PRA senior management function*, using:

(a) Form E if a *person* ceases to perform a *PRA senior management function* and the *firm* is also making an application for the same *person* to perform another *PRA senior management function*; and

(b) in all other cases, Form C.

5.2 (1) A *firm* must notify the *PRA* as soon as practicable after it becomes aware, or has information which reasonably suggests, that it will submit a qualified Form C in respect of a *PRA approved person*.

(2) Form C is qualified if the information it contains:

(a) relates to the fact that the *firm* has dismissed, or suspended, the *PRA approved person* from its employment;

(b) relates to the resignation by the *PRA approved person* while under investigation by the *firm*, the *PRA* or any other *regulatory body*;

(c) includes a notification under any of the provisions set out in 2.4(1) and (2); or

(d) otherwise reasonably suggests that it may affect the *PRA's* assessment of the *PRA approved person's* fitness and propriety.

- 5.3 If a *PRA approved person* ceases to perform a *PRA senior management function* for a *firm* but continues to perform one or more *PRA senior management function* for the same *firm*, the *firm* must submit a revised *statement of responsibilities* for the remaining *PRA senior management function(s)*, using Form J.

6 CHANGE IN DETAILS OR RESPONSIBILITIES RELATING TO PRA APPROVED PERSONS

- 6.1 If a *PRA approved person's* title, name or national insurance number changes, the *firm* for which the *person* performs a *PRA senior management function* must notify the *PRA* of that change within seven *business days* of the *firm* becoming aware of the matter, using Form D.
- 6.2 If, in relation to a *firm* which has submitted an application on either Form A or Form E, as required by 2.2, any of the details relating to arrangements and *PRA senior management functions* are to change, the *firm* must notify the *PRA* using Form D as soon as reasonably practicable after the *firm* becomes aware of the proposed change.
- 6.3 (1) The *PRA* directs that if a *firm* is required to submit a revised *statement of responsibilities* under section 62A of FSMA, it must do so by submitting Form J with the revised *statement of responsibilities*.
- (2) A *firm* must not use Form J where the revisions are to be made as part of arrangements involving an application:
- (a) for approval for the *person* performing the *PRA senior management function* concerned to perform another *PRA senior management function* or *FCA designated senior management function* for the same *firm*; or
 - (b) to vary (under section 63ZA of FSMA) an approval for the *person* performing the *PRA senior management function* concerned to perform another *PRA senior management function* or *FCA designated senior management function* for the same *firm*.

7 PROCEDURE FOR MAKING APPLICATIONS AND NOTIFICATIONS

- 7.1 (1) The *PRA* directs that:
- (a) a *firm* other than a *credit union* must make any applications, notifications or submissions required by this Part by submitting the form specified using the *ONA system*; and
 - (b) a *credit union* must make any applications, notifications or submissions required by this Part by submitting the form specified:
 - (i) using the *ONA system*; or
 - (ii) in the manner set out in Notifications 7.
- 7.2 If, under any direction or rule in this Chapter:
- (1) a *firm* is required to make an application, notification or submission online; and

- (2) the information technology systems used by the *PRA* fail and online submission is unavailable for 24 hours or more,

until such time as facilities for online submission are restored a *firm* must submit the specified form in the way set out in Notifications 7.

8 FORMS

- 8.1 (1) Form A may be found [here](#).
- (2) Form B may be found [here](#).
- (3) Form C may be found [here](#).
- (4) Form D may be found [here](#).
- (5) Form E may be found [here](#).
- (6) Form I may be found [here](#).
- (7) Form J may be found [here](#).
- (8) Form L may be found [here](#).

Annex I

In this Annex, the text is all new and is not underlined.

Part

SENIOR MANAGERS REGIME -TRANSITIONAL PROVISIONS

Chapter content

- 1. APPLICATION AND DEFINITIONS**
- 2. GENERAL**
- 3. GRANDFATHERING NOTIFICATION REQUIREMENTS**
- 4. PROCEDURE FOR MAKING GRANDFATHERING NOTIFICATIONS**
- 5. UPDATING A GRANDFATHERING NOTIFICATION**
- 6. TABLE OF FUNCTIONS FOR GRANDFATHERING**
- 7. APPLICATIONS TO TAKE EFFECT FROM THE COMMENCEMENT DATE**
- 8. FORMS**

Links

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to every *firm* that is:

- (1) a *CRR firm*; or
- (2) a *credit union*.

1.2 In this Part, the following definitions shall apply:

candidate

means a *person* in respect of whom a *firm* has made a *pending application*.

commencement date

means 7 March 2016.

continued approval

means approval to perform a *PRA senior management function* under section 59 of FSMA, granted pursuant to a *grandfathering notification*.

equivalent function

means a *PRA senior management function* or *FCA-designated senior management function* that is specified in 6 as equivalent for the purposes of articles 2(3)(b) and 11(c) of the *Transitional Order*, to a *pre-implementation controlled function*.

FCA controlled function

means a *controlled function* specified by the *FCA* under section 59 of *FSMA*.

FCA-designated senior management function

means any of the functions specified in column 3 (FCA-designated senior management functions) of the table set out in 6.

grandfathering notification

means a notice required to be sent to the *PRA* under article 2(1) or 11(b) of the *Transitional Order*, including any update to such a notice.

management responsibilities map

has the meaning given in Allocation of Responsibilities 6.

pending application

means an application for approval under section 60 of *FSMA* which:

- (1) has been received by the *FCA* or *PRA* from the *firm* on or before the *commencement date*, and
- (2) has not been determined or withdrawn.

PRA senior management function

means a function specified as a *controlled function* in Senior Management Functions 2 in relation to the carrying on of a *regulated activity* by a *firm*.

pre-implementation controlled function

means any of the *controlled functions* listed in column 1 of the table in 6.

statement of responsibilities

means a statement pursuant to article 2(3)(c) or 11(d) of the *Transitional Order* setting out the aspects of the affairs of the *firm* which it is intended that each relevant *person* will be responsible for managing in performing the notified functions.

Transitional Order

means the Financial Services (Banking Reform) Act 2013 (Transitional and Savings Provisions) Order 2015 (SI 2015/492).

2 GENERAL

- 2.1 The *PRA* directs that a *firm* must make a *grandfathering notification* using Form K before 8 February 2016.
- 2.2 The *PRA* directs that the notice required by article 6(1) of the *Transitional Order* must be provided to the *PRA* using Form K.
- 2.3 The *PRA* directs that the notice required by article 11(b) of the *Transitional Order* in respect of a *candidate* for whom *continued approval* is sought must be provided to the *PRA* in Form K as part of a *grandfathering notification*.

3 GRANDFATHERING NOTIFICATION REQUIREMENTS

- 3.1 A *firm* must ensure that the *grandfathering notification* sets out, in respect of each *approved person* or *candidate*:
- (1) each of the *pre-implementation controlled functions* for which the *person* is approved, or (in the case of a *candidate*) has a *pending application*, in relation to the *firm*;
 - (2) each *PRA senior management function* to be performed by the *person* on and after the *commencement date* in relation to the *firm*; and
 - (3) each *FCA-designated senior management function* (if any) to be performed by the *person* on and after the *commencement date* in relation to the *firm*.
- 3.2 The *PRA* directs that a *firm* must not specify in a *grandfathering notification* a *PRA senior management function* or an *FCA-designated senior management function* for a *person* which is not an *equivalent function* in the table in 6 or the table in FCA SUP TP 6.2.7 in relation to:
- (1) (for an *approved person*) any *pre-implementation controlled functions* for which the *person* has approval in relation to the *firm*; or
 - (2) (for a *candidate*) any *pre-implementation controlled functions* in respect of which there is a *pending application*.

3.3 The *PRA* directs that:

- (1) a *statement of responsibilities* must be submitted with the *grandfathering notification* in respect of each *approved person* or *candidate* for whom *continued approval* is sought; and
- (2) the *firm* must submit a *management responsibilities map*, showing the role of each *approved person* or *candidate* as at the *commencement date*, including the *person(s)* subject to the *grandfathering notification*.

3.4 The *PRA* directs that a *firm* must list in the *grandfathering notification* each *approved person* or *candidate* who, on the *commencement date*, will be acting in the capacity of a *non-executive director* but who will not be performing a *PRA senior management function* or *FCA designated senior management function*.

4 PROCEDURE FOR MAKING GRANDFATHERING NOTIFICATIONS

4.1 The *PRA* directs that, save as required by 4.2 :

- (1) A *firm* other than a *credit union* must make any applications, notifications or submissions, including updates, required by this Part using the *ONA system*; and
- (2) a *credit union* must make any applications, notifications or submissions, including updates, required by this Part:
 - (a) using the *ONA system*; or
 - (b) in the manner set out in Notifications 7.

4.2 If, under any direction or rule in this Chapter,

- (1) a *firm* is required to make an application, notification or submission online; and
- (2) the information technology systems used by the *PRA* fail, and online submission is unavailable for 24 hours or more,

until such time as facilities for online submission are restored a *firm* may submit the specified form in accordance with Notifications 7 (Form and method of notification).

5 UPDATING A GRANDFATHERING NOTIFICATION

5.1 The *PRA* directs that if, before the *commencement date*, there has been a significant change to the matters covered by any *statement of responsibilities* or the *management responsibilities map* provided pursuant to 3.3, the *firm* must provide a revised version to the *PRA* in accordance with the procedure in 4.

6 TABLE OF EQUIVALENT FUNCTIONS FOR GRANDFATHERING

- 6.1 The *PRA senior management functions* set out in column 2 of the table are specified as *equivalent functions*, in each case in relation to the *pre-implementation controlled functions* set out in the corresponding row of column 1 of the table below.
- 6.2 The *FCA functions* set out in column 3 of the table are specified as *equivalent functions*, in each case, in relation to the *pre-implementation controlled functions* set out in the corresponding row of column 1 of the table below.

Column 1	Column 2	Column 3
Pre-implementation PRA or FCA Controlled Function	PRA Senior Management Function	FCA-designated Senior Management Function
All firms apart from credit unions		
Director (CF1) Partner (CF4) Director of unincorporated association (CF5)	Chief Finance function (SMF2) Chief Risk function (SMF4) Head of Internal Audit (SMF5) Head of Key Business Area (SMF6) Group Entity Senior Manager (SMF7)	Executive Director (SMF3)
Non-executive director (CF2)	Group Entity Senior Manager (SMF7) Chairman (SMF9) Chair of the Risk Committee (SMF10) Chair of the Audit Committee (SMF11) Chair of the Remuneration Committee (SMF12) Senior independent director (SMF14)	Chair of the Nominations Committee (SMF13)
Chief executive (CF3)	Chief executive (SMF1)	
Systems and Controls (CF28)	Chief Finance function (SMF2) Chief Risk function (SMF4) Head of Internal Audit (SMF5)	
Significant management (CF29)	Head of Key Business Area (SMF6) Group Entity Senior Manager (SMF7)	Overall responsibility (SMF18)
Credit unions		

Column 1	Column 2	Column 3
PRA or FCA Controlled Function	PRA Senior Management Function	FCA-designated Senior Management Function
Director (CF1)	Credit Union Senior Manager (SMF8)	Executive Director (SMF3)
Non-executive director (CF2)	Credit Union Senior Manager (SMF8)	Chair of the Nominations Committee (SMF13)
Chief executive (CF3)	Credit Union Senior Manager (SMF8)	

- 6.3 The *PRA* directs that a *firm* must not specify in the *grandfathering notification* that any *person* shall perform any combination of *PRA senior management functions* which is prohibited by any other provision of the *PRA Rulebook* or the *FCA Handbook*.

7 APPLICATIONS TO TAKE EFFECT FROM THE COMMENCEMENT DATE

- 7.1 The *PRA* directs that a *firm* must not submit any application pursuant to Senior Managers Regime – Applications and Notifications 2, for a *person* to perform a *PRA senior management function*, before 1 January 2016.
- 7.2 The *PRA* directs that any application to perform a *PRA senior management function* which is made between 1 January 2016 and the day before the *commencement date* must:
- (a) be made on the correct form as directed by Senior Managers Regime – Applications and Notifications 2 (as if those provisions were in force); and
 - (b) be submitted as directed by Senior Managers Regime – Applications and Notifications 7 (as if those provisions were in force).
- 7.3 An application to perform a *PRA senior management function* which is made between 1 January 2016 and the day before the *commencement date* is made on the basis that it is treated as being made on the *commencement date*.

8 FORMS

- 8.1 Form K may be found [here](#)