



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY

Consultation Paper | CP34/16

# Strengthening individual accountability in banking and insurance: amendments and optimisations

September 2016

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Responses are requested by Monday 9 January 2017.

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## 1 Overview

1.1 In this consultation paper (CP), the Prudential Regulation Authority (PRA) sets out three sets of proposed amendments and optimisations to the Senior Managers and Certification Regime (SM&CR) and Senior Insurance Managers Regime (SIMR).

1.2 This CP is relevant to all PRA-regulated firms, although specific chapters or sections may be relevant to either Relevant Authorised Persons<sup>1</sup> (RAPs) or insurers only.

1.3 The PRA's final rules to implement the SM&CR are set out in the following Parts of the PRA Rulebook: Senior Management Functions, Allocation of Responsibilities, Certification, Fitness and Propriety, Conduct Rules, Notifications, Senior Managers Regime – Applications and Notifications and Senior Managers Regime – Transitional Provisions. Other parts of the Rulebook such as Audit Committee, General Organisational Requirements, Compliance and Internal Audit, Remuneration and Risk Control are also relevant to aspects of the SM&CR.

1.4 The PRA's final rules to implement the SIMR for Solvency II firms (as well as Lloyd's and Lloyd's managing agents, third country (re)insurance branches and UK ISPVs) can be found in the Insurance - Senior Insurance Management Functions, Insurance - Allocation of Responsibilities, Insurance - Fitness and Propriety, Insurance - Conduct Standards, Notifications, Senior Insurance Managers Regime – Applications and Notifications, Senior Insurance Managers Regime – Transitional Provisions, and the Insurance General Application Parts of the PRA Rulebook for Solvency II firms.

1.5 The PRA's final rules to implement the Senior Insurance Managers Regime (SIMR) for non-Solvency II firms<sup>2</sup> can be found in the Large Non-Solvency II Firms – Allocation of Responsibilities, Large Non-Solvency II Firms – Conduct Standards, Large Non-Solvency II Firms – Fitness and Propriety, Large Non-Solvency II Firms – Key Function Holder – Notifications, Large Non-Solvency II Firms – Senior Insurance Management Functions, Large Non-Solvency II Firms - Senior Insurance Managers Regime – Applications and Notifications, Large Non-Solvency II Firms - Senior Insurance Managers Regime – Transitional Provisions, Non-Solvency II Firms – Conduct Standards, Non-Solvency II Firms – Fitness and Propriety, Non-solvency II Firms – Senior Insurance Management Functions, Non-solvency II Firms – Senior Insurance Managers Regime – Applications and Notifications and Non-solvency II Firms - Senior Insurance Managers Regime – Transitional Provisions Parts of the PRA Rulebook for Non-Solvency II Firms.

1.6 This CP should be read in conjunction with Financial Conduct Authority (FCA) CPs 16/26 and 16/27 which contain the FCA's equivalent proposals for implementing the changes to the SM&CR introduced by the Bank of England and Financial Services Act 2016 (the Act).<sup>3</sup>

### Summary of proposals

1.7 Chapter 2 of this CP sets out the PRA's proposals for implementing the amendments to the SM&CR and SIMR in the Act and includes:

- setting out the PRA's expectations on the duty of responsibility;<sup>1</sup>

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1 UK banks, building societies, credit unions and PRA-designated investment firms are collectively referred to in the Financial Services and Markets Act 2000 (FSMA) and in this policy statement as 'Relevant Authorised Persons'; see [www.legislation.gov.uk/ukpga/2000/8/contents](http://www.legislation.gov.uk/ukpga/2000/8/contents).

2 PRA Rulebook: Non-Solvency II Firms: Senior Insurance Managers Regime Instrument 2015 [www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps2115.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps2115.aspx)

3 [www.legislation.gov.uk/ukpga/2016/14/contents/enacted/data.htm](http://www.legislation.gov.uk/ukpga/2016/14/contents/enacted/data.htm).

- applying certain Conduct Rules<sup>2</sup> (SMR)/Conduct Standards (SIMR)<sup>3</sup> to those non-executive directors (NEDs) who are not approved persons under the SMR and SIMR<sup>4</sup> ('Notified NEDs'); and
- a minor, technical change to the PRA's Statement of Policy (SoP) on Conditions, time limits and variations of approval.<sup>5</sup>

1.8 Chapter 3 of this CP sets out the PRA's proposed optimisations for the SM&CR, which include:

- creating a new PRA Senior Management Function (SMF), the Chief Operations function (SMF23), which will bring the individual with overall responsibility for managing, and ensuring the operational continuity and resilience of, the internal operations, systems and technology of a firm;
- creating a new PRA Prescribed Responsibility for managing, and ensuring the operational continuity and resilience of, the internal operations, systems and technology of a firm;
- inserting additional criteria to the definition of the Head of Key Business Area function (SMF6) to supplement the existing quantitative thresholds in rule 3.6 of the Senior Management Functions Part of the PRA Rulebook;<sup>6</sup> and
- clarifying the PRA's expectations of Statements of Responsibilities (SoRs) and Management Responsibilities Maps (MRMs).

1.9 The proposals set out in Chapter 2 and Chapter 3 of this CP will only apply to RAPs including, where applicable, UK branches of any banks and PRA-designated investment firms based in third countries ('incoming third-country branches'), other than the application of Conduct Rules (SMR) and Conduct Standards (SIMR) to Notified NEDs, which will apply to all PRA-regulated firms.

1.10 Chapter 4 of this CP sets out the PRA's proposed optimisations for the SIMR, which include:

- a streamlined regime for firms in run-off; and

1 See section 66B(5) of FSMA, [www.legislation.gov.uk/ukpga/2013/33/section/32](http://www.legislation.gov.uk/ukpga/2013/33/section/32).

2 See [www.prarulebook.co.uk/rulebook/Content/Part/302677/13-09-2016](http://www.prarulebook.co.uk/rulebook/Content/Part/302677/13-09-2016). The Conduct Rules section of the FCA Handbook ('COCON') can be found at [www.handbook.fca.org.uk/handbook/COCON/2/?date=2017-03-07&timeline=True?view=chapter](http://www.handbook.fca.org.uk/handbook/COCON/2/?date=2017-03-07&timeline=True?view=chapter).

3 See [www.prarulebook.co.uk/rulebook/Content/Part/318600/13-09-2016](http://www.prarulebook.co.uk/rulebook/Content/Part/318600/13-09-2016) for Large Non-Solvency II Firms and [www.prarulebook.co.uk/rulebook/Content/Part/302744/13-09-2016](http://www.prarulebook.co.uk/rulebook/Content/Part/302744/13-09-2016) for Non-Solvency II Firms.

4 Under the proposals in this CP, the Conduct Rules / Conduct Standards would apply to any non-executive directors (NED) which are members of the board of directors, or if there is no such board, the equivalent body responsible for the management of the authorised person concerned. Note that this is a different definition to that used in for Notified NEDs in general (<http://www.prarulebook.co.uk/rulebook/Glossary/FullDefinition/66847/02-08-2016>), which captures any individuals performing non-executive functions which occupy the position of a director (by whatever name called), or in accordance with whose directions or instructions (not being advice given in a professional capacity) the directors of the relevant firm are accustomed to act. These varying definitions in turn reflect the definitions in sections 64A and 317(1) of FSMA respectively. Where the term 'Notified NEDs' is used in this CP, this refers to Notified NEDs that would be subject to the Conduct Rules / Conduct Standards, unless the context requires otherwise. In the highly unlikely scenario that a Notified NED does not also fall within the population of individuals to whom the Conduct Rules / Conduct Standards apply directly, the PRA expects to be notified of this under Fundamental Rule 7, at which point the PRA would expect to discuss with firms whether it would be appropriate to formally appoint the relevant individual to the firm's board. In addition, note that in such circumstances, the relevant firm would nonetheless be required to require the relevant NED (unless he is a Notified NEDs of a Small NDF) to observe the Conduct Rules / Conduct Standards referred to in Table 1, in accordance with Fitness and Propriety 3.1, Insurance – Conduct Standards 2.2 and Large Non-Solvency II Firms – Conduct Standards 2.2.

5 [www.bankofengland.co.uk/pr/Pages/publications/sop/2015/conditions.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/sop/2015/conditions.aspx).

6 [www.prarulebook.co.uk/rulebook/Content/Part/212475/01-08-2016](http://www.prarulebook.co.uk/rulebook/Content/Part/212475/01-08-2016).

- tailored requirements for small, less complex insurers that elect to outsource their internal audit function (mirroring with certain differences the requirements for RAPs in rule 4.2(3) of the Allocation of Responsibilities Part of the PRA Rulebook).

### **Responses and next steps**

1.11 This consultation closes on Monday 9 January 2017. The PRA invites feedback on the proposals set out in this consultation. Please address any comments or enquiries to CP34\_16@bankofengland.co.uk.

1.12 The Act also provides for the extension of the SM&CR to all authorised financial services firms. The PRA and FCA plan to consult in 2017 on their proposals for the extension, which is expected to become effective in 2018.



## 2 Amendments to the SM&CR and SIMR in the Act

2.1 In October 2015, HM Treasury introduced a range of measures into the Bank of England and Financial Services Bill ('the Bill') to extend and reform the SM&CR: They included:

- a new duty of responsibility "to be applied consistently to all senior managers across the financial services industry".<sup>1</sup> The duty of responsibility replaced the presumption of responsibility in the original SMR, which did not enter into force;
- amending section 64A of FSMA to enable the PRA and FCA to apply rules of conduct (which include the Conduct Rules and Conduct Standards) to persons who are directors<sup>2</sup> of PRA-regulated firms, which includes directors that are Notified NEDs;<sup>3</sup>
- deleting the requirement in section 64B(5) of FSMA to notify the PRA and FCA of actual and suspected breaches of rules of conduct by individuals in scope of such rules. The PRA has already implemented the changes to its rules and forms required by this amendment;<sup>4</sup> and
- introducing the following technical changes to the SM&CR:
  - amending section 63ZB to allow the PRA to vary or remove a time limit previously imposed on a Senior Manager's approval;
  - inserting a new section 59AB of FSMA giving the PRA and FCA enhanced power to grandfather individuals performing Controlled Functions (CF) into SMFs without the need for a statutory instrument; and
  - expanding the definition of 'insolvency' in section 37 of the Financial Services (Banking Reform) Act 2013,<sup>5</sup> to include building society insolvencies; building society special administrations and investment bank insolvencies.<sup>6</sup>

2.2 The Bill received Royal Assent on 4 May 2016 and was passed as The Bank of England and Financial Services Act 2016 ('the Act'). The new duty of responsibility entered into force on 10 May 2016;<sup>7</sup> the remaining amendments to the SM&CR introduced by the Act did so on 6 July 2016.<sup>8</sup>

2.3 The ability to apply the Conduct Rules and/or Conduct Standards to all directors applies to all PRA-regulated firms. All the other amendments to the SM&CR described above and provided for in the Act are in respect of provisions in FSMA that currently apply to RAPs only,

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1 HM Treasury, 'Senior Managers and Certification Regime: extension to all FSMA authorised persons', October 2015; [www.gov.uk/government/publications/senior-managers-and-certification-regime-extension-to-all-fsma-authorized-persons](http://www.gov.uk/government/publications/senior-managers-and-certification-regime-extension-to-all-fsma-authorized-persons).

2 Section 64A(7) of FSMA defines a 'director' as "a member of the board of directors, or if there is no such board, the equivalent body responsible for the management of the authorised person concerned".

3 A notified non-executive director is defined as "a non-executive director of a firm who is not an approved person in relation to that firm", see [www.prarulebook.co.uk/rulebook/Glossary/FullDefinition/77797/11-07-2016](http://www.prarulebook.co.uk/rulebook/Glossary/FullDefinition/77797/11-07-2016).

4 PRA Policy Statement PS9/16 'Strengthening individual accountability in banking: responses to CP1/16, and the Certification Part of CP29/15', February 2016; [www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps916.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps916.aspx).

5 [www.legislation.gov.uk/ukpga/2013/33/contents](http://www.legislation.gov.uk/ukpga/2013/33/contents).

6 As defined in section 119 of the Building Societies Act 1986 and section 233 of the Banking Act 2009 respectively.

7 The Bank of England and Financial Services Act 2016 (Commencement No. 1) Regulations 2016 [www.legislation.gov.uk/uksi/2016/569/contents/made](http://www.legislation.gov.uk/uksi/2016/569/contents/made).

8 The Bank of England and Financial Services Act 2016 (Commencement No. 3) Regulations 2016 [www.legislation.gov.uk/uksi/2016/627/regulation/2/made](http://www.legislation.gov.uk/uksi/2016/627/regulation/2/made).

until the extension of the SM&CR to all FSMA authorised persons takes effect in 2018,<sup>1</sup> when most of them<sup>2</sup> will apply to all PRA and FCA-regulated firms.

2.4 In the meantime, to ensure that the PRA's requirements and expectations on the SM&CR and SIMR reflect the current statutory framework, the PRA proposes the changes set out below to its rules and to Supervisory Statement (SS) 28/15, 'Strengthening individual accountability in banking' and SS35/15 'Strengthening individual accountability in insurance' – see Appendices 1 and 2, 3, and 4 respectively.

### Expectations on the duty of responsibility

2.5 The new duty of responsibility adds a fourth element to one of the three grounds for a finding of misconduct set out in section 66B of FSMA ('Condition C') which allows the PRA to take action for misconduct against an individual performing an SMF ('Senior Manager') if the firm contravenes a regulatory requirement and, at the relevant time, the Senior Manager was responsible for the management of any of the firm's activities in relation to which the contravention occurred, and "*the senior manager did not take such steps as a person in the senior manager's position could reasonably be expected to take to avoid the contravention occurring (or continuing)*". It will be for the PRA to demonstrate that the Senior Manager did not take reasonable steps to prevent or stop the contravention. The PRA previously consulted on sections of SS28/15 which set out its expectations on the presumption of responsibility, including non-exhaustive examples of what may constitute 'reasonable steps' and how firms and Senior Managers could document them.<sup>3</sup>

2.6 After HM Treasury announced its proposal to replace the presumption of responsibility with the duty of responsibility, the PRA withdrew the relevant paragraphs of SS28/15 and republished it alongside CP1/16, 'Strengthening individual accountability in banking: amendments to notification rules and forms',<sup>4</sup> with a view to consulting on a revised set of expectations when the statutory framework became clearer.

2.7 In this CP, the PRA is consulting on its expectations on the new duty of responsibility, including what may constitute reasonable steps and how firms can document them.

2.8 These proposed expectations, which are set out in the draft revised SS28/15 (Appendix 3) have not changed materially as a result of the shift from the presumption of responsibility to the duty of responsibility, but reflect necessary amendments in keeping with the change in status from a presumption to a duty. The PRA welcomes feedback on them in light of firms' practical experience of developing a framework for demonstrating reasonable steps as part of their implementation of the SM&CR.

2.9 The PRA's proposals on the duty of responsibility should be read alongside FCA CP16/26, which contains the equivalent FCA guidance. The PRA's expectations and FCA guidance have been developed in close co-ordination and are aligned in substance.

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1 The extension of the SM&CR to all FSMA authorised persons is intended to come into operation during 2018: [www.gov.uk/government/publications/senior-managers-and-certification-regime-extension-to-all-fsma-authorised-persons](http://www.gov.uk/government/publications/senior-managers-and-certification-regime-extension-to-all-fsma-authorised-persons).

2 The provision expanding the definition of 'insolvency' in section 37 the Financial Services (Banking Reform) Act 2013 only applies to RAPs.

3 See paras 2.56-2.75 in the July 2015 version of SS28/15; [www.bankofengland.co.uk/pr/Pages/publications/ss/2015/ss2815.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/ss/2015/ss2815.aspx).

4 January 2016, [www.bankofengland.co.uk/pr/Pages/publications/cp/2016/cp116.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/cp/2016/cp116.aspx).

**QUESTION 1:** *Do you agree with the proposed PRA expectations on the new duty of responsibility as set out in the revisions to Supervisory Statement 28/15 in Appendix 3 to this CP? If so, do you have any comments or suggestions on the draft text?*

### **Application of the Conduct Rules/Conduct Standards to Notified NEDs in RAPs and insurers**

2.10 As originally drafted, section 64A of FSMA allowed the regulators to apply rules of conduct (including the Conduct Rules and Conduct Standards) to:

- individuals who are subject to pre-approval by the PRA and/or FCA under section 59 of FSMA (such as Senior Managers and individuals performing a Senior Insurance Management Function (SIMF) ('Senior Insurance Managers')); or
- individuals who are employees, as defined in section 64A(6) of FSMA, of RAPs.

2.11 As Notified NEDs are not subject to pre-approval by the regulators and do not meet the relevant definition of 'employee' in FSMA, the PRA and FCA could not apply the Conduct Rules or Conduct Standards to them. However:

- under the previous Approved Persons Regime (APR), all NEDs in PRA-regulated firms were subject to the predecessor to the Conduct Rules and Conduct Standards (the Statements of Principle and Code of Practice for Approved Persons (APER)). Applying the Conduct Rules and Conduct Standards to Notified NEDs will therefore reinstate them to the position they were in under the APR;
- although enforcement action for misconduct against NEDs has historically been uncommon, there could be situations where the PRA may deem it appropriate to take such action; for example, if a Notified NED fails to act with integrity, which would breach PRA Individual Conduct Rule 1 for RAPs or the equivalent (Individual) Conduct Standard 1 for insurers;<sup>1</sup> and
- under the FCA's rules, the Individual Conduct Rules will, from March 2017 apply to a large number of individuals within RAPs, including relatively junior employees.<sup>2</sup> It would therefore be unusual for these rules not to apply to some members of a firm's board.

2.12 In light of this statutory change, the PRA and FCA propose to apply:

- Individual Conduct Rules 1-3 in Conduct Rules 2 and Senior Manager Conduct Rule 4 in Conduct Rules 3.4 for Notified NEDs in RAPs;<sup>3</sup> and
- in insurers:
  - Individual Conduct Standards 1-3, and Senior Insurance Manager Conduct Standards 4 and 5 in Conduct Standards 3 for Notified NEDs in Solvency II firms<sup>4</sup> and large non-Directive firms ('NDFs');<sup>1</sup> and

1 Individual Conduct Standard 1 for Solvency II insurers and large non-Directive firms ('NDFs') and Conduct Standard 1 for small NDFs.

2 See COCON 1.1 Application in the FCA handbook as at 7 March 2017 [www.handbook.fca.org.uk/handbook/COCON/1/1.html?date=07-03-2017&timeline=True](http://www.handbook.fca.org.uk/handbook/COCON/1/1.html?date=07-03-2017&timeline=True).

3 [www.prarulebook.co.uk/rulebook/Content/Part/302382/11-08-2016](http://www.prarulebook.co.uk/rulebook/Content/Part/302382/11-08-2016).

4 [www.prarulebook.co.uk/rulebook/Content/Part/302677/11-08-2016](http://www.prarulebook.co.uk/rulebook/Content/Part/302677/11-08-2016).

- Conduct Standards 1-3, 7 and 8 in Conduct Standards 2<sup>2</sup> for Notified NEDs in small NDFs.

2.13 This will mean that for insurers these Conduct Standards will apply to all NEDs, as defined in section 64A of FSMA, of Solvency II firms (as well as Lloyd's and Lloyd's managing agents, third country (re)insurance branches and UK ISPVs) and at both large and small NDFs.

2.14 Table 1 describes how the PRA proposes to apply the Conduct Rules and/or Conduct Standards to Notified NEDs.

**Table 1**

Conduct Rules for Notified NEDs in RAPs	Conduct Standards for Notified NEDs in insurers	
	Solvency II firms and large NDFs	Small NDFs
Individual Conduct Rule 1: You must act with integrity.	Individual Conduct Standard 1: You must act with integrity.	Conduct Standard 1: You must act with integrity.
Individual Conduct Rule 2: You must act with due skill, care and diligence.	Individual Conduct Standard 2: You must act with due skill, care and diligence.	Conduct Standard 2: You must act with due skill, care and diligence.
Individual Conduct Rule 3: You must be open and co-operative with the FCA, the PRA and other regulators.	Individual Conduct Standard 3: You must be open and co-operative with the FCA, the PRA and other regulators.	Conduct Standard 3: You must be open and co-operative with the FCA, the PRA and other regulators.
Senior Manager Conduct Rule 4: You must disclose appropriately any information of which the FCA or PRA would reasonably expect notice.	Senior Insurance Manager Conduct Standard 4: You must disclose appropriately any information of which the FCA or the PRA would reasonably expect to have notice.	Conduct Standard 7: You must disclose appropriately any information of which the FCA or the PRA would reasonably expect to have notice.
	Senior Insurance Manager Conduct Standard 5: When exercising your responsibilities, you must pay due regard to the interests of current and potential future policyholders in ensuring the provision by the firm of an appropriate degree of protection for their insured benefits.	Conduct Standard 8: When exercising your responsibilities, you must pay due regard to the interests of current and potential future policyholders in ensuring the provision by the firm of an appropriate degree of protection for their insured benefits.

Note: The Conduct Rules and/or Conduct Standards set out in Table 1 will apply to any non-executive directors which are members of the board of directors, or if there is no such board, the equivalent body responsible for the management of the authorised person concerned. Note that this is a different definition to that used in the Notification Part of the PRA Rulebook, which captures any individuals performing non-executive functions which occupy the position of a director (by whatever name called), or in accordance with whose directions or instructions (not being advice given in a professional capacity) the directors of the relevant firm are accustomed to act. These varying definitions in turn reflect the definitions in sections 64A and 317(1) of FSMS. In the highly unlikely scenario that a NED covered by the definition in the Notification Part does not also fall within the population of individuals to which the Conduct Rules and/or Conduct Standards apply directly, the PRA expects to be notified of this under

1 [www.prarulebook.co.uk/rulebook/Content/Part/318600/14-09-2016](http://www.prarulebook.co.uk/rulebook/Content/Part/318600/14-09-2016).

2 [www.prarulebook.co.uk/rulebook/Content/Part/302744/14-09-2016](http://www.prarulebook.co.uk/rulebook/Content/Part/302744/14-09-2016).

Fundamental Rule 7, at which point the PRA would expect to discuss with firms whether it was appropriate to formally appoint the relevant individual to the firm's board. In addition, note that in such circumstances, the relevant firm would nonetheless be required to require the relevant notified non-executive director (unless they are a Notified NEDs of a small NDF) to observe the Conduct Rules and/or Conduct Standards referred to in Table 1, in accordance with Fitness and Propriety 3.1, Insurance – Conduct Standards 2.2 and Large Non-Solvency II Firms – Conduct Standards 2.2.

2.14 For most firms, this proposal will not be a significant change to current requirements regarding the observation of the Conduct Rules and/or Conduct Standards by Notified NEDs. This is because firms (other than small NDFs) are already required to require Notified NEDs to observe the Conduct Rules and/or Conduct Standards, and for RAPs this should already be applied as a contractual requirement by these firms.<sup>1</sup>

### **Notification of disciplinary action due to breaches of the Conduct Rules**

2.15 The extension of the Conduct Rules to Notified NEDs in RAPs means that firms would be required to notify the PRA and FCA of internal disciplinary action against a Notified NED if it relates to a breach of the Conduct Rules in accordance with section 64C of FSMA. FSMA defines 'internal disciplinary action' as the:

- issuing of a formal written warning;
- suspension or dismissal of the person; and/or
- reduction or recovery of any of the person's remuneration.<sup>2</sup>

2.16 Under section 64C of FSMA a RAP has a duty to inform the regulator if it takes disciplinary action against an individual to whom the conduct rules apply in relation to a breach of a conduct rule. The effect of Rules 11.2-11.4 of the Conduct Rules: Notifications Chapter of the PRA Rulebook is to require a RAP to notify the PRA of any disciplinary action taken against an SMF or an employee performing a Certification function (as defined in PRA rules) due to a breach of a conduct rule within seven business days of taking the relevant disciplinary action.<sup>3</sup>

2.17 The PRA proposes to apply the same, seven business day notification deadline to cases involving Notified NEDs. The rationale for this proposed approach is that:

- if a member of a firm's board is found to have committed misconduct, it is important for PRA supervisors to be notified of it as soon as reasonably practicable so as to assess the risks to the safety and soundness of the firm and the stability of the UK financial system;
- misconduct by a Notified NED may be symptomatic of wider governance issues in a firm. Section 64C notifications can serve as a mechanism by which the PRA can be made alert to this; and

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1 Currently RAPs, SII firms and large NDFs must require, and in the case of RAPs, contractually require, Notified NEDs to observe the Conduct Rules and/or Conduct Standards referred to above. See Rule 3.1 in the Fitness and Propriety Part of the PRA Rulebook, Insurance – Conduct Standards 2.2 and Large Non Solvency II Firms – Conduct Standards respectively.

2 In practice, this form of internal disciplinary action is unlikely to apply to Notified NEDs as Remuneration 15.3 prevents firms from awarding variable remuneration to NEDs in relation to their role.

3 Under Certification 2.2-2.4, Certification functions are broadly aligned to individuals classed as Material Risk Takers (MRTs) under the Material Risk Takers Regulation. MRTs are defined in the Glossary to the PRA Rulebook [www.prarulebook.co.uk/rulebook/Glossary/FullDefinition/52619/11-08-2016](http://www.prarulebook.co.uk/rulebook/Glossary/FullDefinition/52619/11-08-2016).

- although Notified NEDs might not be Certified employees (if they do not fall within the definition of ‘employees’ for these purposes), they are classed as MRTs under Article 3(2) of the Material Risk Takers regulation, and the PRA considers it reasonable to treat all MRTs consistently for the purposes of section 64C notifications.

2.18 The PRA proposes that section 64C notifications involving Notified NEDs are submitted using Form L.<sup>1</sup>

**QUESTION 2:** *Do you agree with the PRA’s proposals for applying the Conduct Rules and/or Conduct Standards to Notified NEDs in RAPs and insurers? In particular, do you agree with:*

- *the specific Conduct Rules and Conduct Standards that the PRA proposes to apply to Notified NEDs; and*
- *the proposed deadline for notifying the PRA of internal disciplinary action for breaches of the Conduct Rules against Notified NEDs in RAPs under section 64C of FSMA?*

### **Amendment to the PRA Statement of Policy - Conditions, time limits and variations of approval**

2.19 As originally drafted, section 63ZB of FSMA did not allow the PRA to modify or remove a time limit on a Senior Manager’s approval until such a time limit had run its course. This drafting prevented the PRA from taking into account legitimate reasons to modify or remove the time limit before it expired thereby limiting the usefulness of this statutory power.

2.20 For instance, where a time limit was imposed alongside a condition on a Senior Manager’s approval, the original drafting of section 63ZB would have prevented the PRA from removing the time limit even if the accompanying condition had been met.

2.21 The Act rectifies this issue. In response, the PRA proposes to replace the wording in paragraph 21 of Statement of Policy ‘Conditions, time limits and variations of approval’, published in July 2015,<sup>2</sup> with the following text:

~~21. Once a time limit is imposed, FSMA does not allow the PRA to remove or reduce it before it lapses. Consequently, where a time limit is imposed in conjunction with a condition, fulfilment of the condition does not automatically cause the time limit to lapse. In this situation, when the time limit lapses, the PRA may vary or remove a time limit on a Senior Manager’s approval before the time limit lapses will re-examine depending on its assessment of the individual circumstances of the case, including but not limited to fulfilment of any conditions.~~

2.22 The other two technical amendments to the SM&CR introduced by the Act, listed in paragraph 1.6 of this CP, do not require the PRA to modify its rules or expectations. Therefore they are outside of the scope of this CP.

**QUESTION 3:** *Do you agree with the proposed modification to the PRA’s Statement of Policy on conditions, time limits and variations of approval?*

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1 Available at [www.bankofengland.co.uk/pr/Pages/authorisations/smr/default.aspx](http://www.bankofengland.co.uk/pr/Pages/authorisations/smr/default.aspx).

2 Available at [www.bankofengland.co.uk/pr/Pages/publications/sop/2015/conditions.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/sop/2015/conditions.aspx).



### 3 Proposed optimisations to the SM&CR

#### Proposed Chief Operations Senior Management Function (SMF)

3.1 The PRA proposes to introduce a new SMF known as the Chief Operations function (SMF23) in RAPs.

3.2 The proposed Chief Operations function seeks to bring into scope of the PRA's SMR the most senior individual responsible for managing, and ensuring the operational continuity and resilience of, the internal operations, systems and technology of a firm. For firms to which the rules set out in General Organisational Requirements ('GOR') 2.4, 2.5 and 2.6 and/or the rules set out in the Operational Continuity Part of the PRA Rulebook, the PRA expects that this function would commonly include responsibility for compliance with those rules. For incoming third-country branches, the PRA expects that this function would commonly include responsibility for the matters set out in paragraphs 2.5, 2.6 and 2.7 of SS4/16.<sup>1</sup>

3.3 The rationale behind the proposed Chief Operations SMF is the recognition of the importance of operations, systems and technology on the safety and soundness of firms and financial stability, and the corresponding need to ensure appropriate accountability for these areas at the most senior levels in firms.

3.4 A number of recent Bank of England initiatives and publications illustrate the current and growing importance of the areas likely to fall under the responsibility of the proposed Chief Operations SMF. They include:

- the Dear Chairman II exercise, which the PRA and FCA undertook in 2014/15 to review the critical infrastructure and technology resilience of the seven largest UK deposit-takers. Among other conclusions, the exercise found "a relative lack of maturity in firms' IT risk management capabilities, including inadequate delineation between first and second line responsibilities";<sup>2</sup>
- The Financial Policy Committee's (FPC) July 2015 Financial Stability Report, which identified cyber risk as a key risk to the financial system;<sup>3</sup> and
- SS9/16 'Ensuring operational continuity in resolution',<sup>4</sup> published in July 2016, which sets out the PRA's expectations on firms to ensure operational continuity of critical services to facilitate recovery actions, orderly resolution and post-resolution restructuring.

3.5 Like all SMFs except the three mandatory functions specified in Rule 2.2 of the Senior Management Functions Part of the PRA Rulebook (Chief Executive function (SMF1), Chief Finance Function (SMF2) and Chairman function (SMF9)), firms will only be required to have an individual approved as the proposed Chief Operations SMF if they have an individual performing that function. This will enable this proposed requirement to apply to RAPs in a proportionate manner. Where relevant, the proposed Chief Operations SMF will also apply to incoming third-country branches.

1 'Internal governance of third country branches', February 2016; [www.bankofengland.co.uk/pr/Pages/publications/ss/2016/ss416.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/ss/2016/ss416.aspx).

2 <https://www.parliament.uk/documents/commons-committees/treasury/Correspondence/Letter-from-Tracey-McDermott-FCA-to-Treasury-Chair-19-10-15.pdf>.

3 [www.bankofengland.co.uk/publications/Documents/fsr/2015/fsrfull1507.pdf](http://www.bankofengland.co.uk/publications/Documents/fsr/2015/fsrfull1507.pdf).

4 [www.bankofengland.co.uk/pr/Pages/publications/ss/2016/ss916.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/ss/2016/ss916.aspx).

3.6 Individuals likely to be in scope of the proposed Chief Operations SMF commonly hold the job title of Chief Operating Officer ('COO') but may also hold job titles such as Chief Administrative Officer ('CAO') or Head of Operations and Technology (O&T). However, not every individual with these job titles will necessarily come into scope of the proposed new PRA SMF; this will be determined by their specific responsibilities. Where firms have significant levels of operational infrastructure and oversight based outside the United Kingdom, it may be appropriate for the Chief Operations SMF to also sit outside of the United Kingdom, such as at group or parent-entity level.

3.7 The majority of individuals likely to be covered by the proposed Chief Operations SMF in large RAPs are currently already in scope of the SMR. In most cases, they fall under the FCA's Other Overall Responsibility function (SMF18) or, if based in an incoming third-country branch, Other Local Responsibility function (SMF22). This should significantly expedite and facilitate firms' implementation of this proposal as there will be no need for a grandfathering exercise. In such cases, firms would simply have to submit a Form E requesting that the relevant individual is transferred from his current SMF to the proposed new function.<sup>1</sup>

**QUESTION 4:** *Do you agree with the proposal to create a Chief Operations PRA SMF and the proposed definition and scope of the function?*

### **New Prescribed Responsibility for operational resilience and operational continuity**

3.8 To complement the proposed Chief Operations SMF, the PRA is proposing to create a new Prescribed Responsibility, listed in Allocation of Responsibilities 4.1 and 6.2, for managing, and ensuring the operational continuity and resilience of, the internal operations, systems and technology of a firm.

3.9 Like the remaining Prescribed Responsibilities in Allocation of Responsibilities 4.1, all firms except credit unions and small CRR firms (those with gross total assets of £250 million or less), will need to allocate this Prescribed Responsibility to a Senior Manager. Where a firm has an individual approved as the proposed Chief Operations SMF, the PRA would expect firms to allocate this responsibility to them. In other cases, the PRA will expect firms to allocate the Prescribed Responsibility to a suitable executive SMF.

3.10 Incoming third-country branches will also be subject to the new Prescribed Responsibility. However, the Prescribed Responsibility will only apply to the activities of the UK branch (rather than the firm as a whole), in line with the general approach taken with regard to the application of Prescribed Responsibilities to incoming third-country branches.

**QUESTION 5:** *Do you agree with the proposed new Prescribed Responsibility for 'managing the areas processes and systems aimed at preserving the operational resilience (including technology security), and the operational continuity of a firm's functions?'*

### **Additional criteria to the definition of the Head of Key Business Area (SMF6)**

3.11 At present, under Senior Management Functions 3.6, individuals managing a business area in a Relevant Authorised Person are subject to pre-approval by the PRA as a Head of Key Business Area (SMF6) only if the area of the firm that they manage meets both of the following quantitative criteria:

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1 [www.bankofengland.co.uk/pr/Pages/authorisations/smr/default.aspx](http://www.bankofengland.co.uk/pr/Pages/authorisations/smr/default.aspx).  
 2 See Allocation of Responsibilities 4.1 and 6.2 in the PRA Rulebook [www.prarulebook.co.uk/rulebook/Content/Part/212514/14-09-2016](http://www.prarulebook.co.uk/rulebook/Content/Part/212514/14-09-2016).



- it has over £10 billion in gross total assets; and
- it accounts for 20% or more of the firm's, or its group's, gross revenues.

3.12 The policy intent behind SMF6 is to bring into scope of the SMR those individuals in RAPs responsible for business lines that are sufficiently large and complex to have a potential impact upon the safety and soundness of RAPs. While the current criteria achieve this policy intent quite effectively, there are some business lines that do not meet both of the quantitative criteria but are still considered capable of having a potential impact on the safety and soundness of RAPs on account of their commercial or strategic importance that would warrant their inclusion within the scope of the SMR.

3.13 Consequently, to ensure that the heads of all key business lines with the relevant potential systemic impact are covered by the SMF6, the PRA proposes to add further criteria to the definition of the SMF6 to supplement the existing quantitative thresholds. The PRA also proposes to amend the rules to clarify the application of the current quantitative criteria to business lines which extend across multiple entities in the same group.

3.14 Under the proposed criteria, which would complement but not replace the existing thresholds, an individual will also be in scope of the SMF6 if the business area they are responsible for:

- meets both of the existing quantitative criteria in Senior Management Functions 3.6; or
- meets one of the existing criteria in SMF3.6; and satisfies either of the following criteria:
  - it performs a 'critical function' as defined in sections 3(1) and(2) of the Banking Act 2009 (as amended);<sup>1</sup> or
  - it is a 'material business unit' as defined in Article 3(6) of the Regulatory Technical Standards for the definition of material risk takers for remuneration purposes ('MRT regulation'), which also defines the scope of the PRA's Certification Regime.<sup>2</sup>

3.15 As with the proposed Chief Operations SMF, individuals likely to be covered by the revised definition of SMF6 are likely to be currently in scope of the SMR as SMF18, which should make implementation straightforward for firms.

3.16 The PRA proposes that the scope of the SMF6 definition will continue to be limited to RAPs, excluding incoming third-country branches.

**QUESTION 5:** *Do you agree with the proposed revised definition of the Head of Key Business Area function (SMF6)?*

### **PRA Expectations on Statements of Responsibilities and Management Responsibilities Maps**

3.17 As part of implementation of the SM&CR, the PRA reviewed a large number of Statements of Responsibilities (SoRs) and Management Responsibilities Maps (MRMs). These reviews enabled supervisors to develop their expectations on the clarity, consistency, level of

1 [http://www.legislation.gov.uk/ukxi/2014/3348/pdfs/ukxi\\_20143348\\_en.pdf](http://www.legislation.gov.uk/ukxi/2014/3348/pdfs/ukxi_20143348_en.pdf).

2 <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0604&from=EN>.

detail, formatting and structure which these documents should have to effectively set out the responsibilities of Senior Managers and the governance arrangements of RAPs.

3.18 The PRA's expectations on SoRs and MRMs are set out in the revised draft of SS28/15 included in Appendix 3. Amongst other comments:

- SoRs and MRMs should:
  - be drafted in a clear and complete way with a consistent structure and an appropriate and proportionate level of detail;
  - comprise more than a tick-box allocation of Prescribed Responsibilities; and
  - reflect how the business model, complexity, risk profile and size of a firm affect each Senior Manager's responsibilities.
- SoRs that read like generic job descriptions and do not reflect firm-specific circumstances, priorities or projects are not consistent with the spirit of the SMR. The additional and overall responsibilities sections of SoRs are important sections that should be used for signposting the unique responsibilities of given Senior Managers.

**QUESTION 6:** *Do you have any comments, questions or suggestions relating to the PRA's expectations on SoRs and MRMs in the draft revised SS28/15 in Appendix 3?*

## 4 Proposed optimisations to the SIMR

4.1 Following implementation of the SIMR, the PRA is proposing the following technical modifications. These proposals seek to ensure and enhance the proportionate, risk-based application of the regime.

4.2 Relevant amendments to the Forms, ie Long form A, Short Form A, and Form E for Solvency II firms, and the SoR form for both Solvency II firms and large NDFs, are available at Appendix 5. These amendments to the forms would facilitate the application of the technical modifications in this chapter of the CP, and also correct some minor errors that have been identified in these forms. A declaration to be signed by both the individual and the firm has also been added to the two SoR forms for when these are to be submitted offline.

### Outsourcing of the internal audit function by smaller insurers

4.3 A number of small, less complex, Solvency II insurance firms outsource their internal audit function to a third party. Consequently, some of these firms do not have an individual in-house with sufficient authority or expertise to take on the Head of Internal Audit function (SIMF5).

4.4 This issue also arose in some small banks and building societies during the development of the SM&CR for RAPs. Consequently, and in the interest of consistency between the banking and insurance regimes, the PRA proposes a similar solution namely to exempt any Solvency II insurers, and Lloyd's managing agents, classed as 'not significant', along with large NDFs, (collectively 'smaller insurers') which elect to outsource their internal audit function to a third party from the requirement to have an individual approved to perform the Head of Internal Audit function (SIMF5).

4.5 Instead of the requirement to have an individual approved to perform the Head of Internal Audit function (SIMF5), the PRA proposes that smaller insurers which elect to outsource their internal audit function to a third party will be required to allocate a new Prescribed Responsibility to one of their non-executive Directors who performs a SIMF or an FCA controlled function,<sup>1</sup> such as the Chair of the Audit Committee (SIMF11) for:

- providing for an effective internal audit function; and
- overseeing the performance of the internal audit function.

4.6 Smaller insurers which have an internal audit function, either at the firm or group level, which is not outsourced would continue being required to have the head of that function approved as a SIMF5.

### Firms in run-off that no longer have regulatory permissions to write new business

4.7 Where a UK Solvency II firm has its permission to write new business withdrawn under section 55J(7B) of FSMA ('firm without permission to effect contracts of insurance'), after breaching the requirement to maintain the minimum capital requirement (MCR), it may be unduly burdensome to require it to continue meeting the full requirements in SIMR.

4.8 The PRA therefore proposes that such firms should be required to comply with a streamlined SIMR, which would be very similar to that for transitional run-off firms and small

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<sup>1</sup> A definition of an FCA 'controlled function' is available in the Glossary of the FCA Handbook at [www.handbook.fca.org.uk/handbook/glossary/?starts-with=C](http://www.handbook.fca.org.uk/handbook/glossary/?starts-with=C).

NDFs, but with the additional ongoing requirement to have an individual approved to perform the Chief Finance Function (SIMF2).

4.9 The key differences between the streamlined SIMR for firms without permission to effect contracts of insurance and the full SIMR for Solvency II insurance firms would be as follows:

- firms without permission to effect contracts of insurance would only be required to have individuals approved to perform the Head of Firm without permission to effect contracts of insurance function (SIMF19A); Chief Finance function (SIMF2) and, where applicable, With-Profits Actuary function (SIMF21), rather than the full suite of SIMFs which Solvency II insurance firms are required to have; and
- there would be a smaller set of four PRA Prescribed Responsibilities (similar to those for small NDFs and transitional run-off firms), which these firms would need to allocate among their SIMFs, or to an FCA controlled function who is in a 'relevant senior management function'.<sup>1</sup>

4.10 However, these firms will still need to appoint key function holders (KFHs) for the four mandatory key functions (ie actuarial, risk management, internal audit, and compliance), ensure that they are fit and proper on an ongoing basis, and notify these individual KFHs to the PRA on appointment with all the information needed for a fit and proper assessment.

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<sup>1</sup> As defined under section 59ZA of FSMA.

## 5 Implementation

5.1 The consultation period for this CP will run until Monday 9 January 2017. The consultation period is aligned to the consultation period for FCA CPs 16/26 and 16/27, which contain the FCA's equivalent proposals for the areas covered in Chapter 2 of this CP. The PRA and FCA intend to publish final rules on these areas in Q2/Q3 2017.

5.2 The PRA and, where relevant, the FCA, propose for the following proposals to become effective within two months of publishing their respective final rules:

- the proposals stemming from the amendments to the SM&CR in Chapter 2 of this CP and the FCA's CPs 16/26 and 16/27;
- expectations on SoRs and MRMs set out in Chapter 3; and
- the amendments to SIMR in Chapter 4.

5.3 The proposals relating to the creation of a new Chief Operations SMF; a new Prescribed Responsibility and additional criteria for the Head of Key Business Area function (SMF6) will require changes to the PRA's and FCA's forms and IT systems and are therefore likely to become effective at a date later than the remaining proposals in this CP. The PRA will confirm the precise date when these proposals will become effective when it finalises its rules.

**QUESTION 7:** *Do you agree with the proposed implementation dates for the proposals in this CP?*

## 6 The PRA's statutory obligations

6.1 Before making any rules, FSMA<sup>1</sup> requires the PRA to publish a draft of the proposed rules accompanied by:

- a cost benefit analysis;
- a statement as to whether the impact of the proposed rules will be significantly different to mutuals than to other persons;<sup>2</sup>
- an explanation of the PRA's reasons for believing that making the proposed rules is compatible with the PRA's duty to act in a way that advances its general objective<sup>3</sup>, insurance objective<sup>4</sup> (if applicable), and secondary competition objective<sup>5</sup>; and
- an explanation of the PRA's reasons for believing that making the proposed rules are compatible with its duty to have regard to the regulatory principles<sup>6</sup>.

6.2 The PRA is also required by the Equalities Act 2010<sup>7</sup> to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out its policies, services and functions.

### Cost benefit analysis

The PRA's proposals for implementing the amendments to the SM&CR and SIMR in the Bank of England and Financial Services Act 2016

#### *PRA expectations on the Duty of Responsibility*

6.3 The PRA's proposal to include a section in SS28/15 setting out its expectations on the new statutory Duty of Responsibility in section 66B(5) of FSMA may result in firms adopting new or revised measures and processes to ensure that their Senior Managers take reasonable steps in the performance of their duties and document such steps. While there will be some costs associated with adopting these new measures and processes, there will be benefits associated with these measures as they help mitigate the risk of Senior Managers failing to take reasonable steps in the performance of their duties thereby causing the failure of their firms and/or breaching any regulatory requirements.

6.4 In addition, this proposal could help encourage individual accountability by facilitating the PRA's ability to hold individuals to account where a failure occurs, which, in turn, will help bring the benefits of an increased deterrent against negligent or reckless management and decision making.

#### *Application of the Conduct Rules/Conduct Standards to Notified NEDs in RAPs and insurers*

6.5 The PRA's proposal to apply certain Conduct Rules and Conduct Standards to Notified NEDs in RAPs and insurers reflects the PRA's view that Notified NEDs, although outside of scope of the SMR and SIMR should, as a minimum, be subject to the same basic conduct

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1 Section 138J of FSMA.

2 Section 138K of FSMA.

3 Section 2B of FSMA.

4 Section 2C of FSMA.

5 Section 2H(1) of FSMA.

6 Sections 2H(2) and 3B of FSMA.

7 Section 149.

requirements as employees performing a Certification function of otherwise subject to the Conduct Rules and/or Conduct Standards.

6.6 The PRA expects the cost to firms of complying with this proposal to be minimal as it does not reflect a change in the PRA's expectations of Notified NEDs. CRR Firms - Fitness and Propriety 3.1 and Insurance - Conduct Standards 2.2(3) (and equivalent rules for large NDFs) already require firms to require Notified NEDs to observe the Conduct Rules and/or Conduct Standards which this CP proposes to apply to them directly.

6.7 However, the proposed extension of the Conduct Rules and Conduct Standards to Notified NEDs will give the PRA greater flexibility in taking enforcement action for misconduct against a Notified NED. In addition, this proposal could help encourage individual accountability by enhancing the PRA's ability to hold Notified NEDs to account.

#### Proposed optimisations to the SM&CR

##### *Proposed Chief Operations PRA SMF and corresponding new Prescribed Responsibility for operational resilience and operational continuity*

6.8 The PRA proposes to:

- create a new PRA SMF covering the most senior individual responsible for managing, and ensuring the operational continuity and resilience of, the internal operations, systems and technology of a firm ('Chief Operations SMF' - SMF23); and
- create a new Prescribed Responsibility relating to responsibility for managing, and ensuring the operational continuity and resilience of, the internal operations, systems and technology of a firm.

6.9 The PRA anticipates that the cost for firms of complying with the proposed Chief Operations SMF will be limited because:

- as is the case with all other SMFs except for the three mandatory functions ie Chief Executive (SMF1), Chief Finance (SMF2) and Chairman (SMF9), firms will only be required to have an individual approved as an SMF23 where they already have someone performing that function, thereby helping to ensure that the proposed new SMF applies proportionately; and
- the majority of individuals likely to be covered by the proposed new SMF are likely to be already in scope of the SMR, generally under the FCA's Other Overall Responsibility function (SMF18).

6.10 Therefore, the PRA does not expect to approve many individuals currently outside of scope of the SMR or carry out a grandfathering exercise in light of the proposed new SMF. For most firms, the initial cost of complying with this proposal is likely to be limited to submitting a Form E to the PRA/FCA requesting the relevant individual be transferred from their existing SMF ie SMF18 to the proposed new SMF23.

6.11 The PRA recognises that creating a corresponding new Prescribed Responsibility for operational resilience and operational continuity may lead to a potential cost to firms as they will need to identify the Senior Manager responsible for the area, agree to allocate this responsibility to them and update their SoRs and MRMs.

6.12 However, the proposed Chief Operations function could help encourage individual accountability by enhancing the PRA's ability to hold to account the most senior individual

responsible for a firm's internal operations, systems and technology should there be a failure within this area.

#### *Additional criteria to the definition of the Head of Key Business Area (SMF6)*

6.13 The proposed additional criteria to the definition of the Head of Key Business Area (SMF6) is expected to have a negligible impact on the total number of heads of business lines in scope of the SMR. All of these individuals are already in scope of the SMR as SMF18s. Consequently, as with the proposed Chief Operations SMF, the incremental costs will be of minimal significance.

#### *The PRA expectations on Statements of Responsibilities and Management Responsibilities Maps*

6.14 The PRA expectations on SoRs and MRMs set out in in the revised draft of SS28/15 are intended to assist firms in meeting the requirements of the regime and are not anticipated to give rise to significant additional costs.

#### *Proposed optimisations to SIMR*

##### *Outsourcing of the internal audit function by smaller insurers*

6.15 The proposal that smaller firms which outsource their internal audit functions would not need to appoint a SIMF5 as head of internal audit, should help to overcome the practical difficulty that has been encountered by such smaller firms with the relatively small supply of suitable individuals who are willing to be considered for this post, and thereby enable these firms to compete more effectively with other larger firms.

6.16 The PRA believes that this represents a proportionate response to the issues identified by a number of these smaller firms with outsourced internal audit functions. This proposal is not expected to have a significant cost impact for firms. Any possible additional supervisory costs for the PRA would be outweighed by the potential efficiency savings to be made from aligning the PRA's rules with the rules for banking firms.

##### *Firms in run-off that no longer have regulatory permissions to write new business*

6.17 The PRA believes that the proposed streamlined regime would be proportionate for these firms without permission to effect contracts of insurance, while at the same time enabling the PRA to approve a core number of SIMFs. The proposal is not expected to give rise to any significant additional costs.

#### **Compatibility with the PRA's objectives**

6.19 The proposals in this CP seek to enhance the effectiveness of the SM&CR and SIMR, which in turn seek to strengthen individual accountability and improve corporate governance in PRA-regulated firms thereby advancing the PRA's safety and soundness and policyholder protection statutory objectives.

6.20 The PRA has assessed whether the proposals in this CP facilitates effective competition. The implementation costs for firms of the proposals in this CP are expected to be minimal. Overall, these proposals will not significantly affect effective competition.

6.21 The proposal that smaller firms which outsource their internal audit functions would not need to appoint a SIMF5 as Head of Internal Audit should help to overcome the practical difficulty that has been encountered by such smaller firms with the relatively small supply of suitable individuals who are willing to be considered for this post, and thereby enable these firms to compete more effectively with other larger firms.



6.22 The proposal that firms in run-off and which no longer have permissions to write new contracts, should have a streamlined version of the SIMR applied to them, should facilitate a more suitable exit strategy for such firms, and hence facilitate more effective competition.

### **Regulatory principles**

6.23 In developing the proposals in this CP, the PRA has had regard to the regulatory principles. Two of the principles are of particular relevance.

6.24 The principle that a burden or restriction which is imposed on a person, or on the carrying on of an activity, should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction. The proposals in this regime seek to enhance the effectiveness of the SM&CR and SIMR without imposing undue implementation costs for firms. In particular, the proposals in Chapter 2 will ensure that the PRA's requirements and expectations align to the existing statutory framework for the SM&CR. The proposals in Chapters 3 and 4 seek to:

- ensure appropriate senior management accountability for several areas relevant to the PRA's safety and soundness statutory objective, such as operational resilience and operational continuity;
- ensure that all individuals in RAPs responsible for business areas which are capable of impacting on our objectives are in scope of the PRA's SMR; and
- improving firms' compliance with the letter and spirit of the PRA's requirements on SoRs and MRMs.

6.25 The principle that a firm's senior management is responsible for the firm's activities and for ensuring that its business complies with regulatory requirements. The proposals in this CP seek to further entrench the notion of individual accountability by, for instance, promoting a clearer and more consistent allocation of responsibilities to senior individuals.

### **Impact on mutuals**

6.26 FSMA requires that the PRA assesses whether, in its opinion, the impact of the proposed rules on mutuals will be significantly different from the impact on other firms, and if so, details of the difference. In the PRA's opinion, the impact of the proposals in this CP on mutuals is expected to be no different from the impact on other firms.

6.27 The PRA is aware that some mutual firms, for example, Protection and Indemnity ('P&I') Clubs, had particular difficulty in finding an appropriate individual to be appointed as SIMF5. The PRA's proposals in respect of externally outsourced internal audit functions help ensure that the impact on mutual societies will not be significantly different from the impact on other firms.

### **Equality and diversity**

6.28 The PRA carried out a full equality impact assessment as part of the development and implementation of the SM&CR and SIMR. The PRA considers that the proposals in this CP do not give rise to additional equality and diversity implications.

## Appendices

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<b>1</b>	<b>Draft instrument: PRA RULEBOOK: CRR FIRMS, NON CRR FIRMS: SENIOR MANAGERS REGIME AMENDMENT (NO. X) INSTRUMENT [DATE]</b>	<b>25</b>
<b>2</b>	<b>Draft instrument: PRA RULEBOOK: SOLVENCY II FIRMS, NON SOLVENCY II FIRMS: SENIOR INSURANCE MANAGERS REGIME AMENDMENT (NO. 2) INSTRUMENT [DATE]</b>	<b>36</b>
<b>3</b>	<b>Draft revised SS28/15 – Strengthening individual accountability in banking</b>	<b>56</b>
<b>4</b>	<b>Draft revised SS35/15 – Strengthening individual accountability in insurance</b>	<b>99</b>
<b>5</b>	<b>Draft forms</b>	<b>130</b>

## Appendix 1

### **PRA RULEBOOK: CRR FIRMS, NON CRR FIRMS: SENIOR MANAGERS REGIME AMENDMENT (NO. X) INSTRUMENT [DATE]**

#### **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 137G (The PRA’s general rules);
  - (2) section 137T (General supplementary powers); and
  - (3) section 64A (Rules of conduct).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

#### **Pre-conditions to making**

- C. In accordance with section 138J of the Act (consultation by the PRA), 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: SENIOR MANAGERS REGIME AMENDMENT (NO. X) INSTRUMENT [DATE]**

The PRA makes the rules in the Annexes to this instrument.

#### **Commencement**

- D. This instrument comes into force on [DATE].

#### **Citation**

- E. This instrument may be cited as the PRA Rulebook: CRR Firms, Non CRR Firms: Senior Managers Regime Amendment (No. X) Instrument [DATE]

By order of the Board of the Prudential Regulation Authority  
[DATE]

## Annex A

### Amendments to Glossary definitions

In this Annex, underlining indicates new text and striking through indicates deleted text.

...

#### Conduct Rules non-executive director

means, in relation to a *firm*, a person who:

- (1) is a member of the board of directors of the *firm* or, if there is no such board, the equivalent body responsible for the management of the *firm*;
- (2) is not an *approved person* in relation to the *firm*; and
- (3) does not perform an executive function in relation to that *firm*.

...

#### ~~*notified non-executive director*~~

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

...

#### Material Risk Takers Regulation

means Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile.

## Annex B

### Amendments to the Conduct Rules Part

In this Annex, underlining indicates new text and striking through indicates deleted text.

#### 1 APPLICATIONS 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) a *third country CRR firm* in relation to the activities of its establishment in the *UK*.

(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; or
- (e) is a *Conduct Rules non-executive director* of A.

(3) ~~Chapter 3.1 to 3.3~~ only applies to a *person* in (2)(a) or (b).

(4) 3.4 only applies to a *person* in (2)(a), (b) or (e).

...

## Annex C

### Amendments to the Notifications Part

In this Annex, underlining indicates new text and striking through indicates deleted text.

...

#### 11 CONDUCT RULES: NOTIFICATIONS

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...

11.3 If a *firm* is required to notify the *PRA* under 11.2 in respect of either:

(1) persons performing certification functions; or

(2) Conduct Rules non-executive directors,

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.

## Annex D

### Amendments to the Allocation of Responsibilities Part

In this Annex, underlining indicates new text and striking through indicates deleted text.

...

#### 4 PRESCRIBED RESPONSIBILITIES

---

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

...

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

(21) responsibility for managing, and ensuring the operational continuity and resilience of the:

(a) internal operations;

(b) systems; and

(c) technology,

of a firm.

...

#### 6 PRESCRIBED RESPONSIBILITIES: UK BRANCHES

---

...

6.2 Each of the responsibilities set out in this rule is a *UK branch prescribed responsibility*:

...

(10) responsibility for the production and integrity of the *firm's* financial information and its regulatory reporting in respect of its *regulated activities*~~;~~

(11) responsibility for managing, and ensuring the operational continuity and resilience of the:

(a) internal operations;

(b) systems; and

(c) technology,

of a firm.

...



## Annex E

### Amendments to the Senior Management Functions Part

In this Annex, underlining indicates new text and striking through indicates deleted text.

#### 1 APPLICATIONS AND DEFINITIONS

---

...

1.2 In this Part, the following definitions shall apply:

...

Chief Operations function

has the meaning given in 3.8.

...

critical function

has the meaning given in section 3(1) and (2) of the Banking Act 2009.

...

material business unit

has the meaning given in Article 3(5) of the Material Risk Takers Regulation.

...

#### 3 EXECUTIVE

---

...

3.6 The *Head of Key Business Area function* (SMF6) is the function of having responsibility for management of a business area or division of a *firm* (other than a *third country CRR firm*) where:

(1) ~~that business area or division:~~

- ~~(a) has gross total assets equal to or in excess of £10 billion; and~~
- ~~(b) either~~
  - ~~(i) accounts for more than 20% of the *firm's* gross revenue; or~~
  - ~~(ii) where the *firm* is part of a *group*, accounts for more than 20% of the total gross revenue of the *group*; and [deleted.]~~

(1A) either:

- (a) both of the quantitative criteria set out in 3.6A are satisfied in respect of the relevant business area or division of the *firm*; or
  - (b) one of the quantitative criteria set out in 3.6A is satisfied in respect of the relevant business area or division of the *firm* and at least one of the additional criteria set out in 3.6C is satisfied; and
- (2) the person performing that function does not report to a *person* performing the *Head of Key Business Area function* in respect of that same business area or division of the *firm*.

3.6A The quantitative criteria referred to in 3.6 are that the relevant business area or division of the *firm*:

- (1) has gross total assets equal to or in excess of £10 billion; or
- (2) accounts for more than 20% of the *firm's* gross revenue.

3.6B If the relevant business area or division includes activities located in more than one entity in the *firm's group*:

- (1) The condition in 3.6A(1) shall be determined by reference to the gross assets of the entire business area or division, including activities located in other members of the *group*; and
- (2) The condition in 3.6A(2) shall be satisfied if the activities of the business area or division located:

(a) in the *firm* account for more than 20% of the gross revenue of the *firm*;

or

(b) in the *group* account for more than 20% of the gross revenue of the *group*.

3.6C The additional criteria referred to in 3.6 are that the relevant business area or division of the *firm*, taking into account any activities of the business area or division located in other entities in the *firm's group*:

(1) performs a *critical function*; or

(2) is a *material business unit*.

...

3.8 The *Chief Operations* function (SMF[23]) is the function of having responsibility for responsibility for managing, and ensuring the operational continuity and resilience of the:

(1) internal operations;

(2) systems; and

(3) technology,

of a *firm*.

## Annex F

### Amendments to the Certification Part

In this Annex, underlining indicates new text and striking through indicates deleted text.

#### 1 APPLICATIONS AND DEFINITIONS

---

...

1.2 In this Part, the following definitions shall apply:

...

##### *~~Material Risk Takers Regulation~~*

~~means Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile.~~

...

...

## Annex G

### Amendments to the Remuneration Part

In this Annex, underlining indicates new text and striking through indicates deleted text.

#### 2 APPLICATIONS AND DEFINITIONS

---

...

1.3 In this Part, the following definitions shall apply:

...

##### *~~Material Risk Takers Regulation~~*

~~means Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile.~~

...

## Appendix 2

### **PRA RULEBOOK: SOLVENCY II FIRMS, NON SOLVENCY II FIRMS: SENIOR INSURANCE MANAGERS REGIME AMENDMENT (NO. 2) INSTRUMENT [DATE]**

#### **Powers exercised**

F. 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”):

- (4) section 64A (Rules of conduct);
- (5) section 137G (The PRA’s general rules);
- (6) section 137T (General supplementary powers); and
- (7) any other relevant rulemaking powers or related provisions.

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

#### **Pre-conditions to making**

H. In accordance with section 138J of the Act (consultation by the PRA), 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: Solvency II Firms, Non Solvency II Firms: Senior Insurance Managers Regime Amendment (No. 2) Instrument [DATE]**

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

#### **Commencement**

J. This instrument comes into force on [DATE]

#### **Citation**

K. This instrument may be cited as the PRA Rulebook: Solvency II Firms, Non Solvency II Firms: Senior Insurance Managers Regime Amendment (No. 2) Instrument [DATE]

**By order of the Board of the Prudential Regulation Authority**  
[DATE]

## Annex A

### Amendments to Glossary definitions

In this Annex, underlining indicates new text and striking through indicates deleted text.

...

*firm*

means a *PRA-authorized person* within the meaning of section 2B(5) of *FSMA*.

*firm without permission to effect contracts of insurance*

means a *UK Solvency II firm* in respect of which the *PRA* has exercised its powers under section 55J(7B)(a)(ii) of *FSMA* by removing the *firm's Part 4A permission to effect contracts of insurance*.

...

*relevant senior management function*

means, for the purposes of section 64A of *FSMA*, any of the following *FCA controlled functions* to the extent applicable, pursuant to the *FCA Handbook*, to a *UK Solvency II firm*, the *Society*, a *managing agent*, a *third country branch undertaking* (other than a *Swiss general insurer*), an *ISPV*, a *large non-directive insurer* or a *small non directive insurer*.

1.CF1 Director function;

2.CF2A Chair of the Nomination committee function;

3.CF2B Chair of the With-Profits committee function;

4.CF3 Chief executive function;

5.CF5 Director of unincorporated association function;

6.CF6 Small friendly society function;

7.CF10 Compliance oversight function;

8.CF28 Systems and control function; and

9.CF51 Actuarial conduct function holder in Solvency II third country Insurance undertakings.

...

*SIMR notified non-executive director*

means, in relation to a *firm*, a *person* who:

- (1) \_\_\_\_\_ is a member of the board of directors of the *firm*, or if there is no such board, the equivalent body responsible for the management of the *firm*;
- (2) \_\_\_\_\_ is not an *approved person* in relation to the *firm*; and
- (3) \_\_\_\_\_ does not perform an executive function in relation to that *firm*.



## Annex B

### Amendments to the Insurance – Allocation of Responsibilities Part

In this Annex, underlining indicates new text and striking through indicates deleted text.

#### 1 APPLICATIONS AND DEFINITIONS

---

...

1.2 In this Part, the following definitions shall apply:

*governance map*

has the meaning given in 5.1.

*SIMR prescribed responsibility*

- (1) for a *firm* (other than a *third country branch undertaking* or a *firm without permission to effect contracts of insurance*) means the responsibilities in 3.1 and 3.3;
- (2) for a *third country branch undertaking* (other than a *UK-deposit insurer* or a *Swiss general insurer*) means the responsibilities set out in 3.1 and 3.3 to the extent only that they are relevant to the operations effected by its *third country branch*, save in relation to 3.1(4) which shall also take account of the operations of the *third country branch undertaking* to the same extent as is necessary to ensure compliance by the *third country branch undertaking* with Third Country Branches 13;
- (3) for a *UK-deposit insurer*, means the responsibilities set out in 3.1 and 3.3 to the extent only that they are relevant to the operations effected by its *third country branch* and all its *third country undertaking EEA branches*, save in relation to 3.1(4) which shall also take account of the operations of the *third country branch undertaking* to the same extent as is necessary to ensure compliance by the *third country branch undertaking* with Third Country Branches 13~~;~~;
- (4) for a *firm without permission to effect contracts of insurance* means the responsibilities in 3.2.

#### 2 ALLOCATION OF RESPONSIBILITIES

---

- 2.1 A *firm* (other than a *third country branch undertaking* or a *firm without permission to effect contracts of insurance*) must allocate each of the *SIMR prescribed responsibilities* set out in 3.1 (other than 3.1(10) and (11)), to one or more *persons* who, in relation to that *firm*, are approved under section 59 of *FSMA* by:

- (1) the *PRA* to perform a *senior insurance management function*; or
  - (2) in relation to *relevant senior management functions* only, the *FCA*.
- 2.2 A firm (other than a *third country branch undertaking* or a *firm without permission to effect contracts of insurance*) must allocate each of the *SIMR prescribed responsibilities* set out in 3.1(10) and (11) and the *SIMR prescribed responsibility* set out in 3.3, if applicable to one or more *non-executive directors* who perform:
- (1) a *senior insurance management function* set out in Insurance – Senior Insurance Management Functions 4; or
  - (2) an *FCA governing function* at that *firm*.
- 2.3 *A third country branch undertaking* (other than a *Swiss general insurer*) must allocate each of the *SIMR prescribed responsibilities* set out in 3.1(1), (4), (5), (6) and (7) to one or more *persons* who, in relation to that *firm*, are approved under section 59 of *FSMA* by:
- (1) the *PRA* to perform a *senior insurance management function*; or
  - (2) in relation to *relevant senior management functions* only, the *FCA*.
- 2.4 A firm without permission to effect contracts of insurance must allocate each of the *SIMR prescribed responsibilities* set out in 3.2 to one or more *persons* who, in relation to that *firm without permission to effect contracts of insurance*, are approved under section 59 of *FSMA* by:
- (1) the *PRA* to perform a *senior insurance management function*; or
  - (2) in relation to *relevant senior management functions* only, the *FCA*.
- 1.

### **3 SIMR PRESCRIBED RESPONSIBILITIES**

---

- 3.1 Each of the responsibilities set out in this rule is an *SIMR prescribed responsibility*:
- (1) responsibility for ensuring that the *firm* has complied with its obligation in Insurance - Fitness and Propriety 2.1 to ensure that every *person* who performs a *key function* (including every *person* in respect of whom an application under section 59 of *FSMA* is made) is a fit and proper *person*;
  - 2.
  - (2) responsibility for leading the development of the *firm's* culture by the *governing body* as a whole;
  - 3.
  - (3) responsibility for overseeing the adoption of the *firm's* culture in the day-to-day management of the *firm*;
  - 4.
  - (4) responsibility for the production and integrity of the *firm's* financial information and its regulatory reporting;
  - 5.
  - (5) responsibility for management of the allocation and maintenance of the *firm's*:

6.
  - (a) capital; and
  - (b) liquidity;
7.
  - (6) responsibility for the development and maintenance of the *firm's* business model by the *governing body*;
8.
  - (7) responsibility for performance of the *firm's ORSA*;
9.
  - (8) responsibility for leading the development and monitoring effective implementation of policies and procedures for the induction, training and professional development of all members of the *firm's governing body*;
10.
  - (9) responsibility for monitoring effective implementation of policies and procedures for the induction, training and professional development of all of the *firm's key function holders* (other than members of the *firm's governing body*);
11.
  - (10) responsibility for oversight of the independence, autonomy and effectiveness of the *firm's* policies and procedures on whistleblowing including the procedures for protection of staff who raise concerns from detrimental treatment; and
12.
  - (11) responsibility for overseeing the development and implementation of the *firm's* remuneration policies and practices.

3.2 Each of the following responsibilities is an *SIMR prescribed responsibility in respect of a firm without permission to effect contracts of insurance*:

- (1) responsibility for providing the *governing body* with an up-to-date business plan and all relevant management information;
- (2) responsibility for managing the *firm without permission to effect contracts of insurance's* financial resources;
- (3) responsibility for ensuring the *governing body* is kept informed of its legal and regulatory obligations; and
- (4) responsibility for the oversight of systems and controls, along with risk management policies and procedures, that are proportionate to the nature, scale, and complexity of the risks inherent in the *firm without permission to effect contracts of insurance's* business model.

3.3 The following is an *SIMR prescribed responsibility for a firm that is not significant, which outsources its internal audit function to an external third party service provider (that is, a service provider outside the firm or the firm's group)*:

- (1) responsibility for providing for an effective internal audit *function* in accordance with *Conditions Governing Business 5* and for overseeing the performance of the internal audit *function*.

...

## Annex C

### Amendments to the Insurance – Conduct Standards Part

In this Annex, underlining indicates new text and striking through indicates deleted text.

#### 1 APPLICATION

---

1.1 Unless otherwise stated, this Part applies to:

- (1) a *UK Solvency II firm*;
- (2) in accordance with Insurance General Application 3, the *Society*, as modified by 4;
- (3) in accordance with Insurance General Application 3, *managing agents*, as modified by 4;
- (4) a *third country branch undertaking* (other than a *Swiss general insurer*);
- (5) a *UK ISPV*; and
- (6) in relation to any of the foregoing *firms*, any *person* who is an *SIMR notified non-executive director* or who is approved under section 59 of *FSMA* by either:
  - (a) the *PRA*; or
  - (b) the *FCA*, in relation to a *relevant senior management function*.

#### 2 SCOPE OF CONDUCT STANDARDS

---

2.1 If you are a natural person ~~subject to this Part~~ who is approved under section 59 of *FSMA* by either:

- (a) the *PRA*; or
- (b) the *FCA*, in relation to a *relevant senior management function*,

you must comply at all times with all of the *conduct standards*.

2.1A If you are an *SIMR notified non-executive director*, you must comply at all times with the *conduct standards* specified in 3.1 to 3.3, 3.7 and 3.8.

2.2 A *firm* must require:

- (1) any *person* performing a *key function* to observe the *conduct standards* specified in 3.1 – ~~to~~ 3.3;
- (2) any *key function holder* (other than a *notified non-executive director* and an *authorised UK representative*) to observe the *conduct standards* specified in 3.4 – ~~to~~ 3.8, in addition to complying with (1); and
- (3) any *notified non-executive director* to observe the *conduct standards* specified in 3.7 and 3.8, in addition to complying with (1).

...

## **Annex D**

### **Amendments to the Insurance – Senior Insurance Management Functions Part**

In this Annex, underlining indicates new text.

#### **Chapter content**

- 1 APPLICATION AND DEFINITIONS**
- 2 GENERAL**
- 3 EXECUTIVE**
- 4 OVERSIGHT**
- 5 GROUP ENTITIES**
- 6 HEAD OF THIRD COUNTRY BRANCH**
- 6A HEAD OF FIRM WITHOUT PERMISSION TO EFFECT CONTRACTS OF INSURANCE**
- 7 CHIEF ACTUARY**
- 8 WITH-PROFITS ACTUARY**
- 9 CHIEF UNDERWRITING OFFICER**
- 10 UNDERWRITING RISK OVERSIGHT**
- 11 LLOYD'S**
- 12 UK ISPVS**

#### **Links**

## 1 APPLICATIONS AND DEFINITIONS

---

...

1.2 In this Part, the following definitions shall apply:

...

### *FCA activities*

means a function which would, except for SUP10A.11.12R of the *FCA Handbook*, be an *FCA governing function*.

### *Group Entity Senior Insurance Manager function*

has the meaning given in 5.1.

### *Head of Firm without permission to effect contracts of insurance function*

has the meaning given in 6A.2.

### *Head of Internal Audit function*

has the meaning given in 3.4.

...

## 2 GENERAL

---

...

2.3 (1) A *firm* (other than a *third country branch undertaking* or a *firm without permission to effect contracts of insurance*) must ensure that one or more *persons* performs each of the following *senior insurance management functions* on its behalf:

- (a) the *Chief Executive function*;
- (b) the *Chief Finance function*; and
- (c) the *Chairman function*.

...

2.6 If a *senior insurance management function holder* to whom 2.5 applies ceases to perform a *senior insurance management function* but continues to perform the *FCA activities*, 2.5(1) will continue to apply in respect of the performance of the *FCA activities* until the earlier of:

- (1) approval by the *FCA* in respect of the performance by that *person* of those *FCA activities* as an *FCA governing function* in relation to the *firm*; or
- (2) three *months* from the time that the *person* ceased to perform that *senior insurance management function*.

13.

2.7 If a *firm* that is not significant outsources its internal audit *function* to an external third party service provider (that is, a service provider outside the *firm* or the *firm's group*), the *firm* is not required to have any *person(s)* approved to perform the *Head of Internal Audit function*.

...

### **6A HEAD OF FIRM WITHOUT PERMISSION TO EFFECT CONTRACTS OF INSURANCE**

---

6A.1 This Chapter applies only to a *firm without permission to effect contracts of insurance*.

6A.2 The *Head of Firm without permission to effect contracts of insurance function* (SIMF 19A) is the function of:

- (1) having responsibility for the conduct of the regulated activities; or
  - (2) chairing the governing body
- of a firm without permission to effect contracts of insurance.

6A.3 (1) A *firm without permission to effect contracts of insurance* must ensure that one or more *persons* perform the *Head of Firm without permission to effect contracts of insurance function* on its behalf.

(2) A firm without permission to effect contracts of insurance must ensure that there is a person appointed to Head of Firm without permission to effect contracts of insurance function who has ultimate responsibility for the conduct of its regulated activities.

(3) If a vacancy arises in respect of that aspect of the Head of Firm without permission to effect contracts of insurance function referred to in (2) above, a firm without permission to effect contracts of insurance must ensure that it appoints a person to fill that vacancy as soon as practicable.

6A.4 A firm without permission to effect contracts of insurance must have at least one person approved to perform the Chief Finance function (SIMF2).

6A.5 A firm without permission to effect contracts of insurance that transacts with-profits insurance business must have at least one person approved to perform the With-Profits Actuary function (SIMF21).

6A.6 A firm without permission to effect contracts of insurance is not required to have any person(s) approved to perform any of the other senior insurance management functions.

...



## Annex E

### Amendments to the Senior Insurance Managers Regime – Applications and Notifications Part

In this Annex, new text is underlined.

...

#### 7 FORMS

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- 7.1 (1) ~~Form A~~ Form A (long form) may be found ~~here~~here.
- (2) ~~Form A~~ Form A (shortened form) may be found ~~here~~here.
- (3) Form B may be found **here**.
- (4) Form C may be found **here**.
- (5) Form D may be found **here**.
- (6) ~~Form E~~ Form E may be found ~~here~~here.
- (7) The ~~scope of responsibilities form~~ scope of responsibilities form may be found ~~here~~ **here**.

## Annex F

### Amendments to the Large Non-Solvency II Firms – Allocation of Responsibilities Part

In this Annex, underlining indicates new text.

#### 1 APPLICATIONS AND DEFINITIONS

---

...

1.2 In this Part, the following definitions shall apply:

*governance map*

has the meaning given in 5.1.

*SIMR prescribed responsibility*

means the responsibilities in 3.1 and 3.2.

#### 2 ALLOCATION OF RESPONSIBILITIES

---

...

2.2 A *firm* (other than a *Swiss general insurer*) must allocate each of the *SIMR prescribed responsibilities* set out in 3.1(9) and (10) and the *SIMR prescribed responsibility* set out in 3.2, if applicable to one or more *non-executive directors* who perform:

- (1) a *senior insurance management function* set out in Large Non-Solvency II Firms – Senior Insurance Management Functions 4; or
- (2) an *FCA governing function* at that *firm*.

...

#### 3 SIMR PRESCRIBED RESPONSIBILITIES

---

3.1 Each of the responsibilities set out in this rule is an *SIMR prescribed responsibility*:

- (1) responsibility for ensuring that the *firm* has complied with its obligation in Large Non-Solvency II Firms - Fitness and Propriety 2.1 to ensure that every *person* who performs a *key function* (including every *person* in respect of whom an application under section 59 of *FSMA* is made) is a fit and proper *person*;  
14.
- (2) responsibility for leading the development of the *firm's* culture by the *governing body* as a whole;  
15.
- (3) responsibility for overseeing the adoption of the *firm's* culture in the day-to-day management of the *firm*;  
16.

- (4) responsibility for the production and integrity of the *firm's* financial information and its regulatory reporting;  
17.
- (5) responsibility for management of the allocation and maintenance of the *firm's*:  
18.
  - (c) capital; and
  - (d) liquidity;
- 19.
- (6) responsibility for the development and maintenance of the *firm's* business model by the *governing body*;  
20.
- (7) responsibility for leading the development and monitoring effective implementation of policies and procedures for the induction, training and professional development of all members of the *firm's governing body*;  
21.
- (8) responsibility for monitoring effective implementation of policies and procedures for the induction, training and professional development of all of the *firm's key function holders* (other than members of the *firm's governing body*);  
22.
- (9) responsibility for oversight of the independence, autonomy and effectiveness of the *firm's* policies and procedures on whistleblowing including the procedures for protection of staff who raise concerns from detrimental treatment; and  
23.
- (10) responsibility for overseeing the development and implementation of the *firm's* remuneration policies and practices.

3.2 The following is an *SIMR prescribed responsibility* for a *firm*, which outsources its internal audit *function* to an external third party service provider (that is, a service provider outside the *firm* or the *firm's group*):

- (1) responsibility for providing for an effective internal audit *function* in accordance with Non-Solvency II Firms – Governance 9.2 and for overseeing the performance of the internal audit *function*.

...

## Annex G

### Amendments to the Large Non-Solvency II Firms – Conduct Standards Part

In this Annex, underlining indicates new text and striking through indicates deleted text.

#### 1 APPLICATION

---

1.1 Unless otherwise stated, this Part applies to:

- (1) a *large non-directive insurer*;
- (2) a *Swiss general insurer*; and
- (3) in relation to any of the foregoing *firms*, any *person who is an SIMR notified non-executive director or* who is approved under section 59 of *FSMA* by either:
  - (a) the *PRA*; or
  - (b) the *FCA*, in relation to a *relevant senior management function*.

#### 2 SCOPE OF CONDUCT STANDARDS

---

2.1 If you are a natural person ~~subject to this Part~~ who is approved under section 59 of *FSMA* by either:

- (a) the *PRA*; or
- (b) the *FCA*, in relation to a *relevant senior management function*,

you must comply at all times with all of the *conduct standards*.

2.1A If you are an *SIMR notified non-executive director*, you must comply at all times with the *conduct standards* specified in 3.1 to 3.3, 3.7 and 3.8.

2.2 A *firm* must require:

- (1) any *person* performing a *key function* to observe the *conduct standards* specified in 3.1 to 3.3;
- (2) any *key function holder* (other than a *notified non-executive director*) to observe the *conduct standards* specified in 3.4 to 3.8, in addition to complying with (1); and
- (3) any *notified non-executive director* to observe the *conduct standards* specified in 3.7 and 3.8, in addition to complying with (1).

...

## Annex H

### Amendments to the Large Non-Solvency II Firms – Senior Insurance Management Functions Part

In this Annex, underlining indicates new text.

...

#### 2 GENERAL

---

...

2.6 If a *senior insurance management function holder* to whom 2.5 applies ceases to perform a *senior insurance management function* but continues to perform the *FCA activities*, 2.5(1) will continue to apply in respect of the performance of the *FCA activities* until the earlier of:

- (1) approval by the *FCA* in respect of the performance by that *person* of those *FCA activities* as an *FCA governing function* in relation to the *firm*; or
- (2) three *months* from the time that the *person* ceased to perform that *senior insurance management function*.

2.7 If a *firm* outsources its internal audit *function* to an external third party service provider (that is, a service provider outside the *firm* or the *firm's group*), the *firm* is not required to have any *person(s)* approved to perform the *Head of Internal Audit function*.

...

## Annex I

### Amendments to the Large Non-Solvency II Firms – Senior Insurance Managers Regime – Applications and Notifications Part

In this Annex, new text is underlined.

...

#### 7 FORMS

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- 7.1 (1) Form A (long form) may be found here.
- (2) Form A (shortened form) may be found here.
- (3) Form B may be found ~~here~~here.
- (3) Form C may be found ~~here~~here.
- (4) Form D may be found ~~here~~here.
- (5) Form E may be found here.
- (6) The ~~scope of responsibilities form~~ scope of responsibilities form may be found ~~here~~here.

## Annex J

### Amendments to the Non-solvency II Firms - Conduct Standards Part

In this Annex, underlining indicates new text.

#### 1 APPLICATION

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1.1 This Part applies, in relation to a *small non-directive insurer*, to any person who is an *SIMR notified non-executive director* or who is approved under section 59 of *FSMA* by either:

- (1) the *PRA*; or
- (2) the *FCA*, in relation to a *relevant senior management function*.

#### 1A SCOPE OF CONDUCT STANDARDS

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1A.1 If you are a natural person who is approved under section 59 of *FSMA* by either:

- (a) the *PRA*; or
- (b) the *FCA*, in relation to a *relevant senior management function*,

you must comply at all times with all of the *conduct standards*.

1A.2 If you are an *SIMR notified non-executive director*, you must comply at all times with the *conduct standards* specified in 2.1 to 2.3, 2.7 and 2.8.

#### 2 CONDUCT STANDARDS

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2.1 Conduct Standard 1: You must act with integrity.

24.

2.2 Conduct Standard 2: You must act with due skill, care and diligence.

25.

2.3 Conduct Standard 3: You must be open and co-operative with the *FCA*, the *PRA* and other regulators.

26.

2.4 Conduct Standard 4: You must take reasonable steps to ensure that the business of the *firm* for which you are responsible is controlled effectively.

27.

2.5 Conduct Standard 5: 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*.

28.

2.6 Conduct Standard 6: 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.

29.

- 2.7 Conduct Standard 7: You must disclose appropriately any information of which the *FCA* or the *PRA* would reasonably expect to have notice.
- 30.
- 2.8 Conduct Standard 8: When exercising your responsibilities, you must pay due regard to the interests of current and potential future *policyholders* in ensuring the provision by the *firm* of an appropriate degree of protection for their insured benefits.



## Annex K

### Amendments to the Non-Solvency II Firms – Senior Insurance Managers Regime – Applications and Notifications Part

In this Annex, new text is underlined.

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#### 7 FORMS

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- 7.1 (1) Form A (long form) may be found here.
- (2) Form A (shortened form) may be found here.
- (3) Form B may be found ~~here~~here.
- (4) Form C may be found ~~here~~here.
- (5) Form D may be found ~~here~~here.
- (6) Form E may be found here.
- (7) The *scope of responsibilities form* may be found here.

## **Appendix 3 – Draft revised Supervisory Statement 28/15 Strengthening individual accountability in banking**

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# 1 Introduction

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This draft supervisory statement is appended to CP34/16 ‘Strengthening individual accountability in banking and insurance: amendments and optimisations’. Strike through indicates deleted text, and underlining indicates new text. Respondents are invited to comment on the proposed amendments by Monday 9 January 2017.

1.1 This supervisory statement sets out the Prudential Regulation Authority’s (PRA’s) approach to strengthening individual accountability in banking.<sup>1</sup> It is relevant to all Relevant Authorised Persons (Relevant Firms) as defined in section 71A of the Financial Services and Markets Act 2000 (FSMA)<sup>2</sup> namely:

- banks;
- building societies;
- credit unions; and
- PRA designated investment firms.<sup>3</sup>

1.2 The statement seeks to advance the PRA’s statutory objective of promoting the safety and soundness of the firms it regulates by setting out the PRA’s expectations of how Relevant Firms should comply with the regulatory framework of the:

- Senior Managers Regime (SMR);
- Certification Regime;
- Assessment of fitness and propriety; and
- Conduct Rules.

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1 On 28 September 2016, this SS was updated – see Appendix for full details.

2 As amended by the Financial Services (Banking Reform) Act 2013; [www.legislation.gov.uk/ukpga/2013/33/contents/enacted](http://www.legislation.gov.uk/ukpga/2013/33/contents/enacted).

3 Relevant Firms include UK branches of non-EEA banks and PRA designated investment firms (incoming non-EEA branches).

## 2 The Senior Managers Regime

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2.1 This chapter sets out the PRA's expectations of how Relevant Firms and individuals performing a senior management function (SMF) (Senior Managers) should comply with the SMR. The chapter also clarifies:

- the responsibilities of those non-executive director (NED) functions which are in scope of the SMR namely, the Chairman, Senior Independent Director (SID) and the Chairs of the Audit, Nomination, Remuneration and Risk Committees; and
- the PRA's expectations regarding the contents of Statements of Responsibilities and Management Responsibilities Maps; ~~and~~

2.2 This chapter should be read in conjunction with:

- the relevant parts of the PRA Rulebook namely General Organisational Requirements; Compliance and Internal Audit; Risk Control; Senior Management Functions; Allocation of Responsibilities and Fitness and Propriety;<sup>1</sup>
- the Financial Conduct Authority's (FCA's) rules and guidance on the SMR, as set out in DEPP 6.2, EG 9, SUP 10C and SYSC 4 to 7 of the FCA Handbook; and
- Supervisory Statement 5/16 'Corporate Governance: Board Responsibilities' which sets out the PRA's expectations of boards thereby complementing the SMR's focus on individual accountability.<sup>2</sup>

### Scope of the Senior Managers Regime

#### Executive and Oversight SMFs

2.3 Chapters 3 and 4 of the Senior Management Functions Part of the PRA Rulebook (Senior Management Functions 3 and 4) distinguish between executive and oversight SMFs. Executive SMFs comprise the most senior individuals responsible for the executive management of those areas of a firm which the PRA deems relevant to its safety and soundness objective, such as its overall business, financial resources, risk management, internal controls or a key business area as defined in Senior Management Functions 3.6(1)(a).<sup>3</sup> Executive SMFs are typically directly responsible for reporting and putting matters for decision to the board in respect of one or more of the areas listed above.

2.4 In contrast, oversight SMFs do not carry out executive functions in Relevant Firms but perform a NED role in scope of the SMR. Oversight SMFs have fewer responsibilities than executive SMFs under the SMR. Moreover, these responsibilities are non-executive in nature and either inherent in or linked to their Chair or SID roles. **Table A** sets out the full list of SMFs. SMFs subject to preapproval by the PRA (with FCA consent) are underlined; the other SMFs require preapproval by the FCA only.

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1 [www.prarulebook.co.uk/](http://www.prarulebook.co.uk/).

2 March 2016, [www.bankofengland.co.uk/pr/Pages/publications/ss/2016/ss516.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/ss/2016/ss516.aspx).

3 A key business area is an area with gross total assets equal to or greater than £10 billion; and which either accounts for more than 20% of the firm's gross revenue; or where the firm is part of a group, accounts for more than 20% of the total gross revenue of the group.

**Table A**

<b>Executive SMFs</b>	<b>Oversight SMFs</b>
<u>Chief Executive</u> (SMF1)	<u>Chairman</u> (SMF9)
<u>Chief Finance</u> (SMF2)	<u>Chair of the Risk Committee</u> (SMF10)
Executive Director (SMF3)	<u>Chair of the Audit Committee</u> (SMF11)
<u>Chief Risk</u> (SMF4)	<u>Chair of the Remuneration Committee</u> (SMF12)
<u>Head of Internal Audit</u> (SMF5)	Chair of the Nomination Committee (SMF13)
<u>Head of Key Business Area</u> (SMF6)	<u>Senior Independent Director (SID)</u> (SMF14)
<u>Group Entity Senior Manager</u> (SMF7)	
<u>Credit Union Senior Manager</u> (credit unions only) (SMF8)	
Compliance Oversight (SMF16)	
Money Laundering Reporting (SMF17)	
Other Overall Responsibility (SMF18)	
<u>Head of Overseas Branch</u> (incoming non-EEA branches only) (SMF19)	
Other local responsibility function (incoming non-EEA branches only) (SMF22)	
<u>Chief Operations</u> (SMFXX)	

### Minimum number of SMFs and proportionality

2.5 Under Senior Management Functions 6, credit unions are only required to have one person preapproved by the PRA as a bespoke SMF (the Credit Union Senior Manager (SMF8)) but can have more than one individual if they choose to. The PRA expects the SMF8 to perform functions similar to those of a CEO, ie to be responsible for the day-to-day management of the credit union's activities.

2.6 Senior Management Functions 2.2 requires all banks, building societies and designated investment firms (Relevant CRR firms), all of which are in scope of the Capital Requirements Regulation,<sup>1</sup> to have separate individuals preapproved as Chief Executive (SMF1), Chief Finance (SMF2) and Chairman (SMF9) (referred to in this statement as 'mandatory SMFs'). This reflects the requirements in the fourth Capital Requirements Directive (CRD IV)<sup>2</sup> and Markets in Financial Instruments Directive (MiFID)<sup>3</sup> to have at least two individuals who effectively direct the business of a firm, and the restriction on combining the roles of Chairman and Chief Executive in CRD IV. In view of the need to establish that an individual with appropriate skills, experience and personal characteristics is responsible and accountable for each SMF, the PRA would expect to preapprove natural persons (ie individuals), as opposed to legal persons (such as companies, partnerships etc.) as SMFs.<sup>4</sup>

- 
- 1 Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012; <http://eurlex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R0575&from=EN>.
  - 2 Directive 2013/36/EU of the European Parliament and the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (CRD IV); <http://eurlex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0036&from=EN>, Article 13(1).
  - 3 Directive 2004/39/EC of the European Parliament and Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC (MiFID I); <http://eurlex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:02004L0039-20110104&from=EN>, Article 9(4).
  - 4 Banks, building societies and credit unions with assets of £250 million or less (Small Firms) are subject to less onerous requirements under the SMR. The £250 million threshold is calculated across a rolling period of five years or, if the firm has been in existence for less than five years, across the period during which it has existed.

2.7 Relevant CRR firms are only required to have individuals approved to perform SMFs other than SMF1, 2 and 9 if they have someone performing those functions. The PRA expects the number of Senior Managers in Relevant CRR firms to reflect their size, complexity and governance structure. For instance, banks and building societies with gross total assets of £250 million or less are not expected to have many Senior Managers in addition to the mandatory SMFs.

2.8 Conversely, larger firms are often subject to pre-existing legal or regulatory obligations which, in effect, require them to have certain SMFs. For instance, under CRD IV, significant CRR firms must establish Risk, Nomination and Remuneration Committees.<sup>1</sup> The Chairs of these committees require preapproval as the relevant SMFs (SMFs11–13).

2.9 **Table B** lists the categories of Relevant Firm which are required to have certain SMFs pre-approved by the PRA.

**Table B**

SMF	Category of Relevant Firm	Required by
Chief Risk (SMF4)	Banks, building societies and PRA-designated investment firms where proportionate	CRD IV, Article 76(5). Risk Control 3.1.
Head of Internal Audit (SMF5)	Banks, building societies and PRA-designated investment firms where proportionate	MiFID Implementing Directive, Article 8.2 Compliance and Internal Audit 3.
Chair of the Risk Committee (SMF10)	Banks, building societies and PRA-designated investment firms which are classed as 'significant' CRR firms.	CRD IV, Article 76(3). Risk Control 3.1.
Chair of the Audit Committee (SMF11)	Banks, building societies and PRA-designated investment firms which have their securities admitted to trading on a regulated market and have to appoint a statutory auditor.	Disclosure and Transparency Rules [FCA], Rule 7.1. <sup>3</sup>
Chair of the Remuneration Committee (SMF12)	Banks, building societies and PRA-designated investment firms which are CRR firms with assets above £15 billion.	CRD IV, Article 95(1) Remuneration 7.4.
SID (SMF14)	Banks, building societies and PRA-designated investment firms with a premium listing on the London Stock Exchange.	FRC Corporate Governance Code (FRC Code), A.4.1 (comply-or-explain). <sup>4</sup>

### Sharing an SMF

2.10 In certain circumstances, including but not limited to job-share arrangements, a firm may be allowed to have more than one individual performing a single SMF. However, the PRA expects SMFs to be shared only where appropriate and justified. The individual(s) performing an SMF should be the most senior person(s) responsible for that area of the firm.

1 Only category 1 or 2 firms should consider themselves as significant for the purposes of these requirements. See PRA Policy Statement 7/13, 'Strengthening capital standards: implementing CRD IV, feedback and final rules', December 2013; [www.bankofengland.co.uk/pradocuments/publications/ps/2013/ps713.pdf](http://www.bankofengland.co.uk/pradocuments/publications/ps/2013/ps713.pdf).

2 Commission Directive 2006/73/EC of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive; <http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:241:0026:0058:EN:PDF>.

3 Most credit institutions will be required to establish an Audit Committee when the United Kingdom implements the new EU regulatory framework for statutory audit. Directive 2014/56/ amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts; <http://eurlex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32014L0056&from=EN>, Article 39.

4 [www.frc.org.uk/OurWork/Publications/CorporateGovernance/UKCorporateGovernanceCode2014.pdf](http://www.frc.org.uk/OurWork/Publications/CorporateGovernance/UKCorporateGovernanceCode2014.pdf).

2.11 Where two or more individuals share an SMF, both are individually accountable for all the responsibilities inherent in or allocated to that SMF. The same approach applies where a firm allocates a PRA Prescribed Responsibility to two or more individuals performing different SMFs. **Table C** considers two hypothetical scenarios where the PRA may consider allowing two individuals to share a PRA SMF.

**Table C**

<b>Individuals likely to be allowed to share a PRA SMF</b>	<b>Individuals not allowed to share a PRA SMF</b>
<p>A firm's wholesale banking division meets the criteria for a key business area in Senior Management Functions 3.6(1)(a). The division is co-headed by two individuals of equal rank.</p>	<p>A bank's equities desk meets the criteria for a key business area in Senior Management Functions 3.6(1)(a). The head of the equities desk reports to a head of wholesale banking who is the most senior individual responsible for that area at the firm. Both are based in the United Kingdom.</p>
<p>Although all heads of desk report to both co-heads, in practice, one individual focuses more on equities and the other on fixed income, currencies and commodities (FICC).</p>	<p>The head of wholesale banking is required to be pre-approved as Head of a Key Business Area (SMF6).</p>
<p>Both individuals can be pre-approved by the PRA as Heads of the same Key Business Area (SMF6). Each individual will, in principle, be accountable for all the activities of the division and may be asked to demonstrate that they took reasonable steps if a breach of a relevant requirement takes place anywhere within it. However, if the breach takes place in a localised area of the division ie equities, the PRA may take into account the focus of each individual and the way they discharged their shared responsibilities in practice in determining whether each took reasonable steps.</p>	<p>However, because the head of equities reports to the head of wholesale banking, he or she cannot be pre-approved as SMF6 (Senior Management Functions 3.6(2)).</p>

### **Group Entity Senior Manager (SMF7)**

2.12 The SMR only applies to a Relevant Firm's UK-regulated activities. This inherently limits the extent to which it can apply to individuals in a Relevant Firm's parent or group entities, particularly those based overseas. However, the fact that an individual is located outside the United Kingdom does not, in itself, mean that he or she cannot perform an SMF on behalf of a Relevant Firm.

2.13 Chapter 5 of the Senior Management Functions part of the PRA Rulebook specifies an SMF (Group Entity Senior Manager (SMF7)) aimed at individuals based in parent or group entities who exercise significant influence over the management or conduct of one or more aspects of a Relevant Firm's UK-regulated activities.

2.14 The PRA is mindful of both the territorial scope of the SMR and the governance arrangements of overseas banks operating in the United Kingdom. Consequently, the PRA does not require preapproval of senior individuals located overseas whose responsibilities in relation to the United Kingdom are limited to developing the group's overall strategy. The PRA's focus is on those individuals who, irrespective of their location, are directly responsible for implementing the group's strategy in UK Relevant Firms. The PRA and FCA followed a similar approach under the Approved Persons Regime (APR), which resulted in a small number of individuals based overseas being approved as Significant Influence Functions (SIFs) of UK firms.<sup>1</sup>

<sup>1</sup> See SUP 10A.7.4G in the FCA Handbook.

2.15 Consequently, if an individual located overseas is directly responsible for taking decisions about how a UK Relevant Firm should conduct their UK-regulated activities and has not delegated this responsibility to a Senior Manager based in the United Kingdom, it is likely that he or she will require approval as SMF7 (or, in some cases, another SMF).

2.16 The PRA does not aim or expect to approve individuals as SMF7 in every UK Relevant Firm which is part of an overseas-headquartered group. Whether these entities are required to have any individuals approved as SMF7 is assessed on a case-by-case basis. In the first instance, it is up to firms to consider whether there may be any individuals in their parent or group companies, in the United Kingdom or overseas, who may be performing an SMF7 on behalf of a Relevant Firm. In doing so, they should take into account:

- the respective organisational structures of the group and the Relevant Firm;
- the split of key responsibilities between the group and UK boards and senior management; and
- whether SMFs based in the United Kingdom have an appropriate level of delegated authority from the group or parent to ensure that the UK entities comply with local regulatory obligations.

### **Chief Operations function (SMF23)**

2.16A The proposed Chief Operations function seeks to bring into scope of the PRA's SMR the most senior individual responsible for managing, and ensuring the operational continuity and resilience of, the internal operations, systems and technology of a firm. For firms to which the rules set out in General Organisational Requirements ('GOR') 2.4, 2.5 and 2.6 and/or the rules set out in the Operational Continuity Part of the PRA Rulebook, the PRA expects that this function would commonly include responsibility for compliance with those rules. For incoming third-country branches, the PRA expects that this function would commonly include responsibility for the matters set out in paragraphs 2.5, 2.6 and 2.7 of Supervisory Statement SS4/16 'Internal governance of third country branches'.<sup>1</sup>

### **Scope for incoming third-country branches**

2.17 The PRA requires all incoming non-EEA branches to have at least one individual pre-approved as a Head of Overseas Branch (SMF19). Consistent with the approach for UK Relevant Firms, incoming third-country branches can elect to have more than one individual pre-approved as an SMF19. Where this is the case, all individuals approved as SMF19s will be accountable for all the responsibilities conferred by that function. SMF19s should have the highest degree of individual decision-making authority in the branch over activities and areas subject to UK regulation.

2.18 In addition, incoming third-country branches are required to have additional specific SMFs preapproved by the PRA in the following circumstances:

- Where an incoming non-EEA branch has individuals performing the Chief Finance (SM2), Chief Risk (SMF4) and Head of Internal Audit (SMF5) functions. This includes individuals performing these SMFs across an overseas-headquartered banking group's UK legal entities, such as a UK Chief Risk Officer (CRO) with responsibility for risk management across the group's UK subsidiaries as well as the incoming non-EEA branch.

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<sup>1</sup> February 2016, [www.bankofengland.co.uk/pr/Pages/publications/ss/2016/ss416.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/ss/2016/ss416.aspx).



- As noted in paragraphs 2.12–2.16 above, where an individual based in a parent or group entity has direct management and/or decision-making responsibility over an incoming non-EEA branch’s UK-regulated activities and has not delegated it to the SMF19 or another SMF based in the branch, he or she may require preapproval as a Group Entity Senior Manager (SMF7) of that branch. An example might be a head of Europe, Middle East and Africa (EMEA) who is formally based in or employed in one of the group’s UK subsidiaries but makes decisions affecting how the branch carries out its UK-regulated activities. In practice, SMF7s of an incoming non-EEA branch will commonly be based in the United Kingdom but they may also be based overseas.

2.19 NEDs are outside the scope of the SMR for incoming non-EEA branches. However, there may be situations where individuals employed by an incoming non-EEA branch’s parent or group company sit on the branch’s local management committee (or equivalent) and were correspondingly, previously preapproved as a Director (CF1s) or Non-Executive Director (CF2)s of the branch under the APR). These individuals are likely to be performing the Group Entity Senior Manager function (SMF7) in respect of the branch and required to be preapproved or grandfathered accordingly under the new regime.

### Independence requirements and banned combinations of SMFs

2.20 Certain rules prevent individuals from performing specific combinations of SMFs at the same Relevant Firm or require certain SMFs to be performed independently of all other functions and activities of the firm. **Table D** below lists the SMFs subject to such restrictions.

**Table D**

SMF	Restriction	Required by
Chief Executive (SMF1) and Chairman (SMF9)	A firm must ensure that an individual who performs the Chairman Function on its behalf does not simultaneously perform the Chief Executive Function within the same firm.	CRD IV, Article 88(1)(e). Senior Management Functions 7.2.
Chief Risk (SMF4)	Must be an independent senior manager with distinct responsibility for the risk management function.  Where the nature, scale and complexity of the activities of the CRR firm do not justify a specifically appointed person, another senior person within the firm may fulfil that function, provided there is no conflict of interest.	CRD IV, Article 76 (5).  Risk Control 3.5.
Head of Internal Audit (SMF5)	Must be separate and independent from the other functions and activities of the firm.	MiFID Implementing Directive, Article 8.  Compliance and Internal Audit 3.1.
Chair of the Risk Committee (SMF10)	Must not perform any executive function in the firm.	CRD IV, Article 76(3).  Risk Control 3.1.
Chair of the Remuneration Committee (SMF12)	Must not perform any executive function in the firm.	CRD IV, Article 95(2)  Remuneration 7.4(2).

2.21 Where rules do not prevent an individual from performing a combination of SMFs, the PRA may still decide not to approve the individual to perform the desired combined SMFs in some circumstances, including but not limited to, where the PRA considers that:

- the functions are incapable of being effectively performed together inherently or in practice, such as Chairman and SID; or
- the individual's qualifications, training, competencies and/or personal characteristics render them fit and proper to perform one function but not necessarily the other(s).

### Allocation of responsibilities to senior managers

#### Responsibilities inherent in the definition of each PRA SMF

2.22 The definition of every PRA SMF in the PRA's Rules contains a responsibility which is inherent, inseparable from and intrinsically built into the specific role. For instance, Senior Management Functions 3.5 defines the Head of Internal Audit (SMF5) as *'the function of having responsibility for management of the internal audit function of a firm and for reporting directly to the governing body of the firm on the internal audit function'*.

2.23 This inherent responsibility is arguably the most important responsibility of any given SMF, as it provides the rationale as to why that specific function is in scope of the SMR in the first place.

2.24 Even where a Senior Manager has not been allocated other responsibilities by the firm, the responsibility inherent in the definition of the SMF establishes that he or she will be deemed accountable for that aspect of the firm's activities. For example, even if an individual performing SMF5 has no other responsibilities allocated to him or her, he or she will be deemed accountable for all aspects relating to the management of the firm's internal audit function, including reporting to the Board and/or Audit Committee.

#### Prescribed Responsibilities for UK Relevant Firms

2.25 In addition to the responsibilities inherent in the definition of each SMF, Allocation of Responsibilities 4 and 5 set out a list of 29 Prescribed Responsibilities. The FCA's rules contain two further Prescribed Responsibilities relating to financial crime and the Client Assets Sourcebook (CASS).

2.26 UK Relevant Firms must allocate all Prescribed Responsibilities among individuals performing an SMF subject to preapproval by the PRA or FCA (except the FCA's Other Overall Responsibility function (SMF18) as noted in Allocation of Responsibilities 3.1). The PRA expects firms to allocate each Prescribed Responsibility to the Senior Manager it is most closely linked to. PRA and FCA Prescribed Responsibilities for UK Relevant Firms comprise the following categories:

- **Prescribed Responsibilities which apply to all firms and are replicated in the FCA's rules:** Except for the FCA responsibility relating to financial crime, all the responsibilities in this category relate to the implementation of the SMR and Certification Regime.
- **Prescribed Responsibilities which apply only to Small Firms:** Allocation of Responsibilities 5 sets out four responsibilities covering risk management, systems and controls, financial resources and keeping the board apprised of its legal and regulatory obligations. Small Firms (ie those with gross total assets of £250 million or less) need only allocate these four Prescribed Responsibilities, in addition to the five which apply to all firms, among their Senior Managers (ie they must allocate nine Prescribed Responsibilities in total).
- **Prescribed Responsibilities which apply to all firms except Small Firms:** These responsibilities, which are listed in Allocation of Responsibilities 4, cover areas relevant to

the PRA's safety and soundness objective, such as the allocation and maintenance of capital, funding and liquidity, recovery and resolution and stress-testing.

- **Prescribed Responsibilities which only apply to certain types of firm (excluding Small Firms):**
  - firms that carry out proprietary trading;<sup>1</sup>
  - firms that will be subject to ring-fencing obligations; or
  - firms which do not have individuals performing the Chief Risk or Head of Internal Audit functions (SMFs 4 and 5).

2.27 The PRA expects ring-fenced banks (RFBs) to allocate the responsibility for ensuring that the areas of the firm which they are responsible for managing comply with the ring-fencing obligations, to the majority, if not all, of their SMFs (except the FCA's SMF18), including those NEDs in scope of the SMR. This is an exception to the expectation that Prescribed Responsibilities should be allocated only to the individual SMFs they are most closely linked to. The reason for the exception is to incentivise key decision-makers in RFBs to ensure compliance with the ring-fencing obligations throughout the key areas of the firm.

#### Prescribed Responsibilities for incoming third-country branches

2.28 There is a customised set of PRA and FCA Prescribed Responsibilities for incoming non-EEA branches set out in Allocation of Responsibilities 6. Consistent with the approach for UK firms, these non-EEA branch-specific Prescribed Responsibilities can be allocated to any SMF in the branch except the FCA's *Other local responsibility* (SMF22) function.

#### Responsibilities and potential accountability of NEDs in the scope of the SMR

2.29 The PRA recognises that NEDs in scope of the SMR do not manage a firm's business as executive SMFs and, therefore, the responsibilities for which they are accountable are more limited.

2.30 NEDs in scope of the SMR are neither required nor expected to assume executive responsibilities but are expected to take on certain responsibilities (set out in **Table E**), all of which are non-executive in nature and are either inherent in or derive from their Chairmanship or SID roles.

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1 Allocation of Responsibilities 1 defines proprietary trading for the purposes of the SMR as:  
 (a) the regulated activity of dealing in investments as principal as specified in Article 14 of the Regulated Activities Order (Dealing in investments as principal), disregarding the exclusion in Article 15 of the Regulated Activities Order (Absence of holding out etc.); and  
 (b) ancillary activities and (in relation to MiFID business) ancillary services carried out in relation to the regulated activity.

**Table E**

<b>SMF</b>	<b>Description of responsibilities</b> (a full list is available in Senior Management Functions 4.1)	<b>Relevant PRA Rulebook material</b>
Chairman (SMF9)	Chairing and overseeing the performance of the board. Leading the development and overseeing the implementation of the firm's policies and procedures for the induction, training and development of all directors.  Overseeing the assessment of fitness and propriety of those NEDs who are not in scope of the SMR and the related notification requirements to the PRA.  Leading the development of the firm's culture by the board.	Fitness and Propriety 2.3, 2.4, and 4.
Chair of the Audit Committee (SMF11)	Chairing and overseeing the performance of the Audit Committee.  Ensuring and overseeing the integrity and independence of the firm's internal audit function (including the Head of Internal Audit).	Compliance and Internal Audit 3.1.
Chair of the Risk Committee (SMF10)	Chairing and overseeing the performance of the Risk Committee.  Ensuring and overseeing the integrity and independence of the firm's risk function (including the CRO).	Risk Control 3.5.
Chair of the Remuneration Committee (SMF12)	Chairing and overseeing the performance of the Remuneration Committee.  Overseeing the development and implementation of the firm's remuneration policies and practices.	Remuneration 7.2-7.4.
Chair of the Nominations Committee (SMF13) [FCA]	Chairing and overseeing the performance of the Nomination Committee.	SUP10C.5.2 R (FCA Handbook).
SID (SMF14)	Performing the role of a SID (in line with the FRC Code) and leading the assessment of the Chairman's performance.	
Either Chairman (SMF9) or Chair of the Audit Committee (SMF11)	Ensuring and overseeing the integrity and independence of the compliance function (including the Head of Compliance).  Ensuring and overseeing the integrity, independence and effectiveness of the firm's policies and procedures on whistleblowing and ensuring staff that raise concerns are protected from detrimental treatment.	Compliance and Internal Audit 2.4.

2.31 The potential accountability of NEDs in scope of the SMR is restricted to those activities for which they are responsible, which include (but are not limited to):

- ensuring that the Board and/or the committees which they chair;
  - meet with sufficient frequency;
  - foster an open, inclusive discussion which challenges executives where appropriate; and
  - devote sufficient time and attention to matters within their remit which are relevant to the firm's safety and soundness.

- helping to ensure that the board or committee and its members have the information necessary to perform their tasks;
- facilitating the running of the board or committee to assist it in providing independent oversight of executive decisions; and
- reporting to the main Board on the committee’s activities.

2.32 **Table F** sets out a range of hypothetical scenarios where the PRA may consider taking disciplinary action against NEDs in scope of the SMR and others where the PRA is more likely to focus on individuals performing executive SMFs.

**Table F**

NEDs in scope of the SMR potentially accountable	Executive SMFs potentially accountable
<ul style="list-style-type: none"> <li>• A Skilled Persons Review reveals that a firm’s Risk Committee has not advised the Board on the firm’s risk appetite nor assisted it in overseeing the implementation of the firm’s risk strategy by executive management in contravention of Risk Control 3.1(2). In this situation, the PRA might primarily consider whether there could be grounds to sanction the Chair of the Risk Committee.</li> <li>• During a Board Effectiveness Review, the PRA discovers that the Remuneration Committee has failed to prepare any decisions regarding remuneration for consideration and decision by the Board. In this situation, the PRA may consider whether there could be grounds to sanction the Chair of the Remuneration Committee.</li> <li>• A firm’s Chairman and NEDs in scope of the SMR have serious concerns about an overly dominant CEO. These concerns are not addressed, recorded or discussed by the Board or with PRA or FCA supervisors.</li> </ul>	<ul style="list-style-type: none"> <li>• A firm breaches its capital requirements as a result of a major loss in a key business unit that has repeatedly breached its risk limits. The risk limits were discussed and set by the Risk Committee and the Board. In this situation, the PRA might primarily consider whether there are grounds to sanction the appropriate executive Senior Managers, including Heads of the Key Business Areas and the Chief Risk Officer. If, however, the breaches are reported to the Board and/or the Risk Committee, the PRA may also enquire whether the Board/ Risk Committee discussed them and made any recommendations.</li> <li>• In an attempt to obtain Board approval for a new, riskier, lending strategy, a firm’s senior executives submit incomplete and misleading management information to the Board which significantly downplays the risks of such a strategy. The CEO also suppresses any negative or questioning advice on this issue, and consequently the board approves the strategy which, six months later, causes the firm to breach a number in the Risk Control section of the PRA Rulebook.</li> <li>• A firm’s management fails to monitor the provision of services by a third party under an outsourcing agreement resulting in an operational risk crystallising in breach of Outsourcing 2.1 in the PRA rulebook.</li> </ul>

2.33 The role of the Chairman is integral to firms’ safety and soundness. Consequently, the PRA expects Chairmen to:

- seek proactively to remain appraised of matters relating to the board and its individual committees by, for instance, having regular discussions with the Chairs of the Audit, Remuneration and Risk Committees outside board meetings; and
- commit a significantly larger proportion of their time to their functions than other NEDs. The PRA expects Chairmen, in particular those of major firms, not to have or take on additional commitments which may interfere with the fulfilment of their responsibilities to the firm under the SMR. The PRA may consider using its powers to impose conditions on

approval to time limit a Chairman's ability to take on additional external commitments where it considers that doing so may advance its objectives.<sup>1</sup>

2.34 As discussed in Chapter 4, firms must assess the fitness and propriety of those NEDs which are not in scope of the SMR (Notified NEDs) periodically and comply with certain notification requirements to the PRA. Allocation of Responsibilities 4.1 includes a responsibility for the firm's performance of its obligations under Fitness and Propriety in respect of its Notified NEDs, which the PRA expects to be allocated to the Chairman (SMF9).

2.35 Senior Management Functions 4.6 specifies a SID (SMF14), which it defines as the function of having responsibility for leading the assessment of the performance of the person performing the Chairman function. Where a firm has a SID, the PRA expects his or her assessment of the Chairman to consider, among other things:

- the extent to which the Chairman has fulfilled his or her responsibilities under the SMR; and
- the quality and sufficiency of resources allocated to the Chairman's office (consistent with Allocation of Responsibilities 7.1).

### **Individual accountability and collective decision-making by boards**

2.36 Although the SMR only applies to some NEDs, who are required to take on individual responsibilities, the PRA views the regime and its application as consistent with the principle of collective decision-making.

2.37 The SMR co-exists with the statutory and fiduciary duties of directors under UK company law and domestic and international corporate governance standards. The SMR clarifies and formalises the individual responsibilities which NEDs in scope of the SMR should already have in practice.

2.38 Moreover, regardless of the fact that some NEDs are subject to limited individual responsibilities and potential accountability under the SMR, the PRA considers it vital that boards as a whole understand the Threshold Conditions in FSMA, the Fundamental Rules and other detailed underlying rules in the PRA Rulebook. Boards should establish within their firms a culture that supports adherence to the spirit and letter of these requirements.<sup>2</sup>

2.39 As part of its ongoing supervision of Relevant Firms' governance, the PRA assesses the overall composition and effectiveness of Boards. Moreover the PRA expects firms to discuss succession planning and proposed changes to their board with supervisors irrespective of whether the proposed change relates to a function in scope of the SMR or not.

### **Sharing Prescribed Responsibilities**

2.40 PRA Prescribed Responsibilities can be allocated to more than one Senior Manager. However, where a firm allocates a PRA Prescribed Responsibility to more than one Senior Manager, each of those individuals will be deemed fully accountable for that responsibility. PRA Prescribed Responsibilities can therefore be shared but not split among two or more SMFs.

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1 See PRA Statement of Policy, 'The Prudential Regulation Authority's policy on conditions, time limits and variations of approval', June 2015; [www.bankofengland.co.uk/pr/Pages/publications/sop/2015/conditions.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/sop/2015/conditions.aspx).

2 PRA Policy Statement PS5/14, 'The PRA Rulebook', June 2014, paragraph 2.4; [www.bankofengland.co.uk/pr/Documents/publications/ps/2014/ps514.pdf](http://www.bankofengland.co.uk/pr/Documents/publications/ps/2014/ps514.pdf).

2.41 Where a PRA Prescribed Responsibility is shared among more than one Senior Manager, the PRA expects the responsibility to be recorded identically in each of the Senior Manager's Statements of Responsibilities. However, firms are expected to utilise the free text section in the Statements of Responsibilities (SoRs) to provide additional details on how a given shared Prescribed Responsibility applies to the different individuals sharing it in practice. For example, the Prescribed Responsibility in Allocation of Responsibilities 4.1(9) (responsibility for the production and integrity of the firm's financial information and its regulatory reporting under the regulatory system) is often shared among two SMFs, typically the Chief Finance (SMF2) and Chief Risk (SMF4) functions. Where this is the case, firms should utilise the free text in SoRs to specify and, where appropriate, list the financial and regulatory returns that each SMF is responsible for.

### **Prescribed Responsibilities relating to culture**

2.42 An example of the interplay between the principles of appropriate individual accountability, which lies at the heart of the SMR, and collective decision-making can be found in the two Prescribed Responsibilities in Allocation of Responsibilities 4.1 relating to culture.

2.43 These Prescribed Responsibilities reflect the expectation set out in the PRA's Approach Documents that firms should have a culture that supports their prudent management and builds on the idea that boards and management of regulated firms should embed the principle of safety and soundness in the culture of the whole organisation.<sup>1</sup>

2.44 While the PRA acknowledges that a firm's culture is a collective matter for the board (as noted in the FRC Code), these responsibilities seek to ensure that the CEO and Chairman assume a leading role in the development and implementation of Relevant Firms' culture.

2.45 Large UK-headquartered banking groups comprising multiple Relevant Firms may wish to allocate the two Prescribed Responsibilities relating to culture to the group CEO and group Chairman as opposed to the CEOs and Chairmen of the individual legal entities, for instance where culture is a matter reserved for the group board. They are not, however, required or expected to do so. In this situation, it may be appropriate for the group CEO and Chairman to be approved as Group Entity Senior Managers (SMF7) of each of the Relevant Firms in the group.

### **Additional responsibilities**

2.46 Firms are free to assign to a Senior Manager, and include in his or her Statements of Responsibilities, additional responsibilities not covered in the PRA's rules. Additional responsibilities must not, however, modify or qualify any responsibilities prescribed by the PRA.

## **Statements of Responsibilities and Management Responsibilities Maps**

### **Purpose of Statements of Responsibilities and Management Responsibilities Maps**

2.46A SoRs and Management Responsibilities Maps (MRMs) should promote clarity and transparency on the individual responsibilities of each Senior Manager and a firm's (and, where relevant, group's) management and governance arrangements.

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1 'The Prudential Regulation Authority's approach to banking supervision', paragraph 69; [www.bankofengland.co.uk/publications/Documents/prapproach/bankingappr1406.pdf](http://www.bankofengland.co.uk/publications/Documents/prapproach/bankingappr1406.pdf).



2.46B SoRs and MRMs serve a variety of purposes. In particular they provide for a more targeted assessment of the fitness and propriety of prospective and incumbent Senior Managers by allowing their competence, knowledge, experience, qualifications, training and, where relevant, proposed time commitment to be measured against the responsibilities they have been allocated.

2.46C SoRs and MRMs should not be regarded simply as regulatory returns but should be seen as valuable components of a firm's internal corporate governance documentation and processes. As such, the PRA expects SoRs and MRMs to be used by firms to aid the clarification, documentation, embedding and review of their internal corporate governance arrangements.

2.46D Examples of internal governance processes where SoRs and MRMs should be used include but are not limited:

- succession planning and the induction of new SMFs;
- the ongoing learning and development of incumbent SMFs and, where appropriate, Certified employees; and
- the periodic monitoring and assessment of the effectiveness of governance arrangements which firms are required to carry out under General Organisational Requirements 5.1(6).

2.46E SoRs and MRMs can help identify the Senior Manager responsible for an area if things go wrong. However, as stated in the PRA approach document "the PRA's preference is to use its statutory powers to secure ex ante, remedial action".<sup>1</sup>

2.46F To ensure adherence to the letter and spirit of the relevant statutory and regulatory requirements on SoRs and MRMs, firms should ensure that they are drafted in a clear and complete way with a consistent structure and an appropriate and proportionate level of detail.

2.46G Indicators that firms should consider when evaluating the quality and effectiveness of their SoRs and MRM include but are not limited to:

- the extent to which a firm's SoRs and MRM are embedded and utilised in internal governance processes and how valuable internal stakeholders find them in practice; and
- the outcome of relevant Internal Audit reviews.

## **Statements of Responsibilities**

### Completeness

2.47 As sections 60(2A-2C) of FSMA state, SoRs must set out the areas of a firm's regulated activities that each Senior Manager is responsible for.

2.47A The Allocation of Responsibilities part of the PRA Rulebook lists a series of Prescribed Responsibilities which firms must allocate among their Senior Managers.

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<sup>1</sup> The Prudential Regulation Authority's approach to banking supervision available at [www.bankofengland.co.uk/publications/Pages/other/prasupervisoryapproach.aspx](http://www.bankofengland.co.uk/publications/Pages/other/prasupervisoryapproach.aspx).



2.47B Although Prescribed Responsibilities are a pivotal feature of the PRA's SMR insofar as they represent areas which the PRA, as a prudential regulator, is specifically interested in, SoRs should comprise more than a tick-box allocation of Prescribed Responsibilities, especially for large, complex firms. Firms should utilise section 3.2.2 of the SoR template to provide additional clarifications, details and explanations of the Prescribed Responsibilities they have allocated.

2.47C Moreover, SoRs should indicate whether a Senior Manager has:

- Overall responsibility for any business areas, activities, or management functions of the firm not otherwise covered under the Prescribed Responsibilities ('Overall Responsibility'). Annex 1G of SYSC 4 in the FCA Handbook lists a number of indicative, non-exhaustive areas, activities and functions to assist firms with this task. Overall Responsibilities should be set out in section 3.3 of the SoR template.
- Additional responsibilities not covered under the Prescribed or Overall Responsibilities, which should be set out in section 3.4 of the template ('Additional Responsibilities'). Typically, such Additional Responsibilities will entail managing or overseeing material actions, deliverables and projects which are specific to a firm and/or Senior Manager.

2.47D Unlike Overall Responsibilities, which often describe permanent areas, activities or management functions in a firm, Additional Responsibilities may often have a defined agreed or expected completion date. Examples include:

- material change management or transformation projects, including but not limited to an overhaul of a firm's IT systems; the management of aspects relating to a complex acquisition or the authorisation of a new significant entity;
- material remediation actions resulting from supervisory discussions, supervisory reviews, such as a skilled persons review under section 166 of FSMA, or enforcement action;
- responsibilities which other PRA rules or supervisory statements require or expect firms to allocate to a Senior Manager; and/or
- responsibilities (other than Prescribed Responsibilities) assumed on an interim basis. For instance, where an individual has been given a time-limited approval or temporarily expanded their remit to provide cover for an unforeseen departure.

2.47E While the SoRs of individuals performing the same SMF across different firms will be inevitably similar to some extent, the PRA expects SoRs (and MRMs) to reflect how the business model, complexity, risk profile and size of each firm affect each Senior Manager's responsibilities.

2.47F SoRs that read like generic job descriptions and do not reflect firm-specific circumstances, priorities and projects are not consistent with the spirit of the SMR.

2.47G SoRs, in particular responsibilities included in the Other Responsibilities section, also provide a common vehicle to document actions and undertakings which, in the past, may have been recorded in ad-hoc attestations. While SoRs may not be appropriate to document certain types of attestation, such as those which are backward-looking or not capable of being allocated to individual SMFs, they provide a vehicle to consolidate and rationalise other attestations.

~~2.47 The purpose of a Statement of Responsibilities is to set out clearly the areas of a firm's regulated activities which each Senior Manager is responsible for.~~

#### Clarity and level of detail

2.48 Firms should include free text in SoRs to clarify and elaborate on the responsibilities of Senior Managers.

2.48A However, free text in a Senior Manager's SoR must not unduly complicate, dilute or undermine the clarity of the individual's responsibilities.

2.48B The aim of this text should be to clarify, describe and develop the responsibilities of the relevant individual by, for instance:

- breaking down the responsibility into more granular component tasks. This is particularly important for Prescribed Responsibilities, which sometimes provide a high-level description of an area likely to comprise multiple underlying tasks; and
- if a responsibility is shared, explaining how it applies to the different individuals sharing it in practice.

~~2.48 The PRA acknowledges that firms may need to include free text in Statements of Responsibilities to clarify and elaborate on the responsibilities of Senior Managers.~~

~~2.49 However, in order to avoid the risk of Statements of Responsibilities becoming unduly complex, heavily caveated or unclear, all of which would go against the spirit of the SMR, the PRA has a suggested 300 word limit (stated in the Statement of Responsibilities template form) ~~on~~ as a guide to the amount of free text that firms ~~can~~ should use to describe each responsibility which they allocate to a Senior Manager (Prescribed, Overall and/or Additional). So, for example, where a firm allocates three responsibilities to a given Senior Manager, the PRA would normally expect these responsibilities to be described in no more than 900 words in total. The PRA considers that 300 words should be sufficient for firms to provide an appropriate level of detail on each responsibility they allocate. However, save for smaller, less complex firms, it is equally likely that text significantly below the suggested 300 words will fall below the level of detail necessary to appropriately facilitate supervisory interactions.~~

2.50 Moreover, the PRA recognises that larger firms commonly have more complex governance arrangements, particularly if they are part of a group. There may be situations where a firm legitimately needs to exceed the suggested 300 word limit for one, some, or all responsibilities of Senior Managers. As long as the information is clear, relevant and useful to facilitate supervisory interactions, the PRA will not discourage firms from exceeding the suggested 300 word limit.

2.50A However, the PRA also expects firms to avoid superfluous or unnecessary text in SoRs. The aim of free text in SoRs should be to elaborate on the areas which an individual is responsible for, rather than on how that individual discharges his or her responsibilities or the generic competencies and skills required to perform that particular SMF. This information can, nonetheless, be useful in other contexts, such as the PRA's initial assessment of the individual's fitness and propriety, and firms are encouraged to include it in supporting documentation such as role profiles.

~~2.50 In some instances, simply allocating a PRA Prescribed Responsibility to a Senior Manager should suffice to make that person clearly and formally responsible for that area with no further elaboration required.~~

2.51 Conversely, however, role profiles and other supporting documents should not describe the responsibilities of a Senior Manager. This information should be set out in SoRs as required by section 60A of FSMA. Moreover, including information on Senior Managers' responsibilities in SoRs facilitates the PRA's task of comparing and contrasting the approach to the allocation of responsibilities across firms. Supporting documentation, such as role profiles, can be a useful accompanying resource that may include information not appropriately captured in SoRs and MRMs but should not substitute these mandatory documents.

~~2.51 Conversely, there may be situations where a firm legitimately needs to exceed the suggested 300 word limit. For example, when describing the responsibilities of certain SMFs, notably Heads of Key Business Areas and Group Entity Senior Managers, which may apply to individuals performing a diverse range of roles and influencing the firm in different ways.~~

~~2.52 In any event, any free text which firms may add to describe a Senior Manager's responsibilities, must not unduly complicate, dilute or undermine the clarity of the individual's responsibilities~~

### Consistency

2.52 The PRA expects firms to take reasonable steps to ensure that the information they include in the SoRs of different Senior Managers is as consistent as possible in terms of clarity, style and level of detail particularly when dealing with SoRs of Senior Managers with similar roles and levels of responsibility.

2.52A The PRA acknowledges that there will be some variation in the level of detail of some SoRs within a firm. For instance, the PRA expects the SoRs of Heads of Key Business Areas and Group Entity Senior Managers, which may apply to individuals performing a diverse range of roles and influencing the firm in different ways, to contain more free text and fewer or, in some cases, no Prescribed Responsibilities.

2.53 Likewise, the PRA expects the Statements of Responsibilities of NEDs in scope of the SMR to be less extensive than those of executive Senior Managers. Nonetheless, it is important that the Statements of Responsibilities of NEDs in scope of the SMR provide an appropriate level of detail. Merely stating that an SMF10-13 is responsible for chairing a given board committee in accordance with its terms of reference is unlikely to provide an appropriate level of detail. The SoRs of non-executive SMFs should go into a somewhat greater level of detail and break down the chairmanship of these key committees into more granular constituent tasks (without allocating executive or quasi-executive responsibilities to the relevant NEDs).

### Updating a Statement of Responsibilities

2.54 Section 62A of FSMA requires firms to submit a revised Statement of Responsibilities whenever there is a significant change in the aspects of the authorised person's affairs which the person is responsible for managing in performing the function.

2.55 In determining whether a change to a Senior Manager's role and responsibilities is significant, the PRA expects firms to consider all relevant factors, including but not limited to:

- the importance to the firm of the responsibilities being given up or taken on;
- whether the change alters the seniority of the Senior Manager in the firm or group;

- whether there are any changes to the identity, number or seniority of individuals reporting to the Senior Manager; and
- whether there are any changes to the skills, experience or knowledge required by the Senior Manager.

2.56 Whether a significant change has taken place will be determined on a case-by-case basis. However, the list below sets out non-exhaustive examples of potential significant changes which, in the PRA's view, may require the submission of a revised Statement of Responsibilities:

- a variation of the individual's approval, either at the firm's, the PRA's or the FCA's initiative, resulting in the imposition of a condition or time limit;
- fulfilling or failing to fulfil a condition on approval imposed by the PRA or FCA;
- sharing or ceasing to share an SMF originally performed by one individual among two or more individuals; and
- the addition, re-allocation or removal of any of the following:
  - a PRA or FCA Prescribed Responsibility;
  - responsibility for a function under SYSC 4.7.8R of the FCA Handbook (FCA Overall Responsibility); or
  - any additional responsibility not covered above.

### Management Responsibilities Maps

2.57 Firms are required by Allocation of Responsibilities 7.1 6.1 requires firms to develop and maintain a Management Responsibilities Map (MRM). The purpose of an MRM is consolidate information on a firm's management and governance arrangements into an accessible, clear and comprehensive single source of reference. In this sense, an MRM can be described as the governance equivalent of a business plan or an Internal Capital Adequacy Assessment Process (ICAAP) document. which must be a comprehensive and up to date single document that describes the firm's management and governance arrangements.

2.57A Allocation of Responsibilities 7.2 sets out the information that a firm's MRM must include. In particular, firms are required to ensure that the MRM includes:

- aggregate information on the allocation of responsibilities to Senior Managers as set out in their individual, respective SoRs. Note, however, that it is not necessary for the MRM to duplicate or restate all the information in each SoR;
- the rationale for any shared or divided responsibilities and details of how each of the individuals responsible is expected to discharge the shared responsibility in practice (without prejudice to the expectations in paragraphs 2.10 and 2.11 above);
- matters reserved for the board and the terms of reference of the key board committees, including their structures, membership, remit, interaction with other committees in the firm and, if applicable, the group;

- reporting lines of Senior Managers to individuals and committees in the firm and, if applicable, the group, including those located overseas; and
- where firms are part of a larger group, the interaction of a firm's governance arrangements with group governance arrangements (for example, in areas such as internal codes of conduct and remuneration policies), including the extent to which the firm's management and governance arrangements are provided by, or shared with, other group entities.

2.58 There is no template for MRMs Management Responsibilities Maps; and it is up to firms to produce their own. In doing so, the PRA expects them to develop and maintain an MRM that is appropriate for and accurately reflects the structure, size and complexity of the firm including, where applicable, group governance arrangements.

2.58A Firms should determine the most effective method of clearly communicating the required information in the MRM. This is likely to include a combination of text and visual aides, such as organograms, group structure diagrams or organisation charts. Irrespective of how a firm chooses to present the required information, firms should ensure that the information presented in the MRM is clear, complete and meets the requirements in Allocation of Responsibilities.

2.58B A firm's MRM should include sufficient information to be able to form a clear understanding of how the management and governance arrangements of the firm work.

### **The Duty of Responsibility under the SMR**

2.59 This section sets out how the PRA will apply section 66B(5) of FSMA (also referred to as 'the Duty of Responsibility') in practice.

2.60 The PRA will consider the specific facts of each situation which may fall within the Duty of Responsibility and will act as it considers appropriate in light of those facts. Consequently, this statement does not establish minimum standards or safe-harbours. The expectations and examples below are indicative, non-binding and non-exhaustive and there may be other considerations, not listed, that are relevant.

### **Statutory framework**

2.61 For the purposes of disciplinary action by the PRA under section 66 of FSMA, a person is guilty of misconduct if any of three conditions are met. One of these arises from the Duty of Responsibility. It states that a person will be guilty of misconduct if the PRA finds that all of the following four criteria are met:

- the person is or was a Senior Manager in a Relevant Authorised Person;
- there has been or continues to be a contravention of a 'Relevant Requirement' (as defined in section 66B(4) of FSMA) by the Firm;
- the Senior Manager was at the relevant time responsible for the management of any of the Firm's activities in relation to which the contravention occurred; and
- the Senior Manager did not take such steps as a person in the Senior Manager's position could reasonably be expected to take to avoid the contravention occurring (or continuing).

2.62 The Senior Manager will not be guilty of misconduct under section 66B(5) if the PRA finds that they had taken such steps as a person in their position could reasonably be expected to take to avoid the contravention occurring (or continuing) ('Reasonable Steps criterion').

2.63 The PRA may take disciplinary action under section 66 of FSMA where it appears to the PRA that the person is guilty of misconduct and the PRA is satisfied that it is appropriate in all the circumstances to take action against him or her.

2.64 As with any disciplinary action that the PRA takes under section 66 of FSMA, the statutory process involves a period during which the person involved is able to make representations.

2.65 Under sections 66B(2) and (3) of FSMA, individuals, including Senior Managers, can also be guilty of misconduct if they breach a Conduct Rule or are knowingly concerned in a contravention of a Relevant Requirement by the firm. This supervisory statement does not explicitly consider these two potential grounds for misconduct. However, in respect of any individual situation, the PRA may consider whether the individual is guilty of misconduct by any of sections 66B(2), (3) or (5), solely or in combination. The PRA will consider each situation on its facts. There may be situations where a Senior Manager may be guilty of misconduct by virtue of a breach of the Conduct Rules under section 66B(2), as well as under the Duty of Responsibility.

2.66 There is no distinction made in FSMA between executive and non-executive Senior Managers in relation to the Duty of Responsibility. However, the PRA's ability to apply the Duty of Responsibility hinges on the scope of that responsibility in the first place and the PRA recognises that the responsibilities of NEDs in scope of the SMR are usually more limited than for executive management. These differences should be recognised in their respective Statements of Responsibilities.

2.67 The Duty of Responsibility recognises that individual Senior Managers should be held accountable for their individual contributions to collective decisions and their implementation insofar as those contributions are in scope of their Senior Manager responsibilities.

#### Description of the operation of the Duty of Responsibility

2.68 The Duty of Responsibility arises where all the elements in section 66B(5) of FSMA are met. Where action is taken against a Senior Manager under section 66B(5) the onus will be on the PRA to show that the Senior Manager has been guilty of misconduct.

2.69 The first element, whether the individual is or was a Senior Manager at the time of the breach, will be a question of fact.

2.70 The second element is that there has been, or continues to be, a contravention of a Relevant Requirement by the firm. The contravention does not need to be material or significant and the PRA would be fettering its discretion if it only applied the Duty of Responsibility in cases exceeding a certain level of materiality. However, in taking disciplinary action under section 66 of FSMA, the PRA must be satisfied that it is appropriate in all the circumstances to take action against the person and such circumstances may include the nature and seriousness of the contravention.

2.71 The third element is that the Senior Manager was at the relevant time responsible for the management of any of the firm's activities in relation to which the contravention occurred.

2.72 Depending on the nature and extent of the firm's breach, and the scope of the individual Senior Manager's responsibilities, it is possible that more than one Senior Manager could be responsible. In such circumstances, the PRA will consider whether it is appropriate to consider sanctioning one, some, or all such Senior Managers under the Duty of Responsibility.

2.73 Whether a Senior Manager is or is not responsible for managing any of the firm's relevant activities will be a question of fact. Statements of Responsibilities and Management Responsibilities Maps should be relevant evidence, but the PRA may look beyond these if it considers it appropriate.

#### The PRA's approach to the Reasonable Steps criterion

2.74 The PRA can only take action under section 66 of FSMA if it appears to the PRA that a Senior Manager is guilty of misconduct and the PRA is satisfied that it is appropriate in all the circumstances to take action against the Senior Manager. A person will not be guilty of misconduct under the Duty of Responsibility if he or she has taken such steps as a person in his or her position could reasonably be expected to take to avoid the contravention occurring (or continuing).

2.75 The individual will be able to submit evidence and make representations on this point. The PRA would normally expect to engage in dialogue with the individual prior to issuing an initial Decision Notice.

2.76 Section 66B(5)(d) involves the PRA assessing (a) the steps that the specific Senior Manager actually took, against (b) such steps as the PRA considers that a Senior Manager, in that position, could reasonably have been expected to take to avoid the contravention occurring (or continuing). The PRA's expectations of the steps in '(b)' will necessarily depend on the circumstances as they existed at the time. It is not the PRA's intention to apply standards retrospectively or with the benefit of hindsight. However, examples of the considerations that the PRA may consider in forming its view of '(b)' can include:

- the size, scale and complexity of the firm;
- what the Senior Manager actually knew, or a Senior Manager in that position ought to have known (taking into account, among other factors, the length of time they have been in the role and handover arrangements to those new in a role);
- what expertise and competence the Senior Manager had, or ought to have possessed, at the time to perform his/her specific Senior Management Function;
- what steps the Senior Manager could have taken, considering what alternative actions might have been open to the Senior Manager at the time and the timeliness within which he or she could have acted;
- the actual responsibilities of that Senior Manager and the relationship between those responsibilities and the responsibilities of other Senior Managers in the firm (including in relation to any joint responsibilities or matrix-management structures);
- whether the Senior Manager delegated any functions, taking into account that any such delegation should be appropriately arranged, managed and monitored;
- the overall circumstances and environment at the firm and more widely, in which the Senior Manager was operating at the time. For example, the PRA may consider whether the way in which he or she prioritised matters was informed by an



appropriate risk assessment and how he or she responded to new developments.

2.77 In relation to '(a)' and the steps that a Senior Manager actually took to avoid the contravention occurring or continuing, examples of the steps that might be considered to be reasonable actions, depending on the circumstances, could include:

- pre-emptive actions to prevent a breach occurring, including any initial reviews of the business or business area on taking up a Senior Manager function;
- implementing, policing and reviewing appropriate policies and procedures;
- awareness of relevant requirements and standards of the regulatory system;
- investigations or reviews of the Senior Manager's area of responsibilities;
- where a breach is continuing, any response taken to that breach;
- structuring and control of day-to-day operations, including ensuring any delegations are managed and reviewed appropriately. This includes in relation to any 'matrix-management' arrangements;
- obtaining appropriate internal management information, and critically interrogating and monitoring that information;
- raising issues, reviewing issues, and following them up with relevant staff, committees and boards;
- seeking and obtaining appropriate expert advice or assurance, whether internal or external;
- ensuring that the firm and/or relevant area has adequate resources, and that these are appropriately deployed, including for risk and control functions; and
- awareness of relevant external developments, including key risks.

2.78 Evidence that the PRA might seek to obtain in respect of these kinds of matters could include:

- board and board committee minutes;
- minutes of other internal meetings;
- Statements of Responsibilities and Management Responsibilities Maps;
- organisation charts and information on reporting lines;
- any other internal materials, for example, emails or telephone recordings; and
- regulatory correspondence and interviews.



## 3 The PRA's Certification Regime

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3.1 This chapter sets out the PRA's expectations of how firms should act when deciding which roles are 'certification functions' (as defined in the Certification Part of the PRA Rulebook) requiring a certificate to be issued by the firm to the person performing the function. It should be read alongside the Certification, Fitness and Propriety, and Remuneration Parts.

### Relationship between the Certification Regime and the PRA's Remuneration rules

3.2 The PRA has specified certification functions by reference to the concept of a 'significant risk taker'.

3.3 For CRR firms, both the definition of a 'significant risk taker' for the purposes of the Certification Regime and the definition of a 'material risk taker' in the PRA's rules in the Remuneration Part of the Rulebook ('Remuneration rules') refer to the Material Risk Takers Regulation,<sup>1</sup> which sets out qualitative and quantitative criteria for identifying 'staff whose professional activities have a material impact on an institution's risk profile'.

3.4 However, it should be noted that some individuals classified as material risk takers under the Remuneration rules will not fall within the Certification Regime. In particular, anyone who performs an SMF will not be treated as performing a certification function for that firm.<sup>2</sup> In addition, NEDs will not fall within the Certification Regime (unless, in addition to their NED function, they also perform an additional function which is a certification function, which the PRA would not expect would normally be the case).

3.5 There may also be employees who are classified as material risk takers but who are not sufficiently involved in a regulated activity of the firm to meet the statutory test for a certification function. This may, for example, be the case where the individual is employed by an overseas subsidiary of the UK-authorized firm; such a person may be a material risk taker under the PRA's Remuneration rules as these will apply at group, parent undertaking and subsidiary undertaking levels, including those subsidiaries established outside the European Economic Area. But if they have no involvement in a regulated activity of the UK-authorized firm, the effect of Certification 2.2 is that they would not be performing a certification function.

3.6 The PRA expects that in a CRR firm only those individuals who are material risk takers as defined in the Remuneration rules could be performing a certification function specified by the PRA. However, the FCA's Certification Regime is wider and also includes individuals who are not 'material risk takers'.

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1 Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile (Material Risk Takers Regulation); <http://eurlex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:32014R0604&from=EN>.

2 It is however possible that an individual may perform roles at more than one regulated firm, in which case it would be possible for that individual to perform a senior management function at one firm and a certification function at another firm.

3.7 By virtue of Article 4(2)–(5) of the Material Risk Takers Regulation, a firm may, where certain conditions are satisfied, deem that an employee who meets any quantitative criterion in Article 4(1) but none of the criteria in Article 3 of that Regulation, is not a ‘material risk taker’. In such cases, the firm should not treat that employee as a ‘significant risk taker’ for the purposes of the Certification Regime.

3.8 Credit unions are not subject to the CRR or the associated remuneration requirements. Therefore, they will not have an existing obligation to identify material risk takers for remuneration purposes and the PRA considers that many of the criteria in the Material Risk Takers Regulation would not, in practice, be relevant to credit unions. Instead, the PRA has created a separate, simplified definition of certification functions for credit unions in Certification 1.2(2). This will incorporate the elements of the material risk taker criteria that the PRA believes to be relevant to a credit union.

### **Identifying functions and describing them in certificates**

3.9 The PRA’s approach to specifying certification functions makes any function performed by a significant risk taker for a firm a certification function (to the extent that the function will require the employee to be involved in a regulated activity of the firm, and provided that the employee is not performing any controlled function for the firm).

3.10 However, this does not mean that the PRA expects firms to issue multiple certificates to each employee that is a ‘significant risk taker’. Rather, in a certificate, a firm may describe the function performed by an employee in broad terms, and without listing all the activities that function may involve. A firm should assess whether the employee is fit and proper to perform all aspects of the function as described by a certificate. The factors the PRA requires a firm to take into account when making this assessment are set out in the Fitness and Propriety Part and in Chapter 4 of this supervisory statement.

### **Moving functions during the certification year**

3.11 In cases where a certified employee’s role changes to involve a new certification function part way through the twelvemonth period for which their certificate is valid, and if that new function may have different requirements relating to personal characteristics, the level of competence, knowledge and experience, qualifications or training, the PRA expects the firm to assess whether the employee is fit and proper to perform that new function before they start. A firm should not wait until the point of annual reassessment to determine whether the employee is fit and proper for the new function.

### **Associated requirements in FSMA**

3.12 In addition to the rules in the Certification Part of the PRA Rulebook, firms should also take account of section 63E (*Certification of employees by Relevant Authorised Persons*) and section 63F (*Issuing of certificates*) of FSMA; for example, in relation to the definition of an ‘employee’, the content of a certificate, the period for which a certificate is valid, the procedure to be followed in the event of a refusal by a firm to issue a certificate and record keeping.

## 4 Assessing fitness and propriety

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4.1 This chapter sets out the factors that the PRA:

- will take into account when assessing whether an individual is fit and proper to perform a SMF; and
- expects firms to take into account when assessing whether an individual is fit and proper to perform:
  - an SMF specified in PRA rules;
  - a certification function specified in PRA rules; or
  - a notified NED function specified in PRA rules (that is, a NED in a CRR firm who is not approved by the PRA or FCA to perform a controlled function at that firm).

This chapter should be read alongside sections 63E and 63F of FSMA and the Fitness and Propriety section of the Rulebook.

### Assessing fitness and propriety

4.2 The PRA's rules in Fitness and Propriety state that when deciding whether a person is fit and proper, a firm must be satisfied that the person has appropriate qualifications, training, competence and personal characteristics needed to perform his or her function effectively and in accordance with any relevant requirements, and to enable sound and prudent management of the firm.

4.3 Section 61(2) of FSMA provides that the PRA may have regard to these rules (among other things) when determining an application for approval to perform an SMF.

4.4 In assessing whether an individual is fit and proper to perform an SMF, including whether the person complies with the rules referred to above, the PRA will have regard to the person's:

- honesty, integrity and reputation;
- competence and capability; and
- financial soundness.

4.5 Firms should also have regard to the factors above when they are assessing whether an individual is fit and proper to perform an SMF or certification function specified by the PRA.

4.6 The PRA will also have regard to the European Banking Authority's Guidelines on the assessment of the suitability of members of the management body and key function holders

(the EBA Suitability Guidelines) and in particular to the Assessment Criteria set out in Title II, Chapter IV of those Guidelines.<sup>1</sup>

4.7 In complying with the rules in the Fitness and Propriety Part of the Rulebook, firms should also have regard to the EBA Suitability Guidelines as appropriate in determining a person's honesty, integrity and reputation, the PRA will have regard to *all* relevant matters which may have arisen either in the United Kingdom or elsewhere. The PRA will consider whether a matter is relevant to the requirements and standards of the regulatory system.

4.8 For example, conviction for a criminal offence will not automatically mean an application will be rejected. The PRA will treat each candidate's application on a case-by-case basis, having regard to a range of factors which may include, but are not limited to:

- the seriousness of, and circumstances surrounding, the offence;
- the explanation offered by the convicted person;
- the relevance of the offence to the proposed role;
- the passage of time since the offence was committed; and
- evidence of the individual's rehabilitation.

4.9 When determining a person's financial soundness the PRA will not normally require a candidate for an SMF to supply a statement of assets or liabilities. The PRA would not expect a person being of limited financial means to, in itself, affect his or her suitability to perform a certification function or an SMF.

4.10 The PRA would expect a firm to take a similar approach to that set out above when assessing whether a person is fit and proper for an SMF or a certification function.

### **Assessing the fitness and propriety of Notified NEDs**

4.11 The United Kingdom is required under the following EU Directives and guidelines to ensure that all members of the management body of a Relevant Firm are fit and proper:

- CRD IV (Articles 13, 88 and 91);
- MiFID (Article 9); and
- the EBA Suitability guidelines.

4.12 CRD IV requires Member States to ensure that board members of CRR firms 'at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties'. According to the EBA Suitability Guidelines, this includes ensuring the appointment of all board members is subject to a regulatory approval or notification process. The EBA Suitability Guidelines recognise that as members of the management body have specific roles, the assessment process and criteria can differ.

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<sup>1</sup> The EBA's Guidelines (EBA/GL/2012/06) are available at [www.eba.europa.eu/documents/10180/106695/EBAGL201206—Guidelineson theassessmentofthesuitabilityofpersons.pdf](http://www.eba.europa.eu/documents/10180/106695/EBAGL201206—Guidelineson%20theassessmentofthesuitabilityofpersons.pdf)

4.13 In order to comply with these EU obligations, Notified NEDs are subject to assessment and notification requirements by the PRA in lieu of preapproval. Under these requirements firms must:

- assess the fitness and propriety of all NEDs not subject to regulatory approval on appointment and periodically thereafter. The PRA rules do not define appointment for these purposes but appointment should generally be understood as being linked to a contractual arrangement between the firm and the Notified NED, ie a letter of appointment;
- notify the PRA that such NEDs have been deemed fit and proper; and
- notify the PRA of any other information which would be reasonably material to the assessment of a NED's fitness and propriety.

4.14 The EU obligations listed above do not apply to credit unions. Consequently, the appointment of a NED who does not perform an SMF in a credit union is not subject to either preapproval or notification, although credit unions are being required to ensure that such NEDs are fit and proper to perform their role and that they observe key conduct standards.

4.15 The approach and criteria for assessing the fitness and propriety of Notified NEDs should, for the most part, be identical to that used to assess NEDs in scope of the SMR. Differences may, however, arise, where the specific responsibilities of a NED in scope of the SMR require specific expertise or skills.

4.16 Firms should address issues and concerns about a Notified NED's performance or probity in the same way they would address concerns involving a NED in scope of the SMR. This may include sharing these concerns with the PRA if relevant or sufficiently important. Similarly, where the PRA has concerns about a Notified NED, it will normally share them via the Chairman or SID.

4.17 In addition to complying with the PRA's EU obligations, supervisors will be able to use the information provided in these notifications to assess the fitness and propriety of the Notified NED and inform supervision's views on the overall balance and composition of the Board.

4.18 Changes to the composition of a firm's board, including the appointment of a Notified NED, should be reflected in a Relevant Firm's Management Responsibilities Map.

## **Criminal background checks**

4.19 In England and Wales, a firm should get an application form from the Disclosure and Barring Service (DBS) or an umbrella body (a registered body that gives access to DBS checks). There is an equivalent procedure in Scotland (involving Disclosure Scotland) and Northern Ireland (involving Access NI). If the candidate is employed by a contractor, the firm may ask the contractor to obtain the certificate. A firm should not send any DBS certificates (or equivalent) or copies of such certificates to the PRA.

## 5 Conduct rules and associated notification requirements

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5.1 This chapter sets out the PRA's expectations of how individuals who are subject to the Individual Conduct Rules (Conduct Rules 2) and the Senior Manager Conduct Rules (Conduct Rules 3) (referred to here as 'the conduct rules') in the Conduct Rules Part of the PRA Rulebook should comply with them. However, this is not an exhaustive statement of the standards required to comply with the conduct rules.

5.2 This chapter also sets out the PRA's expectations of how deposit-takers and PRA-authorized investment firms will comply with the associated rules in Chapter 11 of the Notifications Part of the PRA Rulebook. It should be read alongside section 64C of FSMA.

### Persons and activities to which the Conduct Rules Part apply

5.3 The Conduct Rules Part applies to SMFs specified by either regulator; employees performing a certification function specified by the PRA and directors of relevant authorised persons, as defined in section 64 of FSMA.<sup>1</sup> Employees performing Certification functions are subject to the rules regardless of whether the firm has issued a certificate to them or not.

5.4 Where an employee is performing a function that would have been an SMF but for the rule at Senior Management Functions 2.3 (which provides a twelve-week grace period to cover absences which are temporary or reasonably unforeseen), the effect of Conduct Rules 1.1(2)(c) is to apply the Individual Conduct Rules (but not the Senior Manager Conduct Rules) to that employee. This means that the employee is not held to the same standards as a permanent Senior Manager, but is still required to comply with the more general standards set out in the Individual Conduct Rules.

5.5 Where an employee is performing a function which would have been a certification function but for Certification 2.4 (ie it is to cover an absence of a certified employee which is reasonably unforeseen and is for less than two weeks), the performance of that function does not cause any of the conduct rules to apply to that employee.

5.6 The conduct rules apply only to an individual's conduct in relation to the activities of the firm at which they are employed or are approved to perform an SMF.<sup>2</sup> These rules do not relate to a person's actions in their private life if those actions are unrelated to the firm's activities and the PRA would not generally expect to assess such actions against its rules. However, an individual's wider behaviour could affect his or her ability to comply with rules.

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<sup>1</sup> The Conduct Rules apply to all NEDs who are members of the board of directors, or if there is no such board, the equivalent body responsible for the management of the authorised person concerned. Note that this is a different definition to that used in the Notifications Part of the PRA Rulebook, which captures any individuals performing non-executive functions which occupy the position of a director (by whatever name called), or in accordance with whose directions or instructions (not being advice given in a professional capacity) the directors of the relevant firm are accustomed to act. These varying definitions in turn reflect the definitions in sections 64A and 317(1) of the Financial Services and Markets Act 2000. In the highly unlikely scenario that a Notified NED, as defined in the Notifications Part does not also fall within the population of individuals to which the Conduct Rules apply directly, the PRA expects to be notified of this under Fundamental Rule 7, at which point the PRA would expect to discuss with firms whether it was appropriate to formally appoint the relevant individual to the firm's board. In addition, note that in such circumstances, the relevant firm would nonetheless be required to contractually require the relevant Notified NED to observe the Conduct Rules in accordance with Fitness and Propriety 3.1.

<sup>2</sup> Such actions are referred to in Section 64A (4)–(5) of FSMA as the performance of 'qualifying functions'

The way in which a person behaves in their private life may be relevant to any assessment, by the PRA or by the firm itself, of whether that person is or remains fit and proper.<sup>1</sup>

### Compliance with the rules

5.7 In assessing compliance with or a breach of a conduct rule, the PRA will have regard to the context in which a course of conduct was undertaken, including:

- the precise circumstances of the individual case;
- the characteristics of the particular function performed by the individual in question; and
- the behaviour to be expected in that function.

5.8 A person will only be in breach of any of the conduct rules where they are personally culpable. Personal culpability arises where:

- a person's conduct was deliberate; or
- the person's standard of conduct was below that which would be reasonable in all the circumstances.

### Individual Conduct Rules<sup>2</sup>

**Individual Conduct Rule 2:** *'You must act with due skill, care and diligence.'*

#### Acting with due skill, care and diligence as a manager

5.9 It is important for a manager (including, but not limited to, a person performing an SMF) to understand the business for which they are responsible. A manager is unlikely to be an expert in all aspects of a complex financial services business. However, the manager should understand and inform themselves about the business sufficiently to understand the risks of its trading, credit or other business activities.

5.10 Where unusually profitable business is undertaken, or where the profits are particularly volatile or the business involves funding requirements on the firm beyond those reasonably anticipated, a manager should require explanations from those who report to him or her. Where those explanations are implausible or unsatisfactory, the manager should take steps to test the veracity of those explanations.

**Individual Conduct Rule 3:** *'You must be open and co-operative with the FCA, the PRA and other regulators.'*

5.11 The PRA expects a person would normally report information to the regulators through the firm's mechanisms for reporting information to the regulators. Relevant factors in assessing compliance with Individual Conduct Rule 3 include:

- whether a person has provided information in an appropriate manner into the firm's mechanisms for reporting to the regulator(s);

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1 Information on the factors the PRA will take into account when making such an assessment can be found in the Fitness and Propriety Part of the PRA Rulebook and Chapter 4 of this Supervisory Statement.

2 Individual Conduct Rule 1 is: 'You must act with integrity'. The PRA does not believe it is necessary to provide guidance on what it means to act with integrity.

- whether the person has taken steps to influence a decision so as not to report to the regulator concerned;
- whether the person has acted in a way intended to obstruct the reporting of information to the regulator concerned;
- where relevant to the person's role, the way in which the person has operated, managed or overseen the mechanisms for reporting referred to above; and
- the way in which a person has responded to requests from a relevant regulator.

### Senior Managers

5.12 The factors the PRA would expect to take into account when assessing whether a person performing an SMF (and, in the case of Senior Manager Conduct Rule 4, a Notified NED) has complied with Senior Manager Conduct Rules 1-4 include:

- whether the person exercised reasonable care when considering the information available;
- whether the person reached a reasonable conclusion upon which to act;
- the nature, scale and complexity of the firm's business;
- the person's role and responsibilities; and
- the knowledge the person had, or should have had, of regulatory concerns, if any.

5.13 A person's Statement of Responsibilities will be important evidence of their roles and responsibilities, but there may be cases where a person is responsible for additional matters which have not been included in their Statement of Responsibilities. This could occur if the Statement of Responsibilities has not been kept up to date. Therefore, a person's Statement of Responsibilities will not always be treated as a complete list of the matters for which the PRA regards the person as being responsible.

**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.'*

5.14 Strategy and plans will often dictate the risk which the business is prepared to take on and high-level controls will dictate how the business is to be run. If the strategy of the business is to enter high-risk areas, then the degree of control and strength of monitoring reasonably required within the business will be higher. A person performing an SMF should take this into account in organising the business for which they are responsible.

5.15 The organisation of the business and the responsibilities of those within it should be clearly defined. Reporting lines should be clear to staff. Where staff have dual reporting lines there is a greater need to ensure that the responsibility and accountability of each individual line manager is clearly set out and understood.

**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.'*



5.16 A person performing an SMF should take reasonable steps both to ensure the firm's compliance with the relevant requirements and standards of the regulatory system, and to ensure that all staff are aware of the need for compliance.

5.17 A person performing an SMF need not personally put in place the systems of control in the business. Whether the SMF does this depends on the SMF's role and responsibilities. The SMF should, however, take reasonable steps to ensure that the business has operating procedures and systems which include well-defined steps for complying with relevant requirements and standards of the regulatory system and for ensuring that the business is run prudently. The nature and extent of the systems of control that are required will depend upon the relevant requirements and standards of the regulatory system, and the nature, scale and complexity of the business.

**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.'*

5.18 A person performing an SMF will not always personally manage the business on a day-to-day basis. The extent to which this is done by the SMF manager will depend on a number of factors, including the nature, scale and complexity of the business and the SMF manager's position within it. The larger and more complex the business, the greater the need for clear and effective delegation and reporting lines, which may involve documenting the scope of that delegation and the reporting lines in writing. The PRA will look to the SMF manager to take reasonable steps to ensure that systems are in place which result in issues being addressed at the appropriate level. When issues come to the SMF manager's attention, he or she should deal with them in an appropriate way.

5.19 Delegating the authority for dealing with an issue or a part of the business to an individual or individuals (whether in-house or outside contractors) without reasonable grounds for believing that the delegate had the necessary capacity, competence, knowledge, seniority or skill to deal with the issue or to take authority for dealing with that part of the business exemplifies a failure to comply with Senior Manager Conduct Rule 3.

**Senior Manager Conduct Rule 4:** *'You must disclose appropriately any information of which the FCA or PRA would reasonably expect notice.'*

5.20 Senior Manager Conduct Rule 4 and Individual Conduct Rule 3 both apply to a person performing an SMF.

5.21 Individual Conduct Rule 3 relates primarily to responses from individuals to requests from the appropriate regulator and an individual's involvement in a firm's mechanisms for reporting to a regulator. However, Senior Manager Conduct Rule 4 imposes a greater duty on SMFs and Notified NEDs to disclose any information the appropriate regulator would reasonably expect. This includes making a disclosure in the absence of any request or enquiry from the appropriate regulator. By virtue of the position, these persons are likely to have access to greater amounts of information of potential regulatory importance and to have the expertise to recognise when this may be something the PRA or FCA would reasonably expect notice of.

5.22 The PRA would not expect a person performing an SMF to disclose information which the person knows that the firm or another senior manager has already disclosed to the PRA.

5.23 The PRA expects that in disclosing appropriately, the person will need to disclose:

- sufficient information for the regulators to be able to understand the full implications of the matter being disclosed;
- in a timely manner; and
- to an appropriate contact at the PRA or FCA (or both), which may include the firm's usual supervisory contact.

### **Application of the conduct rules to NEDs in scope of the SMR and Notified NEDs**

5.24 NEDs in scope of the PRA's SMR are subject to the conduct rules, including those applicable only to Senior Managers. As was the case under the APR, breaches of the conduct rules by NEDs in scope of the SMR are directly enforceable against the individual Senior Manager. Notified NEDs are subject to the three individual Conduct Rules and Senior Manager Conduct Rule 4.

5.25 Some conduct rules apply to NEDs in scope of the SMR in respect of their limited duties only. For instance, the Chair of the Remuneration Committee would be likely to discharge his or her responsibilities under Senior Manager Conduct Rule 2 if he or she takes reasonable steps to ensure that the Remuneration Committee complies with the requirements of Remuneration and any specific and relevant requirements imposed under section 55M of FSMA, and remains free from undue executive interference in decision-making pursuant to SYSC 7.1.22R (for credit unions) and Risk 3.5 (for CRR firms).

5.26 By contrast, certain conduct rules, such as the duty to act with integrity, apply to NEDs in scope of the SMR and executive Senior Managers in very similar ways.

5.27 CRR firms are also required by Fitness and Propriety 3.1 to require that all members of their management body — ~~including Notified NEDs to whom the conduct rules do not apply directly~~ — observe Individual Conduct Rules 1–3 and Senior Manager Conduct Rule 4.

5.28 The requirements to 'be open and cooperative with the FCA, the PRA and other regulators' (Individual Conduct Rule 3) and 'disclose appropriately any information of which the FCA or PRA would reasonably expect notice' (Senior Manager Conduct Rule 4) are particularly important for NEDs. As the PRA Approach Document states, if any director has *'concerns about the firm or its management and governance, the PRA will expect them to press for action to remedy the matter and, if those concerns are not addressed, to alert the PRA.'*<sup>1</sup>

### **Notifications by firms to the PRA (Notifications 11)**

5.29 The obligations to make a notification under section 64C (*'Requirement for relevant authorised persons to notify regulator of disciplinary action'*) of FSMA applies notwithstanding any agreement (for example a 'COT 3' Agreement settled by the Advisory, Conciliation and Arbitration Service) or any other arrangements entered into by a firm and an employee upon termination of the employee's employment. A firm should not enter into any such arrangements or agreements that could conflict with its obligations under this section.

5.30 The provision of information to a regulator which is false or misleading may be a criminal offence under section 398 of FSMA.

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1 The Prudential Regulation Authority's approach to banking supervision (April 2013) at paragraph 78; [www.bankofengland.co.uk/publications/Documents/praproach/bankingappr1304.pdf](http://www.bankofengland.co.uk/publications/Documents/praproach/bankingappr1304.pdf) and The Prudential Regulation Authority's approach to insurance supervision (June 2014) at paragraph 88; [www.bankofengland.co.uk/publications/Documents/praproach/insuranceappr1406.pdf](http://www.bankofengland.co.uk/publications/Documents/praproach/insuranceappr1406.pdf)

5.31 The notification requirements in Notifications 11 complement and do not override existing requirements according to which firms have to report information to the PRA, for example under Fundamental Rule 7 of the PRA Handbook or other Notifications rules.

5.32 Where a notification under the Notifications 11 rules relates to a person performing an SMF, a firm should have regard to the urgency and significance of a matter and, if appropriate, should also notify its usual supervisory contact at the PRA by telephone or by other prompt means of communication, before submitting a written notification. Oral notifications should be given directly to the relevant authorised person's usual supervisory contact at the PRA. An oral notification left with another person or left on a voicemail or other automatic messaging service is not considered appropriate.

5.33 The PRA is entitled to rely on any information it receives from a firm and to consider any notification received under Notifications 11 as being made by a person authorised by the firm to do so. A firm should therefore consider whether it needs to put procedures in place to ensure that only appropriate employees make notifications under Notifications 11 on its behalf to the PRA.

~~5.34 Notified NEDs are not directly bound by the conduct rules and are therefore exempt from the accompanying notification requirements in section 64C of FSMA and Notifications 11.2. However, if a firm becomes aware of information which would reasonably be material to the assessment of a current or former Notified NED's fitness and propriety, it must, under rule 4.3 in the Fitness and Propriety Part of the PRA Rulebook, inform the PRA in writing as soon as practicable.~~

## 6 Regulatory references

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6.1 This chapter sets out the PRA's expectations of how firms should comply with the rules on regulatory references in the Fitness and Propriety Part of the PRA Rulebook. A 'regulatory reference' is an employment reference delivered in a mandatory form containing specific information on a candidate's conduct and fitness and propriety. Firms must request and provide regulatory references in certain circumstances.

6.2 This chapter seeks to advance the PRA's safety and soundness statutory objective by clarifying how firms should comply with a range of measures whose overarching goal is to prevent the 'recycling' of individuals with poor conduct records between firms.

6.3 The rules on regulatory references and the expectations set out in this chapter take into account the recommendations of the Fair and Effective Markets Review (FEMR).<sup>1</sup>

### Requesting regulatory references

6.4 Fitness and Propriety 2.7 require firms to request references when assessing the fitness and propriety of candidates to perform the following functions:

- Senior Management Functions (SMF);
- Certification functions; and
- Notified non-executive director (NED) functions.

6.5 Regulatory references must cover the previous six years of employment and be sought from all relevant former employers and, if different, any firms at which the candidate has performed:

- an SMF;
- another Controlled Function (CF);
- a Certification function;
- a notified NED function or credit union NED function;
- a Senior Insurance Management Function (SIMF); or
- any other Key Function Holder in Solvency II insurers which is neither a SIMF nor CF.

6.6 Note that other references should also be requested from any other employers or organisations other than firms for which the candidate has performed a role, including as a non-executive director (for the purposes of this specific requirement, which is set out in Fitness and Propriety 2.7(1)(c), the term 'non-executive director' is not restricted to the definition in the PRA Rulebook but should be understood as encompassing all forms of non-executive directorship).

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<sup>1</sup> June 2015, [www.bankofengland.co.uk/markets/Documents/femrjun15.pdf](http://www.bankofengland.co.uk/markets/Documents/femrjun15.pdf).

### **Information to be included in the request for a reference**

6.7 Where a firm (firm A) is requesting a regulatory reference from another firm subject to the rules on regulatory references (firm B), firm A should make it sufficiently clear that the request is subject to the requirements in Fitness and Propriety, by attaching or referring to the Regulatory Reference Template ('Template').<sup>1</sup>

6.8 As long as firm A makes the nature of its request to firm B and the fact it is subject to the Template requirements sufficiently clear, it does not have to set out specifically itself the information that firm B needs to include in the regulatory reference.

6.9 Conversely, if firm A is requesting a reference from a firm that is not a full-scope regulatory reference firm (as defined in Fitness and Propriety 1.3) or where it does not know whether the firm is a full-scope regulatory reference firm, it should clearly specify the information it requires to be provided as a minimum and may find it appropriate to use the Template anyway.

### **Requesting regulatory references from overseas firms**

6.10 Due to local legal restrictions in some jurisdictions, obtaining information on individuals' conduct and fitness and propriety from firms outside the United Kingdom may sometimes not be possible.

6.11 Although the PRA is aware of these legal restrictions, it requires firms to take reasonable steps to obtain references from all current and former employers. When recruiting a candidate who is or may have previously been based overseas, these steps may include:

- approaching all relevant current and former overseas employers;
- explaining that UK regulation requires them to request certain information on candidates for certain functions and to specify the information they require; and
- collecting as much of this specific information as the overseas employers are legally able and willing to provide.

6.12 While full-scope regulatory reference firms must take reasonable steps to obtain information from overseas firms, the PRA will take into account any demonstrable, relevant legal impediments when assessing whether firms are complying with this requirement. Evidence of these legal constraints may include, but is not limited to, relevant correspondence with the overseas employer or a legal opinion setting out the applicable legal restrictions in a given jurisdiction.

6.13 In addition, the PRA understands that several jurisdictions have registers containing information relevant to the conduct and/or fitness and propriety of, at least certain categories of financial services professionals. Although searches of relevant registers are not part of the regulatory reference requirements, they may be a valuable source of relevant information and help firms meet their obligations under section 60A of FSMA. A firm's due diligence would be likely, however, to comprise more than a search of relevant registers.

### **Recruiting individuals internally or from the same group**

6.14 Fitness and Propriety 2.7(2) states that a full-scope regulatory reference firm (firm A) is not required to obtain full regulatory references when hiring individuals into relevant functions

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<sup>1</sup> <https://www.handbook.fca.org.uk/handbook/SYSC/22/Annex1.html>.

from a firm or firms which are part of their same group, provided that the group's internal policies and procedures allow firm A to access all the information it requires to assess the candidate's fitness and propriety (subject to any applicable laws).

6.15 The aim of this rule is to give full-scope regulatory reference firms which are part of a group flexibility to rely on centralised records or other internal mechanisms and process for exchanging information on employees. However, these internal mechanisms and processes should adequately enable full-scope regulatory reference firms to satisfy their obligations. It follows that the quality and quantity of information that full-scope regulatory reference firms should have access to from their groups should be equivalent to that which would otherwise be contained in a regulatory reference. It is not uncommon for individuals to be contractually or formally employed by one firm but to perform their role in or provide services to other entities within that firm's group. Where this is the case, the firm providing the reference should obtain relevant information from other entities in its group which the individual has worked in or provided services to over the past six years. Firms should take similar action when updating a reference.

6.16 Accordingly, the PRA expects firms, and where relevant, groups, to implement appropriate policies and processes to ensure that if an individual leaves the group, they can provide a complete regulatory reference covering the prior six years of employment regardless of how many times he or she changed roles or moved within the group over that period.

6.17 Where an individual has, in the past six years, simultaneously performed relevant functions across several firms within the same group and then leaves that group, the regulatory reference(s) should include information from all relevant entities subject to any applicable legal restrictions. The PRA considers it good practice for groups to consolidate information from all relevant entities into a single template. To facilitate this, the PRA's rules allow firms to change the format of the Template (but not the substantive information that it must include).

### **Obtaining references before applying for pre-approval as an SMF, SIMF or CF or certifying a Certification employee**

6.18 It may not always be possible for firms to obtain a reference before applying to the PRA for pre-approval on behalf of an SMF.

6.19 For instance, if the current employer of candidate for a relevant function is listed in the United Kingdom, the candidate's resignation may trigger an obligation on the employer to issue a regulatory notification under Listing Rule 9.<sup>1</sup> Typically, the candidate may want to wait until they have obtained regulatory pre-approval for their proposed SMF or SIMF (or an indication that such pre-approval is likely to be forthcoming) before resigning from their current role. A regulatory reference request from a prospective employer in these circumstances could alert the candidate's current employer of their impending resignation thereby triggering the disclosure obligation.

6.20 The statutory obligation in section 60A of FSMA on relevant authorised persons to satisfy themselves that candidates for an SMF are fit and proper before applying to the PRA for pre-approval on their behalf applies irrespective of the circumstances.<sup>2</sup> Therefore, where a firm

<sup>1</sup> In particular, LR 9.6.11 <https://www.handbook.fca.org.uk/handbook/LR/9/6.html>.

<sup>2</sup> A similar, non-statutory obligation for insurers exists in Insurance - Fitness and Propriety <http://www.prarulebook.co.uk/rulebook/Content/Part/212600/18-07-2016>.

cannot obtain all necessary references before applying to the PRA for pre-approval on an SMF's behalf, the PRA expects the firm to:

- explain in the application why it was not possible to obtain all prior regulatory references;
- confirm that, despite the absence of all necessary regulatory references at this stage, it is satisfied that the candidate is fit and proper as required by section 60A(2) of FSMA and list the evidence it has relied on to reach this conclusion; and
- commit to obtaining all necessary references as soon as reasonably practicable, subject to any applicable legal restrictions, and to take appropriate action if any of those references reveal previously unknown adverse information about the candidate's fitness and propriety including, if justified, revoking an offer of employment or terminating the individual's employment.

6.21 If a firm cannot obtain the necessary references prior to making an application for approval as an SMF because doing so would trigger market-sensitive notification requirement, they will be required to do so before the candidate can be approved by the PRA.

6.22 If a firm cannot obtain the necessary references prior to making an application for approval as an SMF due to any other legitimate reasons, besides market-sensitive notification requirements, it will need to obtain and consider all references necessary to confirm its conclusions as to the candidate's fitness and propriety no later than one month before the application is due to be determined.

6.23 In either case, the PRA will process these applications but will treat them as incomplete. Consequently, the PRA will not approve candidates, conditionally or unconditionally, until the firm has confirmed that it has obtained all references necessary to confirm its conclusions as to fitness and propriety.

6.24 Similarly, where a firm needs to fill a vacancy which is a Certification function and which could not have reasonably been foreseen, the PRA recognises that it may not be reasonable to expect the firm to obtain references prior to issuing a certificate. In such cases, firms should take up the references as soon as reasonably possible. If the references duly obtained raise concerns about the employee's fitness and propriety, the firm should immediately revisit and, if appropriate, revoke, its decision to issue him or her with a certificate.

## **Providing regulatory references**

6.25 If a firm receives a request from another firm subject to the regulatory reference requirements regarding a candidate for a relevant function, Fitness and Propriety 5.1 requires that firm to provide a regulatory reference including all information of which it is aware that is relevant to the hiring firm's assessment of that individual's fitness and propriety.

6.26 Fitness and Propriety 5.3(1) requires that the regulatory reference must be provided using the Template, and include, at a minimum, the information set out in the Template.

## **Agreements and circumstances relating to the departure of an individual**

6.27 The precise manner in which a relevant function may have left a firm (ie dismissal, redundancy, mutual agreement etc.) has no bearing on that firm's obligation to provide a regulatory reference.



6.28 Moreover, the obligation to provide regulatory references applies to every firm notwithstanding any agreement or arrangement it may have entered into with an individual prior to or upon termination of his or her employment, including a COT 3 Agreement settled by the Advisory, Conciliation and Arbitration Service.

6.29 A firm should not enter into any arrangements or agreements that could conflict with its obligations under Fitness and Propriety.

### **Outsourcing the collection of employee information**

6.30 The requirement for a firm to give information to another full-scope regulatory reference firm should also be observed where the hiring firm has outsourced the collection of information on a candidate to an unregulated third party, such as an executive search firm, provided that the firm requesting the reference makes it clear to the firm giving it that the unregulated third party is acting on its behalf.

### **Mandatory information**

6.31 Fitness and Propriety requires firms to include the following mandatory information in the Template:

- Breaches of the Conduct Rules and, where relevant, the Statements of Principle and Code of Practice for Approved Persons (APER) (which was superseded by the Conduct Rules on 7 March 2016 but may still be relevant to historic misconduct) if they culminated in disciplinary action. The definition of disciplinary action for the purposes of regulatory reference mirrors the definition in section 64C of FSMA.
- Whether the firm concluded, at any point in the six years prior to the request for a regulatory reference, that the candidate was not fit and proper to perform a function.

6.32 Suspensions imposed pending an internal investigation do not have to be notified to the PRA under section 64C of FSMA nor included in regulatory references. Conversely, suspensions imposed as a disciplinary measure are required to be reported to the regulators and included in regulatory references.

6.33 Likewise, the reduction or recovery of an individual's remuneration should only be notified to the PRA under section 64C of FSMA, and included in a regulatory reference, if it is imposed as a disciplinary action due to a breach of the Conduct Rules or, where relevant, APER or other historic applicable rules but not if it is triggered by a downturn in financial performance or a need to preserve/rebuild capital unrelated to misconduct.

### **All relevant information**

6.34 In addition to specifying mandatory information which must be disclosed in regulatory references, Fitness and Propriety 5.1 requires firms to provide all other relevant information of which they are aware that is relevant to the requesting firm's assessment of the candidate's fitness and propriety. To facilitate this, the Template includes an 'all relevant information' section.

6.35 Information in the 'all relevant information' section of the Template should not duplicate anything disclosed in the 'mandatory information' section. This section aims to capture additional information relevant to the requesting firm's assessment of the candidate's fitness and propriety.



6.36 However, the ‘all relevant information’ section can be used to provide further background on a breach disclosed in the ‘mandatory information’ section, such as mitigating circumstances and/or subsequent corrective action or good conduct by the individual. It follows that information in the ‘all relevant information’ section does not always have to be ‘negative’.

6.37 For example, if an individual’s remuneration was subject to clawback three years ago due to a finding by his employer that the individual had failed to act with due skill, care and diligence in respect of a particular matter, but the individual’s conduct at the same employer had been exemplary since; the disciplinary action should be disclosed in the ‘mandatory information’ section but the firm would be able to use the ‘all relevant information’ section to highlight the candidate’s subsequent conduct and any remedial action taken.

6.38 Disclosures in the ‘all relevant information’ section are subject to the same six-year time limit as those in the ‘mandatory information section except for cases involving serious matters, for which there is no time limit. It is important that firms also take into account all relevant legal requirements, such as those relating to the rehabilitation of offenders and spent convictions where appropriate, when determining what it may disclose.

6.39 Firms should make their own assessment of the seriousness of the matter on a case-by-case basis. Some non-exhaustive examples of matters which a firm may consider serious enough to warrant inclusion under the heading of ‘serious misconduct’ in the ‘all relevant information section’ of the Template (regardless of how long ago they took place) include but are not limited to:

- a serious breach of certain rules directly applicable to the individual, ie the Conduct Rules;
- misconduct that caused or led to a breach by the firm of important supervisory requirements, such as the Threshold Conditions;
- misconduct that resulted in enforcement action by the regulators against the firm and/or the individual concerned;
- misconduct involving serious dishonesty (whether or not it also involves a criminal act, taking account of any applicable legal requirements relating to the rehabilitation of offenders and spent convictions and disclosure);
- conduct that would have caused the firm providing the reference (‘firm A’) to dismiss the individual (‘P’) in accordance with its internal code of conduct if it had been discovered while P was still working there; and/or
- conduct that would cause firm A not to employ P if firm A was considering P for a relevant function and it became aware of it (through a regulatory reference from a prior employer or otherwise).

6.40 Please note that the examples in this paragraph are only relevant for the purposes of regulatory references. They do not, for example, have any application in the context of the exercise of disciplinary powers by the PRA.

6.41 The ‘all relevant information’ section may also include information on events that did not culminate in formal disciplinary action as defined in section 64C of FSMA or a formal finding that the individual was not fit and proper.

## Legal duties

6.42 When considering what information and level of detail to include in regulatory references, firms need to comply with their legal obligations under statutory and common law.

6.43 As set out in Fitness and Propriety 5.4, a firm is not required to disclose information that has not been properly verified. A firm supplying a reference owes a duty to its former employee and the recipient firm to exercise due skill and care in the preparation of that reference. References should be true, accurate, fair and based on documented fact.

6.44 If a reference refers to misconduct or includes adverse information about the candidate, this information should have been properly investigated by the firm, and the firm should have reasonable grounds for believing that the misconduct has taken place. References must not be based on unproven allegations or mere suspicions.

6.45 Fairness may normally require a firm to have given an employee an opportunity to comment on information in a reference ('right to comment'). However, it is ultimately for firms to decide whether a right to comment is appropriate taking into account the individual circumstances of each case.

6.46 Giving individuals a right to comment on allegations capable of inclusion in a regulatory reference does not equate to giving them a right to edit or veto the contents of a regulatory reference.

6.47 Similarly, if an individual refuses to comment on allegations having been given a reasonable opportunity to do so, this should not, in itself, prevent the firm from including these allegations in a regulatory reference.

6.48 It is the responsibility of firms to develop internal policies and processes that ensure compliance with their legal and regulatory obligations.

## Updating regulatory references

6.49 From 7 March 2017 firms are required to revise a regulatory reference they have given on or after that date where they become aware of matters that would cause them to draft the reference differently, if the reference were being given now.<sup>1</sup> This updating obligation applies for a period of six years.

6.50 The matters in scope of the requirements to update a regulatory reference are the same, in terms of the disclosures and minimum time requirements, as those applicable to the initial reference. However, the maximum six year time limit for updating references will be fixed irrespective of the severity of the misconduct.

6.51 The six-year period for updating regulatory references should start on the date when the individual's employment with the firm providing the reference terminated (taking into account any applicable notice periods, garden leave or equivalent).

6.52 Notwithstanding the fixed six-year updating period, disclosures in the original regulatory reference may include misconduct that occurred more than six years before the reference was given, but which came to light within the period during which the updating provision applies (if sufficiently serious).

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<sup>1</sup> This requirement does not apply to non-regulatory references ie standard employment references.

6.53 In practice, updating is likely to be limited to circumstances where misconduct comes to light after an employee has left the firm and that firm is able to confirm that misconduct and a breach of the relevant conduct rules by the former employee occurred.

#### **Updating references where the individual moves multiple times in six years**

6.54 A firm providing an updated reference is only required by Fitness and Propriety 5.4 to provide it to the relevant function's current employer but not to any other firms where the individual may have been employed in the period between leaving the firm providing the updated reference and joining his current employer.

6.55 A firm required to provide an updated reference to a relevant function's current employer is required to make reasonable enquiries as to the identity of that employer. Likewise, a firm which receives such an enquiry is required to respond.

6.56 Moreover, the PRA expects firms to consider this requirement alongside the following additional requirements and expectations on full-scope regulatory reference firms to disclose misconduct to either the regulators or other firms:

- In addition to the requirement to provide an updated reference to the individual's current employer, a firm is required to ensure that any new references it is asked to provide within the six-year period reflect any relevant information that may come to light following the individual's departure.
- Where a firm discovers misconduct, a number of existing rules and statutory provisions require firms and the individuals therein to disclose this to the PRA irrespective of whether the individuals involved remain employed by the firm or not. These rules include:
  - Fundamental Rule 7, which states that a firm must deal with its regulators in an open and cooperative way and must disclose to the PRA appropriately anything relating to the firm of which the PRA would reasonably expect notice; and
  - Individual Conduct Rule 3 and Senior Manager Conduct Rule 4, which require individuals to 'be open and co-operative with the FCA, the PRA and other regulators and Senior Managers to 'disclose appropriately any information of which the FCA or PRA would reasonably expect notice'.

## Appendix

SS28/15 was first published in July 2015 following CP14/14 ‘Strengthening individual accountability in banking: a new regulatory framework for individuals’<sup>1</sup>, CP28/14 ‘Strengthening accountability in banking: forms, consequential and transitional aspects’<sup>2</sup> and CP7/15 ‘Approach to non-executive directors in banking and Solvency II firms & Application of the presumption of responsibility to Senior Managers in banking firms’<sup>3</sup>.

This appendix details changes made to this SS following its initial publication in July 2015.

### Updates

#### [September 2016](#)

- Inserting Chapter 6 to incorporate the PRA’s expectations in relation to regulatory references published as part of PS27/16 ‘Strengthening accountability in banking and insurance: PRA requirements on regulatory references (part II)’.<sup>4</sup>

#### [January 2016](#)

- Removing references to section 66B of FSMA (presumption of responsibility), which the previous version of SS28/15 took into consideration but was not enacted, by updating 2.11, removing 2.42, 2.60 to 2.80 and 5.29 to 5.31, and amending 5.32. Remaining paragraphs were renumbered.

#### [December 2015](#)

- Incorporated the General Organisational Requirements Part in 2.2 as a relevant source of related material;
- Expanded scope to include incoming non-EEA branches by updating table A, and adding 2.17 – 2.19 and 2.28. Existing paragraphs were renumbered

### Original

#### [July 2015](#)

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1 July 2014, [www.bankofengland.co.uk/pr/Pages/publications/cp/2014/cp1414.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/cp/2014/cp1414.aspx).  
2 December 2014, [www.bankofengland.co.uk/pr/Pages/publications/cp/2014/cp2814.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/cp/2014/cp2814.aspx).  
3 February 2015, [www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp715.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp715.aspx).  
4 September 2016, [www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps2716.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps2716.aspx).

## **Appendix 4 - Draft revised Supervisory Statement 35/15 Strengthening individual accountability in insurance**

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# 1 Introduction

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This draft SS is appended to CP34/16 'Strengthening individual accountability in banking and insurance: amendments and optimisations'. Strike through indicates deleted text, and underlining indicates new text.

1.1 This supervisory statement sets out the approach of the Prudential Regulation Authority (PRA) to strengthening individual accountability in insurance. It is addressed to:

- UK Solvency II insurance firms and groups;
- third-country insurance branches within the scope of rules transposing the Solvency II Directive; and
- the Society of Lloyd's and managing agents.

1.2 The statement seeks to advance the PRA's safety and soundness, along with the insurance, statutory objectives by setting out the PRA's expectations of how firms should comply with the regulatory framework of the Senior Insurance Managers Regime (SIMR).

1.3 The PRA has considered matters to which it is required to have regard, and it considers that this statement is compatible with the Regulatory Principles and relevant provisions of the Legislative and Regulatory Reform Act 2006. This statement is not expected to have any direct or indirect discriminatory impact under existing UK law. In particular the statement sets expectations regarding:

- the Senior Insurance Managers Regime (SIMR);
- the application of Conduct Standards and associated notifications; and
- assessing fitness and propriety.

1.4 This statement has been subject to public consultation and reflects the responses received by the PRA.<sup>12</sup>

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1 This statement combines draft supervisory statements that were consulted on in CP26/14, 'Senior Insurance Managers Regime: a new regulatory framework for individuals', November 2014; [www.bankofengland.co.uk/pr/Pages/publications/cp/2014/cp2614.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/cp/2014/cp2614.aspx); and CP7/15, 'Approach to Non-Executive Directors in banking and Solvency II firms & Application of the presumption of responsibility to senior managers in banking firms', February 2015; [www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp715.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp715.aspx).

2 Please see also the feedback provided in PS22/15, 'Strengthening individual accountability in insurance: responses to CP26/14, CP7/15 and CP13/15', August 2015; [www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps2215.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps2215.aspx).

## 2 The Senior Insurance Managers Regime (SIMR)

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2.1 This chapter sets out the PRA's expectations of how firms, and individuals performing a Senior Insurance Management Function (SIMF) (Senior Insurance Managers), comply with the SIMR. In particular, this chapter clarifies:

- the scope of the SIMR;
- the identification of key functions; and
- the allocation of responsibilities to individuals.

2.2 This chapter should be read in conjunction with:

- the relevant parts of the PRA Rulebook namely Insurance – Senior Insurance Management Functions, Insurance – Allocation of Responsibilities, Conditions Governing Business, and Insurance – Fitness and Propriety;
- the relevant European legislation;
- the Financial Conduct Authority's (FCA's) rules and guidance on its corresponding Approved Persons Regime (APR); and
- SS5/16 'Corporate governance: Board responsibilities' which is a supervisory statement on the PRA's expectations of boards that complements the SIMR's focus on individual accountability.<sup>1</sup>

### Senior Insurance Management Functions (SIMFs)

2.3 This section sets out the PRA's expectations of how firms should comply with, and interpret, the rules on SIMFs in the Insurance – Senior Insurance Management Functions Part of the Rulebook, which govern the scope of the PRA's SIMR.

2.4 In view of the need to establish that an individual with appropriate skills, experience and personal characteristics is responsible for each SIMF, the PRA does not expect persons other than natural persons to be approved for a SIMF.

### Criteria for a 'Group Entity Senior Insurance Management Function'

2.5 The definition of a Group Entity Senior Insurance Manager (SIMF 7) will only encompass those individuals who meet the criteria in section 59ZA of FSMA, and who are also deemed to be in a key function (as defined in the PRA Rulebook). This is likely to include the chairman of the group, or the chair of a key group board committee where that committee has direct responsibility for oversight of the affairs of the firm. It is also expected to include those Group Executive Directors and Senior Insurance Managers who have responsibility for some aspect of the safety and soundness of the group, or of the PRA regulated firms in the group.

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<sup>1</sup> PRA SS5/16, 'Corporate governance: Board responsibilities', March 2016; <http://www.bankofengland.co.uk/pr/Pages/publications/ss/2016/ss516.aspx>.

2.6 However, the PRA believes that this definition of a SIMF 7 should not normally encompass Non-Executive Directors (NEDs) in another group company, (other than the chairman of the group board or the chair of a key group board (eg Audit Committee) where that committee has direct responsibility for oversight of the affairs of the firm). It should also not normally encompass individuals who are either in a role with a predominately conduct focus, or who are performing relatively junior managerial roles.

2.7 This function should include any individual within the group (eg a group CEO) whose decisions and actions had to be regularly taken into account by the governing body of the firm.

2.8 The PRA expects individuals performing the Group Entity Senior Insurance Manager role to have regard for the duties of NEDs on the board of a subsidiary through which the Group Entity Senior Insurance Manager is directing business. The board of the subsidiary is expected to provide proper oversight of the subsidiary and has regulatory duties under FSMA and fiduciary duties under the Companies Act 2006 in this respect. This means a Group Entity Senior Insurance Manager may direct elements of the business which form part or all of a subsidiary only to the extent the board agrees to this. In practice this means close liaison between the Group Entity Senior Insurance Manager and the NEDs of the subsidiary including full and transparent passage of information. The PRA will hold the NEDs and the Group Entity Senior Insurance Manager accountable for this collaboration.

2.9 The PRA expects that the allocation of responsibilities should be made in such a way that it does not undermine the collective fiduciary, legal and regulatory responsibilities of the board, but rather complements and informs the operation of collective decision-making mechanisms.

### **International groups**

2.10 The scope of the SIMFs under the SIMR only applies in relation to a firm's UK-regulated activities. This inherently limits the extent to which it can apply to individuals in a firm's parent or group entities, particularly those based overseas. However, the fact that an individual is located outside the United Kingdom does not, in itself, mean that he or she cannot perform an SIMF on behalf of a firm.

2.11 The PRA is mindful of both the territorial scope of the SIMR and the governance arrangements of international groups operating in the United Kingdom. Consequently, the PRA does not require pre-approval of senior individuals located overseas whose responsibilities in relation to the United Kingdom are limited to developing the group's overall strategy. The PRA's focus is on those individuals who, irrespective of their location, are directly responsible for implementing the group's strategy at UK firms. The PRA and FCA followed a similar approach under the APR, which resulted in a small number of individuals based overseas being approved as Significant Influence Functions (SIFs) of UK firms.

2.12 Consequently, if an individual located overseas is directly responsible for taking decisions about how a UK firm should conduct its UK-regulated activities and has not delegated this responsibility to a Senior Insurance Manager based in the United Kingdom, it is likely that he or she will require approval as SIMF 7 (or, in some cases, another SIMF).

2.13 The PRA does not aim or expect to approve individuals as SIMF 7 in every UK firm which is part of an overseas-headquartered group. Whether these entities are required to have any individuals approved as SIMF 7 is assessed on a case-by-case basis. In the first instance, it is up to firms to consider whether there may be any individuals in their parent or group companies, in the United Kingdom or overseas, who may be performing an SIMF 7 on behalf of a firm. In doing so, they should take into account:



- the respective organisational structures of the group and the firm;
- the split of key responsibilities between the group and UK boards and senior management; and
- whether SIMFs based in the United Kingdom have an appropriate level of delegated authority from the group or parent to ensure that the UK entities comply with local regulatory obligations.

### **Independence requirements**

2.14 Articles 258 & 271 of the EU Solvency II Delegated Regulation prevent individuals from performing specific combinations of SIMFs at the same firm, or require certain SIMFs to be performed independently of any other functions or activities of the firm.

2.15 Where neither PRA rules nor the EU Solvency II Delegated Regulation prevent an individual from performing a combination of SIMFs, the PRA may still decide not to approve the individual to perform the desired combined functions in some circumstances, such as where the PRA considers that:

- there could be a significant conflict of interest from combining the functions (other than on a temporary basis), that would be difficult to manage satisfactorily, such as Chairman and CEO; or
- the individual's qualifications, training, competencies and/or personal characteristics render them fit and proper to perform one function but not the other(s).

2.16 The PRA envisages that a person may be approved to carry out Controlled Functions (CFs) in more than one firm, subject to the individual having sufficient time and resource, and the ability to address any resulting conflicts of interest, and to the combination of duties not preventing the person from carrying out all their responsibilities in a sound, honest, and objective manner.

### **Sharing a PRA SIMF**

2.17 In certain circumstances, including but not limited to job-share arrangements, a firm may be allowed to have more than one individual responsible for a single SIMF.

2.18 The PRA expects to see a clear explanation and justification of how the relevant responsibilities are allocated or shared between the individuals responsible for the SIMF, along with the reporting lines and lines of responsibility for each individual.

2.19 However, the PRA expects SIMFs to be shared between individuals only where appropriate and justified. This individual(s) performing a SIMF should be the most senior person(s) responsible for that area of the firm.

### **Principle of proportionality**

2.20 In accordance with the principle of proportionality, and depending on the nature, scale and complexity of the business activities and risks, the PRA expects that smaller firms may be able to combine responsibilities for different functions with a single individual. This will depend on the entity meeting the need for transparency and accountability, the need for appropriate management of any conflicts of interest, and the need for at least two persons to be effectively running the firm.

2.21 A third country branch undertaking must have at least one individual approved to perform the Head of Third Country Branch SIMF as set out in Insurance — Senior Insurance Management Functions 6 (and, where relevant, a With-Profits Actuary). It is not required to have individual(s) approved in advance to perform any of the other key functions, but a third country branch undertaking will need to notify the PRA of the identity of key function holders and provide relevant information about them.

2.22 However, if a third country branch undertaking has some individuals who are appointed to either the chief finance officer, chief risk officer, chief actuary, chief underwriting officer or head of internal audit functions, and whose role is dedicated to the undertaking's operations in the UK, then the PRA expects firms to apply for the approval of such individuals for the relevant functions. They may also wish to have some additional individuals approved, so as to be able to meet the requirement to have all the Prescribed Responsibilities, as set out in Insurance - Allocation of Responsibilities 2.3, allocated to an approved person.

### **Internal audit function**

2.23 Those firms that are classed as 'not significant', and which elect to outsource their internal audit function to a third party, are not required to have an individual approved to perform the Head of Internal Audit function (SIMF5).

2.24 Instead of the requirement to have an individual approved to perform the Head of Internal Audit function (SIMF5), insurers that are 'not significant' and which elect to outsource their internal audit function to a third party are required to allocate a new Prescribed Responsibility to one of their non-executive directors who performs a SIMF or an FCA governing function<sup>1</sup> such as the Chair of the Audit Committee (SIMF11) for:

- providing for an effective internal audit function; and
- overseeing the performance of the internal audit function.

### **Firms in run-off (other than third country branch undertakings) that no longer have regulatory permissions to write new business**

2.25 Where a UK Solvency II firm has its permission to write new business withdrawn under section 55J(7B) of FSMA ('firm without permission to effect contracts of insurance'), after breaching the requirement to maintain the minimum capital requirement (MCR), it is only required to comply with a streamlined SIMR.

2.26 The key differences between this streamlined SIMR for firms without permission to effect contracts of insurance and the full SIMR for Solvency II insurance firms is as follows:

- firms without permission to effect contracts of insurance are only required to have individuals approved to perform the Head of Firm without permission to effect contracts of insurance function (SIMF19A); Chief Finance function (SIMF2) and, where applicable, With-Profits Actuary function (SIMF21), rather than the full suite of SIMFs which Solvency II insurance firms are required to have; and

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<sup>1</sup> Definition of this term is in the PRA Rulebook glossary at the following link: [www.prarulebook.co.uk/rulebook/Glossary/FullDefinition/67042/23-09-2016](http://www.prarulebook.co.uk/rulebook/Glossary/FullDefinition/67042/23-09-2016).

- there is a smaller set of four PRA Prescribed Responsibilities, as set out in Insurance – Allocation of Responsibilities 3.3, which these firms need to allocate among their SIMFs, or to an FCA CF who is in a ‘relevant senior management function’.

2.27 However, these firms will still need to appoint key function holders (KFHs) for the four mandatory key functions (ie actuarial, risk management, internal audit, and compliance), ensure that they are fit and proper on an ongoing basis, and notify these individual KFHs to the PRA on appointment with all the information needed for a fit and proper assessment.

## Key functions

2.28 In accordance with the rules in the Conditions Governing Business Part of the Rulebook and the EU Solvency II Delegated Regulation, the system of governance of each Solvency II insurance firm and group needs to cover at least the following key functions: risk-management, compliance, internal audit, and actuarial. The system of governance may also include additional key functions that are of specific importance to the sound and prudent management of the firm, as assessed by the firm or group concerned.

2.29 When assessing whether an additional key function exists, firms and groups are expected to take into consideration whether:

- the function is essential for the proper functioning of the firm or group considering its risk profile and business;
- the function assumes material or complex financial market risks as part of its activities, or assumes material credit risk through the activity of providing loans;
- the function needs a competence that is difficult to replace; or
- any failure in the operation or effectiveness of the function may seriously threaten the interests of the insurance firm or group or its policyholders.

2.30 The PRA does not consider that key function is intended to be a closed category. In order to facilitate consistency, the PRA suggests that firms may wish to consider whether the following functions would meet the criterion of being of specific importance to the sound and prudent management of the firm, so as to be considered a key function:

- investment function (see 2.34 below);
- claims management function (especially for general or health insurance firms);
- IT function; and
- reinsurance function (if separate from the other key functions, e.g. risk management).

2.31 These are functions whose operation, if not properly managed and overseen, could for some firms, depending on the nature and complexity of the business, potentially lead to significant losses being incurred or to a failure in the ongoing ability of the firm to meet its obligations to policyholders.

2.32 The PRA expects that investment managers and traders, who either oversee or undertake significant, or frequent, investment (or currency) activities on behalf of the firm (or any of its clients or policyholders) would normally be considered to be performing a key function.

2.33 The PRA would normally expect a key function holder to report into a very senior figure at the firm such as the CEO or possibly some other SIMF holder. In cases where there is more than one head of a function, the PRA anticipates that responsibility for a particular key function might be shared between more than one individual. This would be in a similar way, and subject to similar restrictions, to the sharing of responsibilities by two SIMF holders (see paragraphs 2.17 to 2.19 above).

2.34 In accordance with Insurance – Allocation of Responsibilities 5, Solvency II insurance firms should prepare and maintain a governance map. This should show the key functions at the firm, and the relevant individuals (termed key function holders) responsible for these functions, along with their lines of accountability and responsibility both within that firm and any wider group. This governance map should be set out and maintained in a clear and coherent manner.

2.35 A firm or group can freely decide how to organise each function in practice, taking into account the nature, scale and complexity of the risks inherent in its business, and the need for an effective system of governance with a clear allocation of responsibilities. Within this structure the PRA believes that firms will be able to operate within their intended risk appetite and agreed risk strategy and risk profiles without the need for all executive decisions to be taken to the board. However, it is expected that appropriate oversight of executive decisions will continue to be made by the board as part of its oversight function, promoting a culture of effective risk management.

2.36 Performance of each of the above key functions may be outsourced to another undertaking, in accordance with the provisions in the EU Solvency II Regulations, and with guidelines issued by the European Insurance and Occupational Pensions Authority (EIOPA). However, there also needs to be appropriate oversight of any outsourced functions. The PRA expects the governance map to set out which key functions have been outsourced (in whole or in part), the name of the service provider, and the identity of the key function holder within the firm who has the responsibility for oversight of that function.

2.37 The activity of ‘effectively running the firm’ is normally expected to include all the members of the governing body, as well as those individuals on the governing body of a parent or other group company who are exercising the Group Entity Senior Insurance Management function. As indicated in the EIOPA guidelines on Systems of Governance, it would also include the members of the senior management (such as the CEO) who are responsible for high level decision making, and for implementing the strategies devised, and the policies approved, by the board.

2.38 The PRA expects that firms and groups should have clear structures of accountability and delegation of individual and collective responsibilities, including checks and balances to prevent dominance by an individual. Senior individuals remain accountable for the actions of those to whom they delegate responsibilities, including in particular where firms outsource functions to third parties.

2.39 Third country branch undertakings will also need to establish which are the key functions in respect of the branch’s operations and include at least the four minimum key functions specified in the Directive. The rules in Insurance -Fitness and Propriety 4 will then apply in

respect of those key functions. In particular, the relevant individuals responsible for these key functions will need to be notified to the PRA for an assessment of their fit and proper status if they will not directly be in either a PRA SIMF or FCA CF.

## **Allocation of responsibilities to Senior Insurance Managers and NEDs**

2.40 The statutory framework of the SIMR currently contains fewer obligations than the Senior Managers Regime (SMR) for deposit-takers and PRA-regulated investment firms. In particular, under FSMA, individuals who are subject to pre-approval at insurance firms are not subject to the duty of responsibility [though this will change when the relevant provisions of the Bank of England and Financial Services Act 2016 are commenced for insurers], nor to prospective criminal liability in case of firm failure.

2.41 There are a number of responsibilities inherent in the definition of each SIMF in the Insurance – Senior Insurance Management Functions Part of the Rulebook which should be read in conjunction with the Conditions Governing Business Part of the Rulebook, and the EU Solvency II Delegated Regulation.

2.42 In addition, Insurance - Allocation of Responsibilities 3 sets out a number of ‘Prescribed Responsibilities’ which cover:

- the firm’s implementation and operation of the SIMR;
- the culture and standards within the firm; and
- a number of areas in which the PRA has specific interest as a prudential regulator.

2.43 The PRA requires firms to allocate PRA Prescribed Responsibilities to any Senior Insurance Manager or director performing a SIMF specified by the PRA or to a CF specified by the Financial Conduct Authority (FCA) [in SUP 10A of the FCA Handbook] which is a ‘relevant senior management function’. In practice, the PRA expects firms will generally allocate Prescribed Responsibilities to the function to which they are most closely linked.

2.44 Appropriate responsibilities may, where relevant, be allocated to a Group Entity Senior Insurance Manager (SIMF 7). The relevant allocations of responsibilities for each regulated firm will need to be set out clearly in the governance map(s) that are maintained. The PRA still expects any potential conflicts of interest to be addressed properly. In addition, the firm would need to ensure that each individual had the necessary time and resources available so that they could perform their role(s) in a sound, honest, fair, objective and suitably independent manner, as required by the EU Solvency II Delegated Regulation.

2.45 Certain Prescribed Responsibilities can only be assigned to NEDs who are approved to perform an SIMF or an FCA governing function, namely oversight of the:-

- development and implementation of policies and procedures of the firm’s remuneration policies and procedures, and
- independence, autonomy and effectiveness of the firm’s policies and procedures on whistleblowing.

### Scope of responsibilities for NEDs

2.46 The PRA recognises that NEDs in scope of the SIMR do not manage a firm's business in the same way as executive SIMFs and therefore the responsibilities for which they are accountable are more limited.

2.47 Those NEDs who are subject to pre-approval by the PRA or the FCA are neither required nor expected to assume executive responsibilities, but are expected to take on certain responsibilities (set out in Appendix 1) all of which are non-executive in nature and are either inherent in or derive from their Chair or Senior Independent Director (SID) roles.

2.48 The potential accountability of NEDs in scope of the SIMR is restricted to those activities for which they are responsible, which include (but are not limited to):

- ensuring that the board and/or the committees which they chair:
  - meet with sufficient frequency;
  - foster an open, inclusive discussion which challenges executives where appropriate; and
  - devote sufficient time and attention to matters within their remit which are relevant to the firm's safety and soundness;
- helping to ensure that the board or committee and its members have the information necessary to perform their tasks;
- facilitating the running of the board or committee to assist it in providing independent oversight of executive decisions; and
- reporting to the main board on the committee's activities.

2.49 The role of the Chairman is integral to a firm's safety and soundness. Consequently, the PRA expects Chairmen to:

- seek proactively to remain apprised of matters relating to the board and its individual committees by, for instance, having regular discussions with the Chairs of the Audit, Remuneration and Risk Committees outside board meetings; and
- commit a significantly larger proportion of their time to their functions than other NEDs. The PRA expects Chairmen, in particular those of major firms, not to have or take on additional commitments which may interfere with the fulfilment of their responsibilities to the firm under the SIMR.

2.50 Insurance - Senior Insurance Management Functions 4.5 specifies a SID (SIMF 14), which it defines as the function of having responsibility for leading the assessment of the performance of the person performing the Chairman function. Where a firm has a SID, the PRA expects his or her assessment of the Chairman to consider, among other things:

- the extent to which the Chairman has fulfilled his or her responsibilities under the SIMR; and
- the quality and sufficiency of resources allocated to the Chairman's office.

### **Individual accountability and collective decision-making by boards**

2.51 The PRA views the SIMR and its application as consistent with the principle of collective decision-making. The SIMR co-exists with the statutory and fiduciary duties of directors under UK company law and domestic and international corporate governance standards. The SIMR clarifies and formalises the individual responsibilities which NEDs in scope of the SIMR should already have in practice.

2.52 The PRA considers it vital that the board as a whole understands the Threshold Conditions, Fundamental Rules and more detailed underlying rules in the PRA Rulebook. Boards should establish within their firms a culture that supports adherence to the spirit and letter of these requirements.

2.53 As part of its ongoing supervision of firms' governance, the PRA assesses the overall composition and effectiveness of boards. Moreover the PRA expects firms to discuss succession planning and proposed changes to their board with supervisors irrespective of whether the proposed change relates to a function in scope of the SIMR or not.

2.54 The duty of responsibility in section 66B(5) of FSMA currently only applies to Relevant Authorised Persons<sup>1</sup> and therefore does not cover individuals in insurance firms [though this will change when the relevant provisions of the Bank of England and Financial Services Act 2016 are commenced for insurers]. However, NEDs who are performing an SIMF or an FCA governing function in insurance firms can be held individually accountable if they have:

- failed to comply with rules made by the PRA under section 64A of FSMA (including the rules in Insurance -Conduct Standards); or
- been knowingly concerned in a contravention of a relevant requirement by a PRA- authorised person.

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<sup>1</sup> Defined in s. 71A of FSMA.

## 3 Application of Conduct Standards and associated notification requirements

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3.1 This chapter sets out the PRA's expectations of how individuals who are subject to the Conduct Standards in the Insurance – Conduct Standards Part of the PRA Rulebook should comply with them. However, this is not an exhaustive statement of the standards required to comply with the Conduct Standards.

### Persons and activities to which the Insurance – Conduct Standards Part apply

3.2 The Insurance – Conduct Standards Part of the PRA Rulebook applies directly to persons performing either a SIMF specified by the PRA, or a CF specified by the Financial Conduct Authority (FCA) that is a 'relevant senior management function' as defined in the PRA Rulebook. These persons will be required by this Part to comply with all these standards. In addition, all 'SIMR notified NEDs' are required directly by this Part of the PRA Rulebook [from xx 2017] to comply with Insurance-Conduct Standards 3.1-3.3 and 3.7-3.8.

3.3 In accordance with Insurance – Fitness and Propriety 2.3, the relevant Conduct Standards in Insurance – Conduct Standards 3 should also be taken into account by firms and groups when assessing on an ongoing basis the fit and proper status of all those persons who are effectively running the firm or group or are performing another key function for the firm or group.

### Application of the Conduct Standards

3.4 In assessing whether an individual's conduct was either consistent with or complied with a Conduct Standard, the PRA expects the context in which a course of conduct was undertaken to be taken into account, including the:

- precise circumstances of the individual case;
- characteristics of the particular function performed by the individual in question; and
- behaviour to be expected in that function.

3.5 A person will only be in breach of any of the Conduct Standards where he or she is personally culpable. Personal culpability arises where:

- a person's conduct was deliberate; or
- the person's standard of conduct was below that which would be reasonable in all the circumstances.

3.6 In accordance with Insurance – Fitness and Propriety 2.3, the PRA expects firms and groups to have suitable procedures for monitoring the conduct of individuals who are



performing a key function, and to take relevant action if these individuals do not observe these Conduct Standards. For this purpose, the PRA expects firms and groups to take all reasonable steps to gather and consider information which may indicate the extent to which individuals are in compliance with these Conduct Standards.

3.7 Where a firm or group identifies any matter which might be relevant to an assessment of whether an individual who is performing a key function is fit and proper, including a potential failure to observe a Conduct Standard, it should promptly and fully investigate the position and take appropriate action, including complying with any obligation to notify the PRA (see the notifications section of this chapter).

3.8 The PRA expects that the Conduct Standards apply only to an individual's conduct in relation to the activities of the firm or group for which he or she is working. These standards do not relate to a person's actions in their private life if those actions are unrelated to the firm's activities and the PRA would not generally expect to assess such actions against these standards. However, the PRA notes that an individual's wider behaviour could affect his or her ability to follow these standards more generally. The way in which a person behaves in their private life may then be relevant to any assessment, by the PRA or by the firm itself, of whether that person is, or remains, fit and proper.

3.9 All persons performing a key function should be required by the firm to observe Insurance - Conduct Standards 3.1 to 3.3, in accordance with Insurance – Conduct Standards 2.2. This may be required through a staff handbook, and then through any subsequent staff contract updates. The PRA expects these Conduct Standards to be promulgated suitably through the organisation, and for the firm to take steps to ensure that all relevant staff are aware of their obligation to observe these standards. The PRA expects that they should also be taken into account when setting the relevant objectives (including any expected behaviours) for individuals each year.

### **Individual Conduct Standards<sup>1</sup>**

**Insurance – Conduct Standards 3.2:** *'You must act with due skill, care and diligence.'*

3.10 The PRA expects all individuals who are performing a key function to exercise their business skills with appropriate levels of attention and care; and to provide proper and adequate explanations about the activities they are undertaking, when requested by a senior manager or director of the firm or the group.

3.11 A person who is effectively running a firm or is responsible for another key function is a key function holder. A key function holder may, but will not necessarily, perform a CF that is a PRA SIMF or an FCA CF. The PRA expects a key function holder to understand the business for which they are responsible. Key function holders are unlikely to be experts in all aspects of a complex financial services business. However, the PRA expects that they should understand and inform themselves about the business sufficiently to understand the key risks relating to a firm's insurance, investment or other business activities.

3.12 The PRA expects a key function holder to require explanations from those who report to them, whenever they have material concerns about the identification, measurement or control of risks borne by the firm. Such concerns could for example arise in the following circumstances:

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<sup>1</sup> Individual Conduct Standard 1 is: 'You must act with integrity'. The PRA does not expect to have to describe what is meant by acting with integrity.

- business is undertaken (or an investment made) that is expected to be unusually profitable (relative to the risks expected by the firm);
- the profits are particularly volatile; or
- the business involves risks for the firm that are either beyond those reasonably anticipated in the business plan, or beyond the firm's normal risk tolerance limits.

3.13 Where those explanations are implausible or unsatisfactory, the PRA expects the key function holder to take steps to test the veracity of those explanations.

**Insurance – Conduct Standard 3.3:** *'You must be open and co-operative with the FCA, the PRA and other regulators.'*

3.14 The PRA expects a person to use their firm's mechanisms for reporting information to the regulators. Relevant factors in assessing whether a person has followed Insurance - Conduct Standard 3.3 include:

- whether a person has provided information into such mechanisms in an appropriate manner;
- whether the person has taken steps to influence a decision so as not to report to the regulator concerned;
- whether the person has acted in a way intended to obstruct the reporting of information to the regulator concerned;
- where relevant to the person's role, the way in which the person has operated, managed or overseen those mechanisms; and
- the way in which a person has responded to requests from a relevant regulator.

### **Conduct Standards for key function holders**

3.15 In accordance with rule 2.2 in the Insurance – Conduct Standards Part of the Rulebook, 'Notified NEDs' (~~ie NEDs of a firm who are not approved persons in relation to that firm~~), should be required by the firm to observe Insurance - Conduct Standards 3.1-3.3 and 3.7-3.8. Similarly, all other key function holders should be required by the firm to observe Insurance - Conduct Standards 3.1-3.8. The PRA expects that observance of these Conduct Standards should therefore normally be included within the terms and conditions for the appointment of key function holders, and in the Scope of Responsibilities record that must be maintained (and signed by the individual) under Insurance – Allocation of Responsibilities 5.4.

3.16 The factors the PRA expects to be taken into account when assessing whether a key function holder has followed Insurance - Conduct Standards 3.4–3.8 include:

- whether the person exercised reasonable care when considering the information available;
- whether the person reached a reasonable conclusion upon which to act;
- the nature, scale and complexity of the firm's business;
- the person's role and responsibility; and

- the knowledge the person had, or should have had, of regulatory concerns, if any.

**Insurance - Conduct Standards 3.4:** 'You must take reasonable steps to ensure that the business of the firm for which you are responsible is controlled effectively'.

3.17 If the strategy of the business is to enter higher-risk areas, then the degree of control and strength of monitoring reasonably required within the business will be higher. In organising the business for which they are responsible, a key function holder should bear this in mind.

3.18 The PRA expects the organisation of the business, and the responsibilities of those within it, to be clearly defined. Reporting lines should be clear to staff. Where staff have dual reporting lines, there is a greater need to ensure that the responsibility and accountability of each line manager is clearly set out and understood.

**Insurance - Conduct Standards 3.5:** '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'.

3.19 The PRA expects a key function holder to take reasonable steps both to ensure the firm's compliance with the relevant requirements and standards of the regulatory system, and to ensure that all staff are aware of the need for compliance. For this purpose, the PRA expects key function holders not merely to ensure that firms meet the letter of the requirements, but also not to attempt to game them by engaging in creative compliance or regulatory arbitrage designed to mask the riskiness of activities or business models. Rather, key function holders should maintain sight of the overriding principles of safety and soundness and the protection of policyholders, and act accordingly.

3.20 A key function holder need not personally put in place the systems of control in the business; whether they do this will depend on their role and responsibilities. However, the PRA expects the key function holder to take reasonable steps to ensure that the business has operating procedures and systems which include well-defined steps for complying with the detail of relevant requirements and standards of the regulatory system and for ensuring that the business is run prudently. The nature and extent of the systems of control that are required will depend upon the relevant requirements and standards of the regulatory system, and the nature, scale and complexity of the business.

**Insurance - Conduct Standards 3.6:** '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'.

3.21 The PRA does not expect a key function holder personally to manage the business on a day-to-day basis. The extent to which this is done by the key function holder will depend on a number of factors, including the nature, scale and complexity of the business and their position within it. The larger and more complex the business, the greater the need for clear and effective delegation and reporting lines, which may involve documenting the scope of that delegation and the reporting lines in writing. The PRA expects a key function holder to take reasonable steps to ensure that systems are in place which result in issues being addressed at the appropriate level.

3.22 In accordance with this standard, the PRA believes that the authority for dealing with an issue or a part of the business should only be delegated to an individual or individuals by a key function holder when they have reasonable grounds for believing that the delegate has the

necessary capacity, competence, knowledge, seniority or skill to deal with the issue or to take authority for dealing with that part of the business.

3.23 Although a key function holder may delegate the resolution of an issue, or authority for dealing with a part of the business, they cannot delegate their oversight responsibility. The PRA expects that person to maintain a suitable level of understanding of the delegated activity, supervise and monitor the person to whom the responsibility has been delegated, and ensure that they receive reports on delegated matters and question those reports where appropriate. Where an issue raises significant concerns, the PRA expects a key function holder to act clearly and decisively.

**Insurance - Conduct Standards 3.7:** *'You must disclose appropriately any information of which the FCA or PRA would reasonably expect notice'*.

3.24 This Conduct Standard applies, in addition to Individual Insurance - Conduct Standards 3.3, to a key function holder. Insurance - Conduct Standards 3.3 relates primarily to responses from individuals to requests from a relevant regulator and to an individual's involvement in a firm's mechanisms for reporting to a regulator. However, Insurance - Conduct Standards 3.7 imposes a greater duty on key function holders to disclose any information the relevant regulator would reasonably expect. This includes making a disclosure in the absence of any request or enquiry from the relevant regulator. By virtue of their position, the PRA expects that a key function holder is likely both to have access to greater amounts of information of potential regulatory importance and to have the expertise to recognise when this may be something of which the PRA or FCA would reasonably expect notice.

3.25 The PRA does not expect a key function holder to disclose information which the person knows that the firm or another senior manager has already disclosed to the PRA, for example through having seen a copy of the relevant communication.

3.26 The PRA expects that, in disclosing appropriately, the person will need to disclose:

- sufficient information for the regulators to be able to understand the full implications of the matter being disclosed;
- in a timely manner; and
- to an appropriate contact at the PRA or FCA (or both), which may include the firm's usual supervisory contact(s).

**Insurance - Conduct Standards 3.8:** *'When exercising your responsibilities, you must pay due regard to the interests of current and potential future policyholders in ensuring the provision by the firm of an appropriate degree of protection for their insured benefits'*.

3.27 The PRA expects a key function holder to ensure that appropriate attention is given to the need to ensure that the firm will continue to be able to provide the benefits that it has committed to provide for its policyholders. This is likely to be achieved primarily through taking relevant actions, in line with the PRA's Conduct Standards, to ensure that the firm meets all the PRA's Fundamental Rules<sup>1</sup> and continues to meet the Threshold Conditions.<sup>2</sup>

<sup>1</sup> Solvency II Firms Fundamental Rules (FR3) in the PRA Rulebook; [fshandbook.info/FS/prerulebook.jsp](http://fshandbook.info/FS/prerulebook.jsp)

<sup>2</sup> The Financial Services and Markets Act 2000 (Threshold Conditions) Order 2013; [www.legislation.gov.uk/uksi/2013/555/contents/made](http://www.legislation.gov.uk/uksi/2013/555/contents/made).

3.28 In particular, the PRA expects key function holders to exercise sound and prudent management over the areas of the business for which they are responsible. This would be exemplified through ensuring the application of suitable due diligence over any major transactions that are contemplated by the firm or group, and for which a key function holder has a responsibility. Key function holders should also apply due care and attention in the appropriate management of any conflicts of interest within a firm or group.

### **Application of the Conduct Standards to NEDs in scope of the SIMR and Notified NEDs**

3.29 NEDs who are subject to pre-approval by the PRA or the FCA, are directly subject to all the Conduct Standards, including those applicable only to Senior Insurance Managers. SIMR notified NEDs are directly subject to Insurance - Conduct Standards 3.1–3.3 and 3.7-3.8. As was the case under the APR, breaches of the Conduct Standards by NEDs in an SIMF, or by SIMR notified NEDs, are directly enforceable by the PRA using its powers under FSMA.

3.30 Firms are also required by Insurance - Conduct Standards 2.2 to require that all members of their management body, including all Notified NEDs ~~to whom the Conduct Standards do not apply directly~~, observe Insurance - Conduct Standards 3.1–3.3 and 3.7-3.8.

3.31 Some Conduct Standards apply to NEDs in respect of their limited duties only. For instance, the Chair of the Remuneration Committee would be likely to discharge their responsibilities under Insurance-Conduct Standards 3.2 if they take reasonable steps to ensure that the Remuneration Committee complies with the requirements of the EU Solvency II Delegated Regulation (and any specific and relevant requirements imposed under section 55M of FSMA), and remains free from undue executive interference in decision-making.

3.32 By contrast, certain Conduct Standards, such as the duty to act with integrity, apply to NEDs ~~in scope of the SIMR~~ and executive Senior Insurance Managers in very similar ways.

3.33 The requirements to ‘be open and co-operative with the FCA, the PRA and other regulators’ (Insurance -Conduct Standards 3.3) and ‘disclose appropriately any information of which the FCA or PRA would reasonably expect notice’ (Insurance -Conduct Standards 3.7) are particularly important for NEDs. As the PRA Approach Document states, if any director has ‘concerns about the firm or its management and governance, the PRA will expect them to press for action to remedy the matter and, if those concerns are not addressed, to alert the PRA.’<sup>1</sup>

### **Notifications by firms to the PRA in relation to the application of Conduct Standards by individuals**

3.34 The PRA considers that a breach of Conduct Standards by a key function holder, including details of any related disciplinary action taken by a firm against that key function holder, would generally reasonably be expected to be material to the assessment of an individual’s fitness and propriety. Therefore, in accordance with Insurance - Fitness and Propriety 4.3, and Fundamental Rules 7 in the PRA Rulebook, the PRA expects insurance firms and groups to notify the PRA if they know that a current (or former) key function holder has not complied with those Conduct Standards.

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<sup>1</sup> See paragraph 88 of the PRA’s approach to insurance supervision’, June 2014; [www.bankofengland.co.uk/publications/Documents/prapproach/insuranceappr1406.pdf](http://www.bankofengland.co.uk/publications/Documents/prapproach/insuranceappr1406.pdf).

3.35 Where a firm has reported a breach of a Conduct Standard, and subsequently takes disciplinary action against the person for matters relating to the breach, the firm should make a separate notification to the PRA of the disciplinary action.

3.36 The PRA expects that firms will report to the PRA and the FCA details of known breaches, including those which do not come to the firm's attention until after the person concerned has left the firm. Firms should consider whether the person was a key function holder for the firm at the time the breach is thought to have occurred (rather than at the point at which it came to the firm's attention).

## 4 Assessing fitness and propriety

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4.1 This chapter sets out the factors that the PRA:

- will take into account when assessing whether an individual is fit and proper to perform a SIMF; and
- expects firms to take into account when assessing whether an individual is fit and proper to perform a SIMF or NED function specified in the PRA rules, or some other key function.

### Assessing fitness and propriety

4.2 In assessing whether an individual is fit and proper to be effectively running a firm or to be performing another key function, firms and groups should apply the rules in Insurance — Fitness and Propriety 2, along with the EU Solvency II Delegated Regulation; and also have regard to the EIOPA Guidelines on Systems of Governance.

4.3 The PRA will also expect firms and groups to have regard in their assessments of fitness and propriety to the person's:

- honesty, integrity and reputation;
- competence and capability; and
- financial soundness.

4.4 The PRA will likewise consider each of the factors in paragraphs 4.2 and 4.3 when assessing whether an individual is fit and proper to be effectively running a firm or to be responsible for another key function.

4.5 In determining a person's honesty, integrity and reputation, the PRA will have regard to all matters which may have arisen either in the United Kingdom or elsewhere and which the PRA considers relevant to the requirements and standards of the regulatory system.

4.6 For example, conviction for a criminal offence will not automatically mean an application will be rejected. The PRA proposes to treat each candidate's application on a case-by-case basis, having regard to a range of factors which may include, but are not limited to the:

- seriousness of, and circumstances surrounding, the offence;
- explanation offered by the convicted person;
- relevance of the offence to the proposed role;
- passage of time since the offence was committed; and
- evidence of the individual's rehabilitation.

4.7 When determining a person's financial soundness, the PRA will not normally require a person notified to them as being responsible for a key function to supply a statement of assets

or liabilities. The PRA does not expect a person being of limited financial means, in itself, to affect his or her suitability to effectively run a firm or perform a key function.

4.8 The PRA expects a firm or group to take a similar approach to that set out in paragraphs 4.5 to 4.7 above when assessing whether a person is fit and proper to run a firm or perform a key function effectively.

4.9 In relation to proposed new appointees to SIMFs and for the appointment of other new 'key function holders', the PRA expects the regulatory references, along with the current Financial Services Register, to be an important independent source of information for firms about the suitability of a person's past business conduct. For other proposed new appointees, it is acknowledged that there may only be limited independent information available on a person's past business conduct that can be taken into account.

4.10 Firms may, however, wish to consider whether internal procedures such as pre-employment questionnaires for candidates might be relevant to elicit information on past business conduct for these purposes. Where a firm becomes aware of information which may indicate that aspects of a person's past business conduct might be relevant to an assessment of whether an individual is 'fit and proper', the PRA expects the firm to make reasonable enquiries to establish the circumstances of that conduct and its relevance (if any) to the individual's fitness and propriety.

4.11 For the ongoing assessment of fitness and propriety of individuals, the PRA believes that most firms will already have a regular cycle of appraisals and performance reviews for their staff that is likely to provide an appropriate baseline for this assessment. Additional checks may be deemed appropriate outside of this process, taking account of the nature and level of an individual's responsibilities within the organisation, and of any other relevant information. For the purpose of such checks, the PRA expects firms and groups to take all reasonable steps to gather and consider information which may be relevant to an individual's business conduct.

## **Criminal background checks**

4.12 In order to meet the requirement in Insurance — Fitness and Propriety 2.4 to make a criminal record check, the PRA expects a firm to get an application form from the Disclosure and Barring Service (DBS) or an umbrella body (a registered body that gives access to DBS checks) in England and Wales. There is an equivalent procedure in Scotland (involving Disclosure Scotland) and Northern Ireland (involving AccessNI). If the candidate is employed by a contractor, the PRA expects that the firm may ask the contractor to obtain the certificate. The PRA does not expect firms to send any DBS certificates or copies of such certificates to the PRA.



## 5 Regulatory references

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5.1 This chapter sets out the PRA's expectations of how firms should comply with the rules on regulatory references in the Insurance - Fitness and Propriety Part of the PRA Rulebook. A 'regulatory reference' is an employment reference delivered in a mandatory form containing specific information on a candidate's conduct and fitness and propriety. Firms must request and provide regulatory references in certain circumstances detailed in Insurance – Fitness and Propriety.

5.2 The chapter clarifies how firms should comply with a range of measures whose overarching goal is to prevent the 'recycling' of individuals with poor conduct records between firms.

5.3 The rules on regulatory references and the expectations set out in this chapter take into account the recommendations of the Fair and Effective Markets Review (FEMR).<sup>1</sup>

### Requesting regulatory references

5.4 The Insurance – Fitness and Propriety Part in the PRA Rulebook requires firms to request references when assessing the fitness and propriety of candidates to perform the following functions, (collectively referred to as 'relevant functions'):

- Senior Insurance Management Functions (SIMF) under the SIMR;
- notified non-executive director (NED) functions; and
- any other Key Function Holders (KFHs) for insurers.

5.5 Regulatory references must cover the previous six years of employment and be sought from all relevant former employers, or organisations at which the individual is or was a NED, and (if different) any firms at which the candidate has performed:

- an SIMF;
- a Senior Management Function (SMF);
- another Controlled Function (CF);
- a Certification function;
- a notified NED function or credit union NED function; and/or
- any other KFH who is neither a SIMF nor CF or notified NED.

5.6 Note that other references should also be requested from any other employers or organisations other than firms for which the candidate has performed a role, including as a non-executive director (for the purposes of this specific requirement, which is set out in

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1 [www.bankofengland.co.uk/markets/Documents/femrjun15.pdf](http://www.bankofengland.co.uk/markets/Documents/femrjun15.pdf).

Insurance - Fitness and Propriety 2.5(1)(c), the term 'non-executive director' is not restricted to the definition in the PRA Rulebook but should be understood as encompassing all forms of non-executive directorship).

### **Information to be included in the request for a reference**

5.7 Where a firm (firm A) is requesting a regulatory reference from another full-scope regulatory reference firm (firm B) (as defined in the PRA Rulebook Glossary), firm A should make it sufficiently clear that the request is subject to the requirements in Insurance – Fitness and Propriety, by attaching or referring to the Regulatory Reference Template ('Template').

5.8 As long as firm A makes the nature of its request to firm B and the fact it is subject to the Template requirements sufficiently clear, it does not have to set out specifically the information that firm B needs to include in the regulatory reference.

5.9 Conversely, if firm A is requesting a reference from a firm that is not a full-scope regulatory reference firm, or where it does not know whether the firm is a full-scope regulatory reference firm, it should clearly specify the information it requires to be provided as a minimum, and may find it appropriate to use the Template anyway.

### **Recruiting individuals from overseas firms**

5.10 Due to local legal restrictions in some jurisdictions, obtaining information on individuals' conduct and fitness and propriety from firms outside the United Kingdom may sometimes not be possible.

5.11 Although the PRA is aware of these legal restrictions, it requires firms to take reasonable steps to obtain references from all current and former employers. When recruiting a candidate who is or may have previously been based overseas, these steps may include:

- approaching all relevant current and former overseas employers;
- explaining that UK regulation requires them to request certain information on candidates for certain functions and to specify the information they require; and
- collecting as much of this specific information as the overseas employers are legally able and willing to provide.

5.12 While full-scope regulatory reference firms must take reasonable steps to obtain information from overseas firms, the PRA will take into account any demonstrable, relevant legal impediments when assessing whether firms are complying with this requirement. Evidence of these legal constraints may include, but is not limited to, relevant correspondence with the overseas employer or a legal opinion setting out the applicable legal restrictions in a given jurisdiction.

5.13 In addition, the PRA understands that several jurisdictions have registers containing information relevant to the conduct and/or fitness and propriety of, at least certain categories of financial services professionals. Although searches of relevant registers are not an express part of the regulatory reference requirements, they may be a valuable source of information for the assessment required, under the rules in Insurance – Fitness and Propriety, of a candidate's fitness and propriety. A firm's due diligence would be likely, however, to comprise of more than a search of relevant registers.

### **Recruiting individuals internally or from the same group**

5.14 Insurance – Fitness and Propriety 2.5(2) states that a full-scope regulatory reference firm (firm A) is not required to obtain full regulatory references (when hiring individuals into relevant functions) from a firm or firms which are part of their same group, provided that the group's internal policies and procedures enable firm A to access all the information that other member of the group would require to give a reference (subject to any applicable laws).

5.15 The aim of this rule is to give full-scope regulatory reference firms which are part of a group flexibility to rely on centralised records or other internal mechanisms and processes for exchanging information on employees. However, these internal mechanisms and processes should adequately enable full-scope regulatory reference firms to satisfy their obligations. It follows that the quality and quantity of information that full-scope regulatory reference firms should have access to from their groups should be equivalent to that which would otherwise be contained in a regulatory reference.

### **Obtaining references before applying for pre-approval as a SIMF or CF**

5.16 There may be circumstances where it may not always be possible for firms to obtain a reference before applying to the regulators for approval on behalf of a SIMF.

5.17 For instance, if a candidate's current employer is a UK-listed company, the candidate's resignation may trigger an obligation on the employer to issue a regulatory notification under Listing Rule 9.<sup>1</sup> In this scenario, the candidate may want to wait until they have obtained regulatory approval for their proposed SIMF (or an indication that such approval is likely to be forthcoming) before resigning from their current role. A regulatory reference request from a prospective employer in these circumstances could alert the candidate's current employer of their impending resignation and trigger the obligation to notify.

5.18 The requirement on firms to satisfy themselves that candidates for a SIMF are fit and proper before applying to the PRA for approval on their behalf applies irrespective of the circumstances. Therefore, where a firm cannot obtain all necessary references before applying to the PRA for approval to appoint, the PRA expects the firm to:

- explain in the application why it was not possible to obtain all prior regulatory references;
- confirm that, despite the absence of all necessary regulatory references at this stage, it is satisfied that the candidate is fit and proper, as required by Insurance – Fitness and Propriety 2 and 4, and list the evidence it has relied on to reach this conclusion; and
- commit to obtaining all necessary regulatory references as soon as reasonably practicable subject to any applicable legal restrictions, and to take appropriate action if any of those references reveal previously unknown adverse information about the candidate's fitness and propriety including, if justified, revoking an offer of employment or terminating the individual's employment.

5.19 If a firm cannot obtain the necessary references prior to making an application for approval as an SIMF because doing so would trigger a market-sensitive notification requirement, they will be required to do so before the candidate can be approved by the PRA.

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<sup>1</sup> In particular, LR 9.6.11 <https://www.handbook.fca.org.uk/handbook/LR/9/6.html>

5.20 If a firm cannot obtain the necessary references prior to making an application for approval as an SIMF due to any other legitimate reasons, besides market-sensitive notification requirements, it will need to obtain and consider all references necessary to confirm its conclusions as to the candidate's fitness and propriety no later than one month before the application is due to be determined.

5.21 In either case, the PRA will process these applications but will treat them as incomplete. Consequently, the PRA will not make a decision as to whether to approve candidates, conditionally or unconditionally, until the firm has confirmed that it has obtained all references necessary to confirm its conclusions as to fitness and propriety.

## **Providing regulatory references**

5.22 If a firm receives a request from another firm subject to the regulatory reference requirements regarding a candidate for a relevant function, Insurance – Fitness and Propriety 3 requires that firm to provide a regulatory reference including all information which it reasonably considers to be relevant to the hiring firm's assessment of that individual's fitness and propriety.

5.23 Insurance–Fitness and Propriety 3 of the PRA Rulebook requires that the regulatory reference must be provided using the Template and include, at a minimum, the information set out in the Template.<sup>1</sup>

### **Individuals employed by a firm which is part of a group**

5.24 It is not uncommon for individuals to be contractually or formally employed by one firm but to perform their role in or provide services to other entities within that firm's group. Where this is the case, the firm providing the reference should obtain relevant information from other entities in its group which the individual has worked in or provided services to over the past six years. Firms should take similar action when updating a reference (see paragraphs 5.49-5.53 below).

5.25 Accordingly, the PRA expects firms, and where relevant, groups, to implement appropriate policies and processes to ensure that if an individual leaves the group, they can provide a complete regulatory reference covering the prior six years of employment regardless of how many times he or she changed roles or moved within the group over that period.

5.26 Where an individual has, in the past six years, simultaneously performed relevant functions across several firms within the same group and then leaves that group, the regulatory reference(s) should include information from all relevant entities subject to any applicable legal restrictions. The PRA considers it good practice for groups to consolidate information from all relevant entities into a single template. To facilitate this, the regulators have included a rule allowing firms to change the format of the Template (but not the substantive information that it must include).

### **Agreements and circumstances relating to the departure of an individual**

5.27 The precise manner in which an individual may have left a firm (ie dismissal, redundancy, mutual agreement etc.) has no bearing on that firm's obligation to provide a regulatory reference.

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<sup>1</sup> [www.handbook.fca.org.uk/handbook/SYSC/22/Annex1.html](http://www.handbook.fca.org.uk/handbook/SYSC/22/Annex1.html).

5.28 Moreover, the obligation to provide regulatory references applies to every firm notwithstanding any agreement or arrangement it may have entered into with an individual prior to or upon termination of his or her employment, including a COT 3 Agreement settled by the Advisory, Conciliation and Arbitration Service.

5.29 A firm should not enter into any arrangements or agreements that could conflict with its obligations under the Insurance – Fitness and Propriety part of the PRA Rulebook.

### **Outsourcing the collection of employee information**

5.30 The requirement for a firm to give information to another PRA-regulated firm should also be observed where the hiring firm has outsourced the collection of information on a candidate to an unregulated third party, such as an executive search firm, provided that the firm requesting the reference makes it clear to the firm giving it that the unregulated third party is acting on its behalf.

### **Mandatory information**

5.31 Insurance – Fitness and Propriety 3.1 requires firms to include the following mandatory information in answer to Questions (E) and (F) of the Template, relating to the period beginning six years before the date of the request for a reference and ending on the date of the reference:

- a description of any breaches by the individual of the conduct standards in Insurance - Conduct Standards, or, where relevant, the Statements of Principle and Code of Practice for Approved Persons (APER) (which was superseded in the PRA Rulebook by the Insurance - Conduct Standards on 7 March 2016 but may still be relevant to historic misconduct), or the corresponding conduct requirements in the FCA Handbook, if they culminated in 'disciplinary action', and the outcome of this disciplinary action. The definition in the PRA Rulebook of disciplinary action, for the purposes of regulatory references, mirrors the definition in section 64C of FSMA; and
- whether the firm concluded, and the facts that led to any such conclusion, that the candidate was not fit and proper to perform a function.

5.32 Suspensions imposed pending an internal investigation do not have to be notified to the PRA nor included in regulatory references. Conversely, suspensions imposed as a disciplinary measure are required to be included in regulatory references, and may need to be reported to the regulator (see paragraph 5.55).

5.33 Likewise, the reduction or recovery of an individual's remuneration should only be included in a regulatory reference if it is imposed as a disciplinary action due to a breach of the conduct standards or, where relevant, APER, or other historic applicable rules, but not if it is triggered by a downturn in financial performance or a need to preserve/rebuild capital unrelated to misconduct.

### **All relevant information**

5.34 In addition to the mandatory information specified in Questions (E) and (F) of the Template, which must be disclosed in regulatory references, Insurance - Fitness and Propriety 3 requires a firm to provide all information of which it is aware that it reasonably considers to be relevant to the requesting firm's assessment of the candidate's fitness and propriety. To facilitate this, the Template includes Question (G) which is termed here an 'all relevant information section'.

5.35 Information disclosed in the ‘all relevant information section’ of the Template should not duplicate anything disclosed in answer to Questions (E) and (F) in the Template. This section aims to capture additional information relevant to the requesting firm’s assessment of the candidate’s fitness and propriety.

5.36 However, the ‘all relevant information’ section can be used to provide further background on a breach disclosed in answer to Questions (E) and (F) in the Template, such as mitigating circumstances and/or subsequent corrective action or good conduct by the individual. It follows that information in the ‘all relevant information’ section does not always have to be ‘negative’.

5.37 For example, if an individual’s remuneration was subject to clawback three years ago due to a finding by his employer that the individual had failed to act with due skill, care and diligence in respect of a particular matter, but the individual’s conduct at the same employer had been exemplary since; the disciplinary action should be disclosed in answer to Questions (E) and (F) in the Template, but the firm would be able to use the ‘all relevant information’ section to highlight the candidate’s subsequent conduct and any remedial action taken.

5.38 Disclosures in the ‘all relevant information’ section are subject to the same six-year time limit as those provided in answer to Questions (E) and (F) in the Template, except for cases involving serious matters, for which there is no time limit. It is important that firms also take into account all relevant legal requirements, such as those relating to the rehabilitation of offenders and spent convictions where appropriate, when determining what they may disclose.

5.39 Firms should make their own assessment of the seriousness of the matter on a case-by-case basis. Some non-exhaustive examples of misconduct which a firm may consider serious enough to warrant inclusion in the ‘all relevant information section’ of the Template (regardless of how long ago they took place) include but are not limited to:

- a serious breach of certain rules directly applicable to the individual ie within Insurance - Conduct Standards;
- misconduct that caused or led to a breach by the firm of important supervisory requirements, such as the Threshold Conditions;
- misconduct that resulted in enforcement action by the regulators against the firm and/or the individual concerned;
- misconduct involving serious dishonesty (whether or not it also involves a criminal act, but taking account of any applicable legal requirements relating to the rehabilitation of offenders and spent convictions and related disclosures);
- conduct that would have caused the firm providing the reference (firm A) to dismiss the individual (‘P’) in accordance with its internal code of conduct if it had been discovered while P was still working there; and/or
- conduct that would cause firm A not to employ P if firm A were considering P for a relevant function and it became aware of it (through a regulatory reference from a prior employer or otherwise).

5.40 Please note that the examples in the paragraph above are only relevant for the purposes of regulatory references. They do not, for example, have any application in the context of the exercise of disciplinary powers by the PRA.

5.41 The 'all relevant information' section may also include information on events that did not culminate in formal 'disciplinary action' as defined in the PRA Rulebook, or in a formal finding that the individual was not fit and proper.

## **Legal duties**

5.42 When considering what information and level of detail to include in regulatory references, firms need to comply with their legal obligations under statutory and common law.

5.43 As set out in Insurance - Fitness and Propriety 3.4, a firm is not required to disclose information that has not been properly verified. A firm supplying a reference owes a duty to its former employee and the recipient firm to exercise due skill and care in the preparation of the reference. References should be true, accurate, fair, and based on documented fact.

5.44 If a reference refers to misconduct/includes adverse information about the candidate, then this should have been properly investigated by the firm, and the firm should have reasonable grounds for believing that the misconduct has taken place. References should not be based on unproven allegations or mere suspicions.

5.45 Fairness may require a firm to have given an employee an opportunity to comment on information in a reference ('right to comment'). However, it is ultimately for firms to decide whether a right to comment is appropriate taking into account the individual circumstances of each case.

5.46 Giving individuals a right to comment on allegations capable of inclusion in a regulatory reference does not equate to giving them a right to edit or veto the contents of a regulatory reference.

5.47 Similarly, if an individual refuses to comment on allegations having been given a reasonable opportunity to do so, this should not, in itself, prevent the firm from including these allegations in a regulatory reference.

5.48 It is the responsibility of firms to develop internal policies and processes that ensure compliance with their legal and regulatory obligations.

## **Updating regulatory references**

5.49 From 7 March 2017 firms are required to revise a regulatory reference they have given on or after that date where they become aware of matters that would cause them to draft the reference differently, if the reference were being given now.<sup>1</sup> This updating obligation applies for a period of six years.

5.50 The matters in scope of the requirements to update a regulatory reference are the same, in terms of the disclosures and minimum time requirements, as those applicable to the initial

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<sup>1</sup> This requirement does not apply to non-regulatory references ie standard employment references.



reference. However, the maximum six-year time limit for updating references will be fixed irrespective of the severity of the misconduct.

5.51 The six-year period for updating regulatory references starts on the date when the individual's employment with the firm providing the reference terminated (including any applicable notice periods, garden leave or equivalent).

5.52 Notwithstanding the fixed six-year updating period, disclosures in the original regulatory reference may include misconduct that occurred more than six years before the reference was given, but which came to light within the period during which the updating provision applies (if sufficiently serious).

5.53 In practice, updating is likely to be limited to circumstances where misconduct comes to light after an employee has left the firm, and that firm is able to confirm that misconduct and/or a breach of any relevant conduct rules or standards by the former employee occurred.

### **Updating references where the individual moves multiple times in six years**

5.54 A firm providing an updated reference is only required by Insurance – Fitness and Propriety 3 to provide it to the individual's current employer, but not to any other firms where the individual may have been employed in the period between leaving the firm providing the update reference and joining his current employer.

5.55 Moreover, the PRA expects firms to consider this requirement alongside the following additional requirements and expectations on full scope regulatory reference firms to disclose misconduct to either the regulators or other firms:

- in addition to the requirement to provide an updated reference to the individual's current employer, a firm is required to ensure that any new references it is asked to provide within the six-year period reflects any relevant information that may come to light following the individual's departure.
- where a firm discovers misconduct, a number of existing rules require firms and the individuals therein to disclose this to the PRA irrespective of whether the individuals involved remain employed by the firm or not. These rules include:
  - (a) Fundamental Rule 7, which states that a firm must deal with its regulators in an open and cooperative way and must disclose to the PRA appropriately anything relating to the firm of which the PRA would reasonably expect notice;<sup>1</sup>
  - (b) Individual Conduct Standard 3 and Senior Insurance Manager Conduct Standard 4, which require individuals to "be open and co-operative with the FCA, the PRA and other regulators" and Key Function Holders to "disclose appropriately any information of which the FCA or PRA would reasonably expect notice"; and
  - (c) Insurance – Fitness and Propriety 4.3, which states that a firm must inform the PRA as soon as practicable of any information that would reasonably be expected to be material to the assessment of a current or former key function holder's fitness and propriety.

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<sup>1</sup> <http://www.prarulebook.co.uk/rulebook/Content/Part/211136/22-06-2016>.



## Appendices

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- 1 PRA Expected Responsibilities of NEDs in scope of the SIMR**
  - 2 Summary of updates made to SS35/15**
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## Appendix 1: PRA Expected Responsibilities of NEDs in scope of the SIMR

Senior Insurance Management Function	Expected Responsibility
Chairman (SIMF 9 )	Chairing, and overseeing the performance of the role of, the governing body of a firm. Leading the development and monitoring effective implementation of policies and procedures for the induction, training and professional development of all members of the firm's governing body, Overseeing the assessment of fitness and propriety of all NEDs; and Leading the development of the firm's culture by the governing body as a whole
Chair of the Risk Committee (SIMF 10 )	Chairing, and overseeing the performance of the role of, the risk committee.
Chair of the Audit Committee (SIMF 11 )	Chairing, and overseeing the performance of the role of, the audit committee.
Chair of the Remuneration Committee (SIMF 12 )	Chairing, and overseeing the performance of the role of, the remuneration committee. Oversight of the development and implementation of the firm's remuneration policies and practices.
SID (SIMF 14 )	Performing the role of a senior independent director, and having particular responsibility for leading the assessment of the performance of the person performing the Chairman function.
Any NED subject to pre-approval	Oversight of the independence, autonomy, and effectiveness of the firm's policies and procedures on whistleblowing including the procedures for protection of staff who raise concerns from detrimental treatment.

## Appendix 2: Summary of Updates to SS35/15

SS35/15 was first published in August 2015 following CP26/14 'Senior Insurance Managers Regime: a new regulatory framework for individuals'<sup>1</sup>, CP7/15 'Approach to non-executive directors in banking and Solvency II firms & Application of the presumption of responsibility to Senior Managers in banking firms'<sup>2</sup>, and CP 13/15 'Changes to the Approved Persons Regime for Solvency II firms: forms, consequential changes and transitional arrangements'<sup>3</sup>.

This appendix details changes made to this SS following its initial publication in August 2015.

### Updates

#### [September 2016](#)

- Inserting Chapter 5 to incorporate the PRA's expectations in relation to regulatory references published as part of PS27/16 'Strengthening accountability in banking and insurance: PRA requirements on regulatory references (part II)'.<sup>4</sup>
- Other consequential changes to chapters 1-4, and updates to reflect the commencement of changes to FSMA made through the Bank of England and Financial Services Act 2016.

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1 July 2014, [www.bankofengland.co.uk/pr/Pages/publications/cp/2014/cp1414.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/cp/2014/cp1414.aspx).

2 February 2015, [www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp715.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp715.aspx).

3 December 2014, [www.bankofengland.co.uk/pr/Pages/publications/cp/2014/cp2814.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/cp/2014/cp2814.aspx).

4 September 2016, [www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps2716.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps2716.aspx).

## Appendix 5 – Draft forms



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY



Application number  
(for FCA/PRA use only)

The FCA and PRA have produced notes which will assist both the applicant and the *candidate* in answering the questions in this form. Please read these notes, which are available on both FCA and PRA websites at:

<https://handbook.fca.org.uk/handbook/SUP/10A/Annex4>

<http://www.bankofengland.co.uk/PRA>

Both the applicant and the *candidate* will be treated by the FCA and PRA as having taken these notes into consideration when completing this form.

## Long Form A – Solvency II firms only<sup>1</sup>

### Application to perform controlled functions

FCA Handbook Reference: SUP 10A Annex 4D

PRA Rulebook Reference: Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications

Name of *candidate*<sup>†</sup>  
(to be completed by applicant firm)

Name of *applicant firm*<sup>†</sup>  
(as entered in 2.01)

*Applicant firm* reference number<sup>†</sup>  
(as entered in 2.02)

Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS  
United Kingdom  
Telephone +44 (0) 300 500 0597  
E-mail [iva@fca.org.uk](mailto:iva@fca.org.uk)  
Website <http://www.fca.org.uk>  
Registered as a Limited Company in England and Wales No  
1920623. Registered Office as above

Prudential Regulation Authority  
20 Moorgate  
London  
EC2R 6DA  
United Kingdom  
Telephone +44 (0) 203 461 7000  
E-mail [PRA-ApprovedPersons@bankofengland.co.uk](mailto:PRA-ApprovedPersons@bankofengland.co.uk)  
Website [www.bankofengland.co.uk/PRA](http://www.bankofengland.co.uk/PRA)  
Registered as a Limited Company in England and Wales No  
07854923. Registered Office: 8 Lothbury Road, London,  
EC2R 7HH

<sup>1</sup> Please see the FCA Handbook *Glossary* for the definition of *Solvency II firm*, and for the PRA see the definition included in *PRA Rulebook: Solvency II firms: Insurance- Senior Insurance Management Functions Chapter 1 (Applications and Definitions)*

**Personal identification details**

**Section 1**

1.01 a	Candidate Individual Reference Number (IRN) †	
b	OR name of previous regulatory body †	
c	AND previous reference number (if applicable) †	
1.02	Title (e.g. Mr, Mrs, Ms, etc) †	
1.03	Surname †	
1.04	ALL forenames †	
1.05	Name commonly known by †	
1.06	Date of birth (dd/mm/yyyy) †	/ /
1.07	National Insurance number †	
1.08	Previous name †	
1.09	Date of name change †	/ /
1.10 a	Nationality †	
b	Passport number (if National Insurance number not available) †	
1.11	Place of birth †	
1.12	Phone number	



I have supplied further information related to this page in Section 6 † YES  NO

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7.4R- 15.79G in the FCA Handbook or in 'Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications' in the PRA Rulebook  
 Long Form A –Solvency II firms  
 Application to perform controlled functions

**1.13 a** Private address

**b** Postcode<sup>†</sup>

**c** Dates resident at this address (mm/yyyy)<sup>†</sup> From / To PRESENT

**(If address has changed in the last three years, please provide addresses for the previous three years.)**

**1.14 a** Previous address 1<sup>†</sup>

**b** Postcode<sup>†</sup>

**c** Dates resident at this address (mm/yyyy)<sup>†</sup> From / To /

**1.15 a** Previous address 2<sup>†</sup>

**b** Postcode<sup>†</sup>

**c** Dates resident at this address (mm/yyyy)<sup>†</sup> From / To /



I have supplied further information related to this page in Section 6<sup>†</sup>

YES

NO

## Firm identification details

## Section 2

2.01	Name of <i>firm</i> making the application	
2.02	<u>Firm</u> <del>Firm</del> Reference Number (FRN)	
2.03 a	Who should the <i>FCA/PRA</i> contact at the <i>firm</i> in relation to this application?	
b	Position	
c	Telephone	
d	Fax	
e	E-mail	



I have supplied further information related to this page in Section 6<sup>†</sup> YES  NO

<sup>†</sup> The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7.4R- 15.7.9G in the [FCA Handbook](#) or in 'Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications' in the *PRA Rulebook*

**New arrangements and controlled functions**

**Section 3**

**3.01** Nature of the arrangement between the candidate and the applicant.

<i>a</i>	<i>Employee</i>	<input type="checkbox"/>
<hr/>		
<i>b</i>	<i>Group employee</i>	<input type="checkbox"/>
<hr/>		
	Name of group	
<hr/>		
<i>c</i>	Contract for services	<input type="checkbox"/>
<hr/>		
<i>d</i>	<i>Partner</i>	<input type="checkbox"/>
<hr/>		
<i>e</i>	Other	<input type="checkbox"/>
<hr/>		
	Give details	
<hr/>		

Proposed date of appointment

Length of appointment (if applicable)



**3.02** For applications from a single *firm*, please tick the boxes that correspond to the *controlled functions* to be performed. If the *controlled functions* are to be performed for more than one *firm*, please go to question **3.04**

Function	Description of a controlled function	Tick (if applicable)	Effective Date
SIMF 1	Chief Executive officer		
SIMF 2	Chief Finance function		
SIMF 4	Chief Risk officer		
SIMF 5	Head of Internal Audit		
SIMF 7	Group Entity Senior Manager		
SIMF 9	Chairman		
SIMF 10	Chair of the Risk Committee		
SIMF 11	Chair of the Audit Committee		
SIMF 12	Chair of the Remuneration Committee		
SIMF 14	Senior Independent Director		
SIMF 19	Head of Third Country Branch function		
<u>SIMF 19A</u>	<u>Head of Firm without permission to effect contracts of insurance function</u>		
SIMF 20	Chief Actuary		
SIMF21	With-Profits Actuary		
SIMF22	Underwriting function		
SIMF23	Underwriting Risk Oversight Officer (Lloyd's)		
CF 1	Director		
CF 2a	Chair of the Nominations Committee		
CF 2b	Chair of the With-Profits Committee		
CF 5	Director of unincorporated association function		
CF 10	Compliance Oversight		
CF 10a	CASS Operational Oversight		
CF 11	Money Laundering Reporting		
CF 28	Systems and Controls		
CF 29	Significant Management		
CF 30	Customer Function		
CF 51	Actuarial conduct function (third country)		

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7.4R- 15.79G in the FCA Handbook or in 'Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications' in the PRA Rulebook

Long Form A –Solvency II firms  
Application to perform controlled functions

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3.03 Job title

**Insurance mediation**

Will the *candidate* be responsible for Insurance mediation at the *firm*?

YES

NO

((Note: Yes can only be selected if the individual is applying for a governing function (other than *controlled functions* CF2a and CF2b) (MIPRU 2.2.2)



**I have supplied further  
information  
related to this page in Section 6<sup>†</sup>**

YES

NO

**3.04 Complete this section only if the application is on behalf of more than one firm.**

List all firms within the group (including the firm entered in 2.01) for which the candidate requires approval and the requested controlled function for that firm.<sup>†</sup>

	<b>Firm Reference Number</b>	<b>Name of firm</b>	<b>Controlled function</b>	<b>Job title</b>	<b>Effective date</b>
a					/ /
b					/ /
c					/ /
d					/ /
e					/ /



I have supplied further information related to this page in Section 6 YES  NO

<sup>†</sup> The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7.4R- 15.79G in the FCA Handbook or in 'Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications' in the PRA Rulebook

**Employment history in the last 5 years** **Section 4**

N.B.: ALL gaps must be accounted for

**4.01 Employment details (1) †**

<b>a</b>	Period (mm/yyyy)	From	/	To	/																		
<b>b</b>	Nature of employment	<table border="0" style="width: 100%;"> <tr> <td style="width: 5%;"><i>a</i></td> <td>Employed</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td><i>b</i></td> <td>Self-employed</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td><i>c</i></td> <td>Not employed</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td><i>d</i></td> <td>Full-time education</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> </table>				<i>a</i>	Employed	<input type="checkbox"/>	<i>b</i>	Self-employed	<input type="checkbox"/>	<i>c</i>	Not employed	<input type="checkbox"/>	<i>d</i>	Full-time education	<input type="checkbox"/>						
<i>a</i>	Employed	<input type="checkbox"/>																					
<i>b</i>	Self-employed	<input type="checkbox"/>																					
<i>c</i>	Not employed	<input type="checkbox"/>																					
<i>d</i>	Full-time education	<input type="checkbox"/>																					
	If c or d is ticked, please give details																						
<b>c</b>	Name of employer																						
<b>d</b>	Nature of business																						
<b>e</b>	Previous / other names of employer																						
<b>f</b>	Last known address of employer																						
<b>g</b>	Is/was employer regulated by a regulatory body?	YES <input type="checkbox"/>	NO <input type="checkbox"/>	Name of regulatory body and country																			
<b>h</b>	Is/was employer an <i>appointed representative/tied agent</i> ?	YES <input type="checkbox"/>	NO <input type="checkbox"/>	If yes, of which <i>firm</i> ?																			
<b>i</b>	Position held																						
<b>j</b>	Responsibilities																						
<b>k</b>	Reason for leaving:	<table border="0" style="width: 100%;"> <tr> <td style="width: 5%;"><i>a</i></td> <td>Resignation</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td><i>b</i></td> <td>Redundancy</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td><i>c</i></td> <td>Retirement</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td><i>d</i></td> <td>Termination/dismissal</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td><i>e</i></td> <td>End of contract</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td><i>f</i></td> <td>Other</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> </table>				<i>a</i>	Resignation	<input type="checkbox"/>	<i>b</i>	Redundancy	<input type="checkbox"/>	<i>c</i>	Retirement	<input type="checkbox"/>	<i>d</i>	Termination/dismissal	<input type="checkbox"/>	<i>e</i>	End of contract	<input type="checkbox"/>	<i>f</i>	Other	<input type="checkbox"/>
<i>a</i>	Resignation	<input type="checkbox"/>																					
<i>b</i>	Redundancy	<input type="checkbox"/>																					
<i>c</i>	Retirement	<input type="checkbox"/>																					
<i>d</i>	Termination/dismissal	<input type="checkbox"/>																					
<i>e</i>	End of contract	<input type="checkbox"/>																					
<i>f</i>	Other	<input type="checkbox"/>																					
	Specify																						

**4.02 Employment details (2) <sup>†</sup>**

<b>a</b>	Period (mm/yyyy)	From		/		To		/	
<b>b</b>	Nature of employment	<i>a</i>	Employed						<input type="checkbox"/>
		<i>b</i>	Self-employed						<input type="checkbox"/>
		<i>c</i>	Not employed						<input type="checkbox"/>
		<i>d</i>	Full-time education						<input type="checkbox"/>
	If <i>c</i> or <i>d</i> is ticked, please give details								
<b>c</b>	Name of employer								
<b>d</b>	Nature of business								
<b>e</b>	Previous / other names of employer								
<b>f</b>	Last known address of employer								
<b>g</b>	Is/was employer regulated by a regulatory body?	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>	Name of regulatory body and country			
<b>h</b>	Is/was employer an <i>appointed representative/tied agent</i> ?	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>	If yes, of which <i>firm</i> ?			
<b>i</b>	Position held								
<b>j</b>	Responsibilities								
<b>k</b>	Reason for leaving:	<i>a</i>	Resignation						<input type="checkbox"/>
		<i>b</i>	Redundancy						<input type="checkbox"/>
		<i>c</i>	Retirement						<input type="checkbox"/>
		<i>d</i>	Termination/dismissal						<input type="checkbox"/>
		<i>e</i>	End of contract						<input type="checkbox"/>
		<i>f</i>	Other						<input type="checkbox"/>
	Specify								

**I have supplied further information related to this page in Section 6<sup>†</sup>**
 YES  NO

<sup>†</sup> The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7.4R- 15.79G in the FCA Handbook or in 'Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications' in the PRA Rulebook  
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## Fitness and Propriety

## Section 5

### 5.01 Criminal Proceedings

When answering the questions in this section the ~~candidate~~ candidate should include matters whether in the UK or overseas. By virtue of the Rehabilitation of Offenders Act 1974 (Exceptions) Order 1975, if the *candidate* is subject to the law of England and Wales, the ~~candidate~~ candidate must disclose spent convictions and cautions (other than a protected conviction or caution). By virtue of the Rehabilitation of Offenders Act 1974 (Exclusions and Exceptions) (Scotland) Order 2013 and the Rehabilitation of Offenders (Exceptions) Order (Northern Ireland) 1979, if the ~~candidate~~ candidate is subject to the law of Scotland or Northern Ireland, the *candidate* must disclose spent convictions (other than a protected conviction).

For the avoidance of doubt, references to the legislation above are references to the legislation as amended

<b>5.01.1a</b>	Has the <i>candidate</i> <b>ever</b> been convicted of any criminal offence (whether spent or not and whether or not in the <i>United Kingdom</i> ):	
	<ul style="list-style-type: none"> <li>i. involving fraud, theft, false accounting, offences against the administration of public justice (such as perjury, perverting the course of justice and intimidation of witnesses or jurors), serious tax offences or other dishonesty or</li> <li>ii. relating to <i>companies, building societies, industrial and provident societies, credit unions, friendly societies, insurance, banking or other financial services, insolvency, consumer credit or consumer protection, money laundering, market manipulations or insider dealing?</i></li> </ul>	YES <input type="checkbox"/> NO <input type="checkbox"/>
<b>b</b>	Is the <i>candidate</i> currently the subject of any criminal proceedings, whether in the UK or elsewhere?	YES <input type="checkbox"/> NO <input type="checkbox"/>
<b>c</b>	Has the <i>candidate</i> <b>ever</b> been given a caution in relation to any criminal offence?	YES <input type="checkbox"/> NO <input type="checkbox"/>
<b>5.01.2</b>	Has the <i>candidate</i> any convictions for any offences other than those in 5.01.1 above (excluding traffic offences that did not result in a ban from driving or did not involve driving without insurance)?	YES <input type="checkbox"/> NO <input type="checkbox"/>
<b>5.01.3</b>	Is the <i>candidate</i> the subject of any ongoing criminal investigation?	
<b>5.01.4</b>	Has the <i>candidate</i> ever been ordered to produce documents pursuant to any ongoing criminal investigation or been the subject of a search (with or without a warrant) pursuant to any ongoing criminal investigation?	YES <input type="checkbox"/> NO <input type="checkbox"/>



I have supplied further information related to this page in Section 6<sup>†</sup>

YES       NO

**5.01.5** Has any *firm* at which the *candidate* holds or has held a position of influence ever:  
 (Please check the guidance notes for the meaning of ‘position of influence’ in the context of the questions in this part of the form.)

<b>a</b>	Been convicted of any criminal offence?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
<b>b</b>	Been summonsed, charged with or otherwise investigated or prosecuted for any criminal offence?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
<b>c</b>	Been the subject of any criminal proceeding which has not resulted in a conviction?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
<b>d</b>	Been ordered to produce documents in relation to any criminal investigation or been the subject of a search (with or without a warrant) in relation to any criminal investigation?	YES <input type="checkbox"/>	NO <input type="checkbox"/>

In answering question 5.01.5, you should include all matters even when the summons, charge, prosecution or investigation did not result in a conviction, and, in respect of 5.01.5d, even where the *firm* was not the subject of the investigation. However, *firms* are not required to disclose details of any specific individuals who were subject to historic (as opposed to ongoing) criminal investigations, prosecutions, summons or other historic criminal proceedings.

➔ I have supplied further information related to this page in Section 6<sup>†</sup> YES  NO

<sup>†</sup> The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7.4R- 15.79G in the FCA Handbook or in ‘Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications’ in the PRA Rulebook  
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September 2016~~August 2015~~

**5.02 Civil Proceedings**

**5.02.1** Has the *candidate* **ever** been the subject of a judgment debt or award against the *candidate*? YES  NO

Please give a full explanation of the events in question  
The candidate should include all County Court Judgment(s) (CCJs) made against the *candidate*, whether satisfied or not); and  
 i) the sum and date of all judgment debts, awards or CCJs (whether satisfied or not); and  
 ii) the total number of all judgment debts, awards or CCJs ordered.

**5.02.2** Has the *candidate* ever been party to any civil proceedings which resulted in any order against the *candidate* (other than a judgment debt or award referred to in 5.02.1 above)? (The candidate should include, for example, injunctions and employment tribunal proceedings.) YES  NO

**5.02.3** Is the *candidate* aware of:

**a** Any proceedings that have begun, or anyone’s intention to begin proceedings against the *candidate*, for a CCJ or another judgment debt? YES  NO

**b** More than one set of proceedings, or anyone’s intention to begin more than one set of proceedings, that may lead to a CCJ or other judgment debt? YES  NO

**c** Anybody’s intention to claim more than £1,000 of CCJs or judgment debts in total from the *candidate*? YES  NO

**5.02.4** Does the *candidate* have any **current** judgment debts (including CCJs) made under a court order still outstanding, whether in full or in part? YES  NO

**5.02.5** Has the *candidate* **ever** failed to satisfy any such judgment debts (including CCJs) made under a court order still outstanding, whether in full or part, within one year of the order being made? YES  NO

 **I have supplied further information related to this page in Section 6†** YES  NO



**5.02.6** Has the *candidate* ever:

**a** Filed for the *candidate*'s own bankruptcy or had a bankruptcy petition served on the *candidate*? YES  NO

**b** Been adjudged bankrupt? YES  NO

**c** Been the subject of a bankruptcy restrictions order (including an interim bankruptcy restrictions order) or offered a bankruptcy restrictions undertaking? YES  NO

**d** Made any arrangements with the *candidate*'s creditors, for example a deed of arrangement or an individual voluntary arrangement (or in Scotland a trust deed)? YES  NO

**e** Had assets sequestrated? YES  NO

**f** Been involved in any proceedings relating to the above matters even if such proceedings did not result in the making of any kind of order against the *candidate* or result in any kind of agreement with the *candidate*? YES  NO

**5.02.7** Does the *candidate*, or any undertaking under their management, have any outstanding financial obligations arising from *regulated activities*, which have been carried out in the past? (whether or not in the UK or overseas)? YES  NO

**5.02.8** Has the *candidate* ever been adjudged by a court or tribunal (whether criminal, civil or administrative) for any fraud, misfeasance, negligence, wrongful trading or other misconduct? YES  NO

**5.02.9** Is the *candidate* currently:

**a** Party to any civil proceedings? (including those covered in 5.02.3~~7~~ above) YES  NO

**b** Aware of anybody's intention to begin civil proceedings against the *candidate*? (The *candidate* should include any ongoing disputes whether or not such dispute is likely to result in any order against the *candidate*.) YES  NO

**5.02.10** Has any firm at which the *candidate* holds or has held a position of influence ever been:

**a** Adjudged by a court civilly liable for any fraud, misfeasance, wrongful trading or other misconduct? YES  NO

**b** The subject of a judgment debt or award against the firm? (The *candidate* should include all CCJs made against the firm, whether satisfied or not). YES  NO

**c** Party to any other civil proceedings which resulted in an order against the firm other than in relation to matters covered in 5.02.10a and 5.02.10b above? YES  NO



I have supplied further information related to this page in Section 6<sup>†</sup>

YES  NO

<sup>†</sup> The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7.4R- 15.79G in the FCA Handbook or in 'Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications' in the PRA Rulebook

**5.02.11** Is any firm at which the *candidate* currently holds or has held, within the last 12 months from the date of the submission of this form, a position of influence currently:

**a** a party to civil proceedings?

YES  NO

**b** aware of anyone's intention to begin civil proceedings against them?

YES  NO

**5.02.12** Has any company, partnership or unincorporated association of which the *candidate* is or has been a controller, director, senior manager, partner or company secretary, in the United Kingdom or elsewhere, at any time during their involvement, or within one year of such an involvement, been put into liquidation, wound up, ceased trading, had a receiver or administrator appointed or entered into any voluntary arrangement with its creditors?

YES  NO



**I have supplied further information related to this page in Section 6†**

YES

NO

**5.03 Business and Employment Matters**

**5.03.1** Has the *candidate* ever been:

**a** Disqualified from acting as a director or similar position (one where the *candidate* acts in a management capacity or conducts the affairs of any company, partnership or unincorporated association)? YES  NO

**b** The subject of any proceedings of a disciplinary nature (whether or not the proceedings resulted in any finding against the *candidate*)? YES  NO

**c** The subject of any investigation which has led or might lead to disciplinary proceedings? YES  NO

**d** Notified of any potential proceedings of a disciplinary nature against the *candidate*? YES  NO

**e** The subject of an investigation into allegations of misconduct or malpractice in connection with any business activity? (this question covers internal investigation by an authorised *firm*, as well as investigation by a regulatory body, at any time.) YES  NO

**5.03.2** Has the *candidate* ever been refused entry to, or been dismissed, suspended or requested to resign from, any professional, vocation, office or employment, or from any fiduciary office or position of trust whether or not remunerated? YES  NO

**5.03.3** Does the *candidate* have any material written complaints made against the *candidate* by the *candidate*'s clients or former clients in the last five years which the *candidate* has accepted, or which are awaiting determination, or have been upheld – by an ombudsman or complaints scheme? YES  NO

**5.03.4** Has the *candidate* ever participated in an arbitration proceedings board? YES  NO

 **I have supplied further information related to this page in Section 6<sup>†</sup>** YES  NO

<sup>†</sup> The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7.4R- 15.79G in the FCA Handbook or in 'Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications' in the PRA Rulebook

**5.04 Regulatory Matters**

**5.04.1** In relation to activities regulated by the *FCA* and/or *PRA* or any other regulatory body (see note section 5), has:

- The *candidate*, or
- Any company, partnership or unincorporated associate of which the *candidate* is or has been a controller, director, senior manager, partner or company secretary, during the *candidate's* association with the entity and for a period of three years after the *candidate* ceased to be associated with it, ever –

<b>a</b>	Been refused, had revoked, restricted, been suspended from or terminated, any licence, authorisations, registration, notification, membership or any other permission granted by any such body?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
<b>b</b>	Been criticised, censured, disciplined, suspended, expelled, fined or been the subject of any other disciplinary or interventional action by any such body?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
<b>c</b>	Received a warning (whether public or private) that such disciplinary or interventional action may be taken against the <i>candidate</i> or the <i>firm</i> ?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
<b>d</b>	Been the subject of an investigation by any regulatory body, whether or not such an investigation resulted in a finding against the <i>candidate</i> or the <i>firm</i> ?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
<b>e</b>	Been required or requested to produce documents or any other information to any regulatory body in connection with such an investigation (whether against the <i>firm</i> or otherwise)?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
<b>f</b>	Been investigated or been involved in an investigation by an inspector appointed under companies or any other legislation, or required to produce documents to the Secretary of State, or any other authority, under any such legislation?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
<b>g</b>	Ceased operating or resigned whilst under investigation by any such body or been required to cease operating or resign by any regulatory body?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
<b>h</b>	Decided, after making an application for any licence, authorisation, registration, notification, membership or any permission granted by any such body, not to proceed with it?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
<b>i</b>	Been the subject of any civil action related to any regulated activity which has resulted in a finding by a court?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
<b>j</b>	Provided payment services or distributed or redeemed e-money on behalf of a regulated <del><i>firm</i></del> <i>firm</i> or itself under any contractual agreement where that agreement was terminated by the regulated <i>firm</i> ?	YES <input type="checkbox"/>	NO <input type="checkbox"/>
<b>k</b>	Been convicted of any criminal offence, censured, disciplined or publicly criticised by any inquiry, by the Takeover Panel or any governmental or statutory authority or any other regulatory body (other than as indicated in this group of questions).	YES <input type="checkbox"/>	NO <input type="checkbox"/>
<b>l</b>	Been on a board of directors in an operating undertaking that has not been granted a release from liability?	YES <input type="checkbox"/>	NO <input type="checkbox"/>

**I have supplied further information related to this page in Section 6<sup>†</sup>** YES  NO

**5.04.2** In relation to activities regulated by the *FCA/PRA* or any other regulatory body, has the *candidate* or any *firm* at which the *candidate* holds or has held a position of influence at any time during and within one year of the *candidate's* association with the *firm* ever:

- |          |                                                                                                                                                                                                                                                                                                         |                                                          |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| <b>a</b> | Been found to have carried on activities for which authorisation or registration by the <i>FCA/PRA</i> or any other regulatory body is required without the requisite authorisations?                                                                                                                   | YES <input type="checkbox"/> NO <input type="checkbox"/> |
| <b>b</b> | Been investigated for the possible carrying on of activities requiring authorisation or registration by the <i>FCA/PRA</i> or any other regulatory body without the requisite authorisation whether or not such investigation resulted in a finding against the <i>candidate</i> ?                      | YES <input type="checkbox"/> NO <input type="checkbox"/> |
| <b>c</b> | Been found to have performed a <i>controlled function</i> (or an equivalent function requiring approval by the <i>FCA/PRA</i> or any other regulatory body) without the requisite approval?                                                                                                             | YES <input type="checkbox"/> NO <input type="checkbox"/> |
| <b>d</b> | Been investigated for the possible performance of a <i>controlled function</i> (or an equivalent function requiring approval by the <i>FCA/PRA</i> or any other regulatory body) without the requisite approval, whether or not such investigation resulted in a finding against the <i>candidate</i> ? | YES <input type="checkbox"/> NO <input type="checkbox"/> |
| <b>e</b> | Been found to have failed to comply with an obligation under the Electronic Money Regulations 2011 or Payment Services Regulations 2009 to notify the <i>FCA/PRA</i> of the identity of a person acting in a position of influence over its electronic money or payment services business?              | YES <input type="checkbox"/> NO <input type="checkbox"/> |
| <b>f</b> | Been the subject of disqualification direction under section 59 of the Financial Services Act 1986 or a prohibition order under section 56 <del>FSMA</del> <del>FSMA</del> or received a warning notice proposing that such a direction or order be made, or received a private warning?                | YES <input type="checkbox"/> NO <input type="checkbox"/> |


**I have supplied further information related to this page in Section 6<sup>†</sup>** YES  NO

<sup>†</sup> The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7.4R- 15.79G in the [FCA Handbook](#) or in 'Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications' in the *PRA Rulebook*

**5.05 Other Matters**

**5.05.1** Is the *candidate*, in the role to which the application relates, aware of:  
  
any business interests, employment obligations, or any other circumstance which may conflict with the performance of the *controlled functions* for which approval is now being sought?

YES  NO

Does the ~~*candidate*~~ *candidate* have, or know of, any:

**5.05.2** Qualifying ownership<sup>1</sup> or any other form of substantial influence in the *firm* or ~~*group*~~ *group*, or any other companies

If yes, please provide:

1. Company name and registration number
2. Nature and scope of the operations
3. The registered office of the company
4. Possession in percentage

YES  NO

**a** Close relatives with ownership shares in the *firm* or ~~*group*~~ *group*

YES  NO

**b** Close relatives with any other financial relations in the *firm* or ~~*group*~~ *group*

YES  NO

**c** Any other commitments that may give rise to a conflict of interest

YES  NO

If 'yes' to any of the above, please provide explanations of the circumstances and how the individual intends to mitigate this

**5.05.3** Are the *candidate* or the *firm* aware of any other information relevant to this notification that we might reasonably expect from the *candidate*?

YES  NO

**5.05.4** Has the *firm* undertaken a criminal records check in accordance with the requirements of the *PRA*?

Please note that a *firm* is required to *request* the fullest information that it is lawfully able to obtain about the *candidate* 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. (*PRA Rulebook: Insurance – Fitness and Propriety*)

If yes, please enter date the check was undertaken  
Date (dd/mm/yy):

*Note: if date is more than 3 months prior to current date or 3 months prior to date of application submission or the check has not been undertaken, please provide details why in section 6.*

YES  NO

**5.05.5** Has / Have a reference or references been obtained from current and previous employer(s) in accordance with the requirements of the *PRA*

YES  NO

<sup>1</sup> As defined in Article 13(21) of the Solvency II Directive, qualifying ownership is ‘direct or indirect holding in an undertaking which represent 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking’.



I have supplied further information  
related to this page in Section 6<sup>†</sup>

YES

NO

or FCA?

If No, please provide details why the reference or references has/have not been obtained.

*Please note that a firm is required to take reasonable steps to obtain appropriate references from any current or previous employer of the candidate during the last 6 years (see SYSC 22 and Insurance-Fitness and Propriety 2.5 in the PRA Rulebook). 'Employer' has an extended meaning for these purposes.*

<sup>†</sup> The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7.4R- 15.79G in the [FCA Handbook](#) or in 'Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications' in the [PRA Rulebook](#)

**Supplementary information for SIMF and SIF functions** **Section 6**

6.00

- If there is any other information the *candidate* or the *firm* considers to be relevant to the application, it must be included here.
- Please provide full details of
  - why the *candidate* is competent and capable to carry out the ~~controlled function(s)~~ **controlled function(s)** applied for.
  - why the appointment complements the *firm's* business strategy, activity and market in which it operates.
  - how the appointment was agreed including details of any discussions at governing body level (where applicable).
- Provide a copy of the *candidate's*:-
  - Scope of Responsibilities with this form. This is not required for *candidates* for *controlled function* CF30 only.
  - Roles description
  - Curriculum Vitae (C.V.)
  - Place in the Applicant's organisational chart
- Please also include here any additional information indicated in previous sections of the Form.
- **Please include a list of all directorships currently or previously held by the *candidate* in the past 10 years (where *director* has the meaning given in the *Glossary of the PRA Rulebook*.)**
- If there is insufficient space, please continue on a separate sheet of paper and clearly identify the section and question to which the additional information relates.
- **Full details must be provided here if there were any issues that could affect the Fitness and Propriety of the individual that arose when leaving an employer listed in section 4 or if any question has been answered 'yes' in section 5.**

Question	Information



**Declarations and signatures****Section 7****Declaration of *Candidate***

It is a criminal offence, knowingly or recklessly, to give the *FCA* and/or *PRA* information that is materially false, misleading or deceptive (see sections 398 and 400 Financial Services and Markets Act 2000). Even if you believe or know that information has been provided to the *FCA* and/or *PRA* before (whether as part of another application or otherwise) or is in the public domain, you must nonetheless disclose it clearly and fully in this form and as part of this application – you should not assume that the *FCA* and/or *PRA* will itself identify such information during the assessment of this application.

There will be a delay in processing the application if information is inaccurate or incomplete, and it may call into question the suitability of the ~~candidate~~ candidate and/or lead to the *FCA* and/or *PRA* exercising its powers (including but not limited to taking disciplinary/ Enforcement action). You must notify the *FCA* and/or *PRA* immediately if there is a change to the information in this form and/or if inaccurate information has been provided (insofar as the *FCA* and/or *PRA* is reasonably likely to consider the information material).

The ~~candidate~~ candidate confirms that the information provided in this application is accurate and complete to the best of his/her knowledge and that he or she has read the notes to this form. The ~~candidate~~ candidate will notify the *FCA* and/or *PRA* immediately if there is a material change to the information provided.

The ~~candidate~~ candidate confirms that the attached Scope of Responsibilities<sup>1</sup> accurately reflects the aspects of the affairs of the *firm* which it is intended that the ~~candidate~~ candidate will be responsible for managing. The ~~candidate~~ candidate confirms that they have accepted all the responsibilities set out in this Scope of Responsibilities.

The ~~candidate~~ candidate authorises the *FCA* and/or *PRA* to make such enquiries and seek such further information as it thinks appropriate to identify and verify information that it considers relevant to the assessment of this application.

The ~~candidate~~ candidate acknowledges and agrees that these checks may include credit reference checks or information pertaining to fitness and propriety, and is aware that the results of these enquiries may be disclosed to the employer/Applicant.

Where applicable, the ~~candidate~~ candidate agrees that he or she may be required to apply for a search to be made as to whether any criminal records are held in relation to him or her and to obtain a certificate (where such certificate can be obtained) and to disclose the result of that search to the *firm* submitting this application.

The ~~candidate~~ candidate agrees that the *FCA* and/or *PRA* may use the address specified for the ~~candidate~~ candidate in this Form as the proper address for service in the United Kingdom as defined in Financial Services and Markets Act 2000 (Service of Notice) Regulations (SI 2001/1420) to serve any notices on the ~~candidate~~ candidate.

For the purposes of complying with the Data Protection Act 1998, the personal information provided in this Form will be used by the *FCA* and *PRA* to discharge its statutory functions under the Financial Services and Markets Act 2000 and other relevant legislation, and will not be disclosed for any other purpose without the permission of the ~~candidate~~ candidate.

The ~~candidate~~ candidate confirms that he or she understands the regulatory responsibilities of the proposed role as set out in the rules of conduct in the *FCA*'s *COCON* and/or *PRA Rulebook: Solvency II firms: Insurance- Conduct Standards (as applicable)*.

The ~~candidate~~ candidate is aware that, while advice may be sought from a third party (e.g. legal advice), responsibility for the accuracy of information, as well as the disclosure of relevant information, on the form is ultimately the responsibility of those who sign the application.

---

<sup>1</sup> This is not applicable for *candidates* for *controlled function* CF30 only.

In addition to other regulatory responsibilities, ~~firms~~ firms, and ~~approved persons~~ approved persons have a responsibility to disclose to the *FCA* and/or *PRA* matters of which it would reasonably expect to be notified. Failure to notify the *FCA* and/or *PRA* of such information may lead to the *FCA* and/or *PRA* taking disciplinary or other action against the Applicant and/or the ~~candidate~~ candidate.

Tick here to confirm you have read and understood this declaration: ∞

**7.01** Name of ~~candidate~~ candidate / approved person (where applicable)†

**7.02** Signature

Date

## Declaration of Firm

It is a criminal offence, knowingly or recklessly, to give the *FCA* and/or *PRA* information that is materially false, misleading or deceptive (see sections 398 and 400 Financial Services and Markets Act). Even if you believe or know that information has been provided to the *FCA* and/or *PRA* before (whether as part of another application or otherwise) or is in the public domain, you must nonetheless disclose it clearly and fully in this form and as part of this application – you should not assume that the *FCA* and/or *PRA* will itself identify such information during the assessment of this application.

There will be a delay in processing the application if information is inaccurate or incomplete, and it may call into question the suitability of the ~~candidate~~ candidate and/or lead to the *FCA* and/or *PRA* exercising its powers under ~~FSMA~~ FSMA (including but not limited to taking disciplinary/ Enforcement action). You must notify the *FCA* and/or *PRA* immediately if there is a change to the information in this form and/or if inaccurate information has been provided (insofar as the *FCA* and/or *PRA* is reasonably likely to consider the information material).

In addition to other regulatory responsibilities, ~~firms~~ firms, and ~~approved persons~~ approved persons have a responsibility to disclose to the *FCA* and/or *PRA*, matters of which it would reasonably expect to be notified. Failure to notify the *FCA* and/or *PRA* of such information may lead to the *FCA* and/or *PRA* taking disciplinary or other action against the Applicant and/or the ~~candidate~~ candidate.

The Applicant confirms that the information provided in this application is accurate and complete to the best of its knowledge and that it has read the notes to this form. The Applicant will notify the *FCA* and/or *PRA* immediately if there is a material change to the information provided.

The Applicant authorises the *FCA* and/or *PRA* to make such enquiries and seek such further information as it thinks appropriate to identify and verify information that it considers relevant to the assessment of this application.

Where applicable, the Applicant confirms that it has obtained the fullest information that it is lawfully able to obtain about the ~~candidate~~ candidate under Part V of the Police Act 1997 and any related subordinated legislation of the UK or any part of the UK, and (where available) has given due consideration to that information in determining that ~~candidate~~ candidate to be fit and proper.

In making this application the Applicant believes on the basis of due and diligent enquiry and, where applicable, by reference to the criteria in FIT in the ~~FCA Handbook~~ FCA Handbook and/or the Fitness and Propriety sections in the ~~PRA Rulebook~~ PRA Rulebook that the ~~candidate~~ candidate is a fit and proper person to perform the ~~controlled function~~ controlled function(s) listed in section 3.

The Applicant also believes, on the basis of due and diligent enquiry, that the ~~candidate~~ candidate is competent to fulfil the duties required in the performance of such function(s).

The Applicant confirms that it has complied with its obligations under Equality and Diversity legislation when selecting the Individual to perform the function(s) applied for.

The Applicant confirms that it has made the ~~candidate~~ candidate aware of their regulatory responsibilities as set out in the rules of conduct in the *FCA*'s ~~COCON~~ COCON and/or *PRA* ~~Rulebook~~ Rulebook: Insurance- Conduct Standards (as applicable).

The Applicant confirms that the Scope of Responsibilities<sup>1</sup> submitted with this form accurately reflects the aspects of the affairs of the ~~Firm~~ Firm which it is intended that the ~~candidate~~ candidate will be responsible for managing.

The Applicant is aware that, while advice may be sought from a third party (e.g. legal advice), responsibility for the accuracy of information, as well as the disclosure of relevant information, on the Form is ultimately the responsibility of those who sign the application.

<sup>1</sup> This is not applicable for *candidates* for *controlled function* CF30 only.

In signing this form on behalf of the Applicant:

**I confirm that the information in this Form is accurate and complete to the best of my knowledge and belief and that I have read the notes to this Form.**

I confirm that I have authority to make this application and provide the declarations given by the Applicant, and sign this Form, on behalf of the ~~firm~~ *firm* identified in section 2.01 and/or each *firm* identified in section 3.04. I also confirm that a copy of this Form, as submitted to the *FCA* and/or *PRA*, will be sent to each of those *firms* at the same time as submitting the Form to the *FCA* and/or *PRA*.

**7.03** Name of the *firm* submitting the application †

**7.04** Name of ~~person~~ person signing on behalf of the Applicant †

**7.05** Job title †

**7.06** Signature\*

Date †



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY



Application number  
(for FCA/PRA use only)

The FCA and PRA have produced notes which will assist both the applicant and the ~~candidate~~ candidate in answering the questions in this form. Please read these notes, which are available on both FCA and PRA websites at:

<http://media.fshandbook.info/FS/html/FCA/SUP/10A/Annex4>

<http://www.bankofengland.co.uk/PRA>

Both the applicant and the ~~candidate~~ candidate will be treated by the FCA and PRA as having taken these notes into consideration when completing this form.

## Short Form A – Solvency II firms only<sup>5</sup>

### Application to perform controlled functions

FCA Handbook Reference: SUP 10A Annex 4D

PRA Rulebook Reference: Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications

Name of *candidate*<sup>†</sup>  
(to be completed by applicant firm)

Name of *applicant firm*<sup>†</sup>  
(as entered in 2.01)

*Applicant firm* reference number<sup>†</sup>  
(as entered in 2.02)

Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS  
United Kingdom  
Telephone +44 (0) 300 500 0597  
E-mail [iva@fca.org.uk](mailto:iva@fca.org.uk)  
Website <http://www.fca.org.uk>  
Registered as a Limited Company in England and Wales No 1920623. Registered Office as above

Prudential Regulation Authority  
20 Moorgate  
London  
EC2R 6DA  
United Kingdom  
Telephone +44 (0) 203 461 7000  
E-mail [PRA-ApprovedPersons@bankofengland.co.uk](mailto:PRA-ApprovedPersons@bankofengland.co.uk)  
Website [www.bankofengland.co.uk/PRA](http://www.bankofengland.co.uk/PRA)  
Registered as a Limited Company in England and Wales No 07854923. Registered Office: 8 Lothbury Road, London, EC2R 7HH

<sup>5</sup> Please see the FCA Handbook Glossary for the definition of *Solvency II firm*, and for the PRA see the definition included in PRA Rulebook: Solvency II firms: Insurance- Senior Insurance Management Functions Chapter 1 (Applications and Definitions)

<sup>†</sup> The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7.4R- 15.7.9G in the FCA Handbook or in Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications in the PRA Rulebook

**Personal identification details** **Section 1**

<b>1.01 a</b>	<i>Candidate</i> Individual Reference Number (IRN) †	
<b>b</b>	OR name of previous regulatory body †	
<b>c</b>	AND previous reference number (if applicable) †	
<b>1.02</b>	Title (e.g. Mr, Mrs, Ms, etc) †	
<b>1.03</b>	Surname †	
<b>1.04</b>	ALL forenames †	
<b>1.05</b>	Name commonly known by †	
<b>1.06</b>	Date of birth (dd/mm/yyyy) †	/ /
<b>1.07</b>	National Insurance number †	
<b>1.08</b>	Previous name †	
<b>1.09</b>	Date of name change †	/ /
<b>1.10 a</b>	Nationality †	
<b>b</b>	Passport number (if National Insurance number not available) †	
<b>1.11</b>	Place of birth †	



I have supplied further information related to this page in Section 6 †

YES  NO

**1.12 a** Private address<sup>†</sup>

**b** Postcode<sup>†</sup>

**c** Dates resident at this address (mm/yyyy)<sup>†</sup>

	<b>From</b>	/		<b>To</b>	<b>PRESENT</b>
--	-------------	---	--	-----------	----------------

**(If address has changed in the last three years, please provide addresses for the previous three years.)**

**1.13 a** Previous address 1<sup>†</sup>

**b** Postcode<sup>†</sup>

**c** Dates resident at this address (mm/yyyy)<sup>†</sup>

	<b>From</b>	/		<b>To</b>	/
--	-------------	---	--	-----------	---

**1.14 a** Previous address 2<sup>†</sup>

**b** Postcode<sup>†</sup>

**c** Dates resident at this address (mm/yyyy)<sup>†</sup>

	<b>From</b>	/		<b>To</b>	/
--	-------------	---	--	-----------	---



I have supplied further information related to this page in Section 6<sup>†</sup> YES  NO

## Firm identification details

## Section 2

2.01 Name of *firm* making the application

2.02 Firm Reference Number (FRN)

2.03 a Who should the *FCA/PRA* contact at the *firm* in relation to this application?

b Position

c Telephone

d Fax

e E-mail



I have supplied further information related to this page in Section 6<sup>†</sup>

YES

NO



**Arrangements and controlled functions****Section 3**

<b>3.01</b>	Nature of the arrangement between the candidate and the applicant.	<i>a</i> Employee <span style="float: right;"><input type="checkbox"/></span>
		<i>b</i> Group employee <span style="float: right;"><input type="checkbox"/></span>
		Name of group <span style="float: right;">[Redacted]</span>
		<i>c</i> Contract for services <span style="float: right;"><input type="checkbox"/></span>
		<i>d</i> Partner <span style="float: right;"><input type="checkbox"/></span>
		<i>e</i> Other <span style="float: right;"><input type="checkbox"/></span>
	Give details <span style="float: right;">[Redacted]</span>	

## 3.02

For applications from a single *firm*, please tick the boxes that correspond to the *controlled functions* to be performed. If the *controlled functions* are to be performed for more than one *firm*, please go to question 3.04

Function	Description of a controlled function	Tick (if applicable)	Effective Date
SIMF 1	Chief Executive officer		
SIMF 2	Chief Finance function		
SIMF 4	Chief Risk officer		
SIMF 5	Head of Internal Audit		
SIMF 7	Group Entity Senior Manager		
SIMF 9	Chairman		
SIMF 10	Chair of the Risk Committee		
SIMF 11	Chair of the Audit Committee		
SIMF 12	Chair of the Remuneration Committee		
SIMF 14	Senior Independent Director		
SIMF 19	Head of Third Country Branch function		
<u>SIMF 19A</u>	<u>Head of Firm without permission to effect contracts of insurance function</u>		
SIMF 20	Chief Actuary		
SIMF21	With-Profits Actuary		
SIMF22	Underwriting function		
SIMF23	Underwriting Risk Oversight Officer (Lloyd's)		
CF 1	Director		
CF 2a	Chair of the Nominations Committee		
CF 2b	Chair of the With-Profits Committee		
CF 5	Director of unincorporated association function		
CF 10	Compliance Oversight		
CF 10a	CASS Operational Oversight		
CF 11	Money Laundering Reporting		
CF 28	Systems and Controls		
CF 29	Significant Management		
CF 30	Customer Function		
CF 51	Actuarial conduct function (third country)		

3.03 Job title

**Insurance mediation**

Will the ~~candidate~~ candidate be responsible for Insurance mediation at the *firm*?

YES  NO

Note: Yes can only be selected if the individual is applying for a governing function (other than *controlled functions* CF2a and CF2b) (MIPRU 2.2.2)



I have supplied further  
information  
related to this page in Section 6<sup>†</sup>

YES

NO

<sup>†</sup> The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7.4R- 15.7.9G in the *FCA Handbook* or in Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications in the *PRA Rulebook*

**3.04 Complete this section only if the application is on behalf of more than one firm.**

List all firms within the group (including the firm entered in 2.01) for which the candidate requires approval and the requested controlled function for that firm.<sup>†</sup>

	<b>Firm Reference Number</b>	<b>Name of firm</b>	<b>Controlled function</b>	<b>Job title</b>	<b>Effective date</b>
<b>a</b>					/ /
<b>b</b>					/ /
<b>c</b>					/ /
<b>d</b>					/ /
<b>e</b>					/ /



I have supplied further information related to this page in Section 6

YES

NO

## Employment History

## Section 4

This section has been removed. However if there has been a change to the detail in this section since your last approval, you must submit a Long Form A as opposed to a Short Form A informing the *FCA* and/or *PRA* of the revised detail.

## Fitness and Propriety

## Section 5

Parts 5.01 to 5.05.3 of this section have been removed. However if there has been a change to the detail in this section since your last approval, you must submit a Long Form A as opposed to a Short Form A informing the FCA and/or PRA of the revised detail.

**5.05.4** Has the *firm* undertaken a criminal records check in accordance with the requirements of the *PRA*?

Please note that a *firm* is required to ~~request~~ obtain the fullest information that it is lawfully able to obtain about the *candidate* 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. (Applications and Notifications in the *PRA Rulebook*)

If yes, please enter date the check was undertaken

Date (dd/mm/yy):

*Note: if date is more than 3 months prior to current date or 3 months prior to date of application submission or the check has not been undertaken, please provide details why in section 6.*

YES  NO

**→ I have supplied further information related to this page in Section 6<sup>†</sup>** YES  NO

**5.05.5** Has / Have a reference or references been obtained from current and previous employer(s) in accordance with the requirements of the *PRA* or *FCA*?

If No, please provide details why the reference or references has/have not been obtained.

*Please note that a firm is required to use reasonable efforts to obtain a reference from any previous employer of the candidate during the last 6 years (see SYSC 22 and Insurance - Fitness and Propriety 2.5 in the PRA Rulebook). 'Employer' has an extended meaning for these purposes.*

YES  NO

**Supplementary information for SIMF and SIF functions Section 6**

- 6.00
- If there is any other information the *candidate* or the *firm* considers to be relevant to the application, it must be included here.
  - Please provide full details of
    - why the ~~candidate~~ candidate is competent and capable to carry out the ~~controlled function(s)~~ controlled function(s) applied for.
    - why the appointment complements the ~~firm's~~ firm's business strategy, activity and market in which it operates.
    - how the appointment was agreed including details of any discussions at governing body level (where applicable).
  - Provide a copy of the ~~candidate's~~ candidate's:-
    - Scope of Responsibilities with this form. This is not required for *candidates* for *controlled function* CF30 only.
    - Roles description
    - Curriculum vitae (C.V.)
    - Place in the applicant's organisational chart
  - Please also include here any additional information indicated in previous sections of the Form.
  - **Please include a list of all directorships currently or previously held by the *candidate* in the past 10 years (where *director* has the meaning given in the *Glossary*.)**
  - If there is insufficient space, please continue on a separate sheet of paper and clearly identify the section and question to which the additional information relates.
  - **Full details must be provided here if there were any issues that could affect the Fitness and Propriety of the individual that arose when leaving an employer listed in section 4 or if any question has been answered 'yes' in section 5.**

Question	Information

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7.4R- 15.7.9G in the FCA Handbook or in Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications in the PRA Rulebook  
 Short Form A – Solvency II firms Application to perform controlled functions September 2016 August 2015

## Declarations and signatures

## Section 7

### Declaration of *Candidate*

It is a criminal offence, knowingly or recklessly, to give the appropriate regulator information that is materially false, misleading or deceptive (see sections 398 and 400 Financial Services and Markets Act 2000). Even if you believe or know that information has been provided to the appropriate regulator before (whether as part of another application or otherwise) or is in the public domain, you must nonetheless disclose it clearly and fully in this form and as part of this application – you should not assume that the appropriate regulator will itself identify such information during the assessment of this application. If there is any doubt about the relevance of information, it should be included.

There will be a delay in processing the application if information is inaccurate or incomplete, and it may call into question the suitability of the *candidate* and/or lead to the appropriate regulator exercising its powers (including but not limited to taking disciplinary/ Enforcement action). You must notify the appropriate regulator immediately if there is a change to the information in this form and/or if inaccurate information has been provided (insofar as the appropriate regulator is reasonably likely to consider the information material).

The *candidate* confirms that the information provided in this application is accurate and complete to the best of his/her knowledge and that he or she has read the notes to this form. The *candidate* will notify the appropriate regulator immediately if there is a material change to the information provided.

The *candidate* confirms that the attached Scope of Responsibilities<sup>6</sup> accurately reflects the aspects of the affairs of the ~~firm~~ *firm* which it is intended that the *candidate* will be responsible for managing. The *candidate* confirms that they have accepted all the responsibilities set out in this Scope of Responsibilities.

The *candidate* authorises the appropriate regulator to make such enquiries and seek such further information as it thinks appropriate to identify and verify information that it considers relevant to the assessment of this application.

The *candidate* acknowledges and agrees that these checks may include credit reference checks or information pertaining to fitness and propriety, and is aware that the results of these enquiries may be disclosed to the employer/Applicant.

The *candidate* agrees that he or she may be required to apply for a search to be made as to whether any criminal records are held in relation to him or her and to obtain a certificate (where such certificate can be obtained) and to disclose the result of that search to the ~~firm~~ *firm* submitting this application.

The *candidate* agrees that the *FCA* and/or *PRA* may use the address specified for the *candidate* in this Form as the proper address for service in the United Kingdom as defined in Financial Services and Markets Act 2000 (Service of Notice) Regulations (SI 2001/1420) to serve any notices on that signatory.

For the purposes of complying with the Data Protection Act 1998, the personal information provided in this Form will be used by the *FCA* and *PRA* to discharge their statutory functions under the Financial Services and Markets Act 2000 and other relevant legislation, and will not be disclosed for any other purpose without the permission of the ~~applicant~~ *candidate*.

The *candidate* confirms that he or she understands the regulatory responsibilities of my proposed role as set out in the rules of conduct in the *FCA's COCON* and/or *PRA Rulebook: Solvency II firms: Insurance-Conduct Standards* (as applicable).

The *candidate* is aware that, while advice may be sought from a third party (e.g. legal advice), responsibility for the accuracy of information, as well as the disclosure of relevant information, on the Form is ultimately the responsibility of those who sign the application.

In addition to other regulatory responsibilities, ~~firms~~ *firms*, and ~~approved persons~~ *approved persons* have a responsibility to disclose to the *FCA* and/or *PRA* matters of which it would reasonably expect to be notified. Failure to notify the appropriate regulator of such information may lead to the *FCA* and/or *PRA* taking disciplinary or other action against the ~~firm~~ *firm* and/or individuals.

---

<sup>6</sup> This is not applicable to *candidates* for *controlled function* CF30 only.



Tick here to confirm you have read and understood this declaration: ∞

**7.01** Candidate's full name†

**7.02** Signature

Date

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7.4R- 15.7.9G in the FCA Handbook or in Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications in the *PRA Rulebook*

## Declaration of Firm Firm

It is a criminal offence, knowingly or recklessly, to give the appropriate regulator information that is materially false, misleading or deceptive (see sections 398 and 400 Financial Services and Markets Act). Even if you believe or know that information has been provided to the appropriate regulator before (whether as part of another application or otherwise) or is in the public domain, you must nonetheless disclose it clearly and fully in this form and as part of this application – you should not assume that the appropriate regulator will itself identify such information during the assessment of this application. If there is any doubt about the relevance of information, it should be included.

There will be a delay in processing the application if information is inaccurate or incomplete, and it may call into question the suitability of the ~~candidate applicant~~ and/or lead to the appropriate regulator exercising its powers (including but not limited to taking disciplinary/ Enforcement action). You must notify the appropriate regulator immediately if there is a change to the information in this form and/or if inaccurate information has been provided (insofar as the appropriate regulator is reasonably likely to consider the information material).

In addition to other regulatory responsibilities, ~~firms-firms~~, and ~~approved persons~~ approved persons have a responsibility to disclose to the appropriate regulator, matters of which it would reasonably expect to be notified. Failure to notify the appropriate regulator of such information may lead to the appropriate regulator taking disciplinary or other action against the ~~firm~~ firm and/or individuals.

The Applicant confirms that the information provided in this application is accurate and complete to the best of its knowledge and that it has read the notes to this form. The Applicant will notify the appropriate regulator immediately if there is a material change to the information provided.

The Applicant authorises the appropriate regulator to make such enquiries and seek such further information as it thinks appropriate to identify and verify information that it considers relevant to the assessment of this application.

Where applicable, ~~Where required under Section 5~~, the Applicant confirms that it has obtained the fullest information that it is lawfully able to obtain about the Individual under Part V of the Police Act 1997 and any related subordinated legislation of the UK or any part of the UK, and has given due consideration to that information in determining that Individual to be fit and proper.

In making this application the *firm* believes on the basis of due and diligent enquiry and, where applicable, by reference to the criteria in FIT that the *candidate* is a fit and proper person to perform the ~~controlled function(s)~~ controlled function(s) listed in section 3. The ~~firm~~ firm also believes, on the basis of due and diligent enquiry, that the ~~candidate~~ candidate is competent to fulfil the duties required in the performance of such function(s).

The Applicant confirms that it has complied with its obligations under Equality and Diversity legislation when selecting the Individual to perform the function(s) applied for.

The Applicant confirms that it has made the *candidate* aware of their regulatory responsibilities as set out in the rules of conduct in the *FCA's COCON* and/or *PRA Rulebook: Insurance Conduct Standards* (as applicable).

The Applicant confirms that the Scope of Responsibilities<sup>7</sup> submitted with this form accurately reflects the aspects of the affairs of the ~~Firm~~ Firm which it is intended that the ~~Candidate~~ Candidate will be responsible for managing.

The Applicant is aware that, while advice may be sought from a third party (e.g. legal advice), responsibility for the accuracy of information, as well as the disclosure of relevant information, on the Form is ultimately the responsibility of those who sign the application.

In signing this form on behalf of the ~~firm~~ firm:

**I confirm that the information in this Form is accurate and complete to the best of my knowledge and belief and that I have read the notes to this Form.**

I confirm that I have authority to make this application and provide the declarations given by the ~~firm~~ firm, and sign this Form, on behalf of the ~~firm~~ firm identified in section 2.01 and/or each *firm* identified in section 3.04. I also confirm that a copy of this Form, as submitted to the *FCA* and/or *PRA*, will be sent to each of those *firms* at the same time as submitting the Form to the *FCA* and/or *PRA*.

<sup>7</sup>This is not applicable to *candidates* for *controlled function* CF30 only.

**7.03** Name of the *firm* submitting the application†

**7.04** Name of ~~person~~ person signing on behalf of the *firm* †

**7.05** Job title †

**7.06** Signature\*

Date †



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AUTHORITY



Application number  
(for FCA/PRA use only)

The FCA and PRA have produced notes which will assist both the applicant and the ~~candidate~~ candidate in answering the questions in this form. Please read these notes, which are available on the FCA and PRA's websites at <http://fshandbook.info/FS/html/FCA/SUP/10A/Annex8> [www.bankofengland.co.uk/PRA](http://www.bankofengland.co.uk/PRA).

Both the applicant and the ~~candidate~~ candidate will be treated by the FCA and PRA as having taken these notes into consideration when completing this form.

## Form E

### Internal transfer of an approved person (for Solvency II firms only<sup>8</sup>)

FCA Handbook Reference: SUP 10A Annex 8D

PRA Rulebook Reference: Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications

Name of *candidate*<sup>†</sup>  
(to be completed by applicant *firm*)

Name of *firm*<sup>†</sup>  
(as entered in 2.01)

Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS  
United Kingdom  
Telephone +44 (0) 300 500 0597  
E-mail [iva@fca.org.uk](mailto:iva@fca.org.uk)  
Website <http://www.fca.org.uk>  
Registered as a Limited Company in England and Wales No 1920623. Registered Office as above

Prudential Regulation Authority  
20 Moorgate  
London  
EC2R 6DA  
United Kingdom  
Telephone +44 (0) 203 461 7000  
Email [PRA-ApprovedPersons@bankofengland.co.uk](mailto:PRA-ApprovedPersons@bankofengland.co.uk)  
Website [www.bankofengland.co.uk/PRA](http://www.bankofengland.co.uk/PRA)  
Registered as a Limited Company in England and Wales No 07854923. Registered Office: 8 Lothbury Road, London, EC2R 7HH

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<sup>8</sup> Please see the FCA Handbook Glossary for the definition of Solvency II firm, and for the PRA see the firms included in PRA Rulebook: Solvency II firms: Insurance- Senior Insurance Management Functions Chapter 1 (Applications and Definitions)

**Personal identification details**

**Section 1**

1.01	<del>Candidate</del> Candidate – Individual Reference Number (IRN) †	
1.02	Title (e.g. Mr, Mrs, Ms, etc) †	
1.03	Surname †	
1.04	ALL forenames †	
1.05	Date of birth †	/ /
1.06	National Insurance number †	

**Firm identification details**

**Section 2**

2.01	Name of <i>firm</i>	
2.02	<del>Firm</del> Firm Reference Number (FRN)	
2.03 a	Who should the <i>FCA/PRA</i> contact at the <i>firm</i> in relation to this application?	
b	Position	
c	Telephone	
d	Fax	
e	E-mail	

I have supplied further information related to this page in Section 5 YES  NO

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP15.7.4R-15.7.9G of the *FCA Handbook* or in “Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications in the *PRA Rulebook*

**Controlled functions to cease** **Section 3**

**3.01** List all *controlled functions* which the ~~approved person~~ *approved person* is ceasing to perform. The effective date is the date the *person* will cease to perform the functions.

	FRN†	Name of <i>firm</i> †	<i>Controlled function</i> †	Effective date†
a				//
b				//
c				//
d				//
e				//

➔ I have supplied further information related to this page in Section 5 YES  NO

**New arrangement and controlled functions**

**Section 4**

**4.01** Nature of the arrangement between the candidate and the applicant.

a *Employee*

b *Group employee*

Name of group

c Contract for services

d *Partner*

e Other

Give details

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP15.7.4R-15.7.9G of the *FCA Handbook* or in “Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications in the *PRA Rulebook*  
Form E – Internal transfer of an approved person (for Solvency II firms)

**4.02** For applications from a single *firm*, please tick the boxes that correspond to the *controlled functions* to be performed.

If the *controlled functions* are to be performed for more than one *firm*, please go to question 4.04

Function	Description of a controlled function	Tick (if applicable)	Effective Date
SIMF 1	Chief Executive officer		
SIMF 2	Chief Finance function		
SIMF 4	Chief Risk officer		
SIMF 5	Head of Internal Audit		
SIMF 7	Group Entity Senior Manager		
SIMF 9	Chairman		
SIMF 10	Chair of the Risk Committee		
SIMF 11	Chair of the Audit Committee		
SIMF 12	Chair of the Remuneration Committee		
SIMF 14	Senior Independent Director		
SIMF 19	Head of Third Country Branch function		
<u>SIMF 19A</u>	<u>Head of Firm without permission to effect contracts of insurance function</u>		
SIMF 20	Chief Actuary		
SIMF21	With-Profits Actuary		
SIMF22	Underwriting function		
SIMF23	Underwriting Risk Oversight Officer (Lloyd's)		
CF 1	Director		
CF 2a	Chair of the Nominations Committee		
CF 2b	Chair of the With-Profits Committee		
CF 10	Compliance Oversight		
CF 10a	CASS Operational Oversight		
CF 11	Money Laundering Reporting		
CF 28	Systems and Controls		
CF 29	Significant Management		
CF 30	Customer Function		
CF 51	Actuarial conduct function (third country)		

4.03 Job title

#### Insurance mediation

Will the *candidate* be responsible for Insurance mediation at the ~~firm~~ *firm*? YES  NO

((Note: Yes can only be selected if the individual is applying for a governing function (other than *controlled functions* CF2a and CF2b) (MIPRU 2.2.2)



**4.04** List all *firms* within the *group* (including the *firm* entered in 2.01) for which the applicant requires approval and the requested *controlled function* for that *firm*.<sup>†</sup>

	<b><u>Firm</u> Reference Number</b>	<b>Name of <i>firm</i></b>	<b><i>Controlled function</i></b>	<b>Job title (mandatory)</b>	<b>Effective date</b>
<b>a</b>					//
<b>b</b>					//
<b>c</b>					//
<b>d</b>					//
<b>e</b>					//

**4.05** Has / Have a reference or references been obtained from current and previous employer(s) in accordance with the requirements of the *PRA* or *FCA*?

If No, please provide details why the reference or references has/have not been obtained.

YES  NO

*Please note that a firm is required to take reasonable steps to obtain appropriate references from any current or previous employer of the candidate during the last 6 years (see SYSC 22 and Insurance-Fitness and Propriety 2.5 in the PRA Rulebook). ‘Employer’ has an extended meaning for these purposes.*

→ I have supplied further information related to this page in Section 5 YES  NO

<sup>†</sup> The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP15.7.4R-15.7.9G of the *FCA Handbook* or in “Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications in the *PRA Rulebook*

## Supplementary information Section 5

- 5.00**
- If there is any other information the *candidate* or the *firm* considers to be relevant to the application, it must be included here.
  - Please provide full details of
    - why the *candidate* is competent and capable to carry out the controlled function(s) applied for.
    - why the appointment complements the ~~firm's~~ firm's business strategy, activity and market in which it operates.
    - how the appointment was agreed including details of any discussions at governing body level (where applicable).
  - Provide a copy of the ~~candidate's~~ candidate's:
    - Scope of Responsibilities with this form. This is not required for *candidates* for *controlled function* CF30 only.
    - Role(s) description
    - Curriculum Vitae (C.V.)
    - Place in the applicant's organisational chart

Question	Information

**Declarations and signatures****Section 6****Declaration of Candidate**

Knowingly or recklessly giving the *FCA* and/or *PRA* information which is false or misleading in a material particular may be a criminal offence (section 398 of the Financial Services and Markets Act 2000). It should not be assumed that information is known to the *FCA* and/or *PRA* merely because it is in the public domain or has previously been disclosed to the *FCA* and/or *PRA* or another regulatory body. If there is any doubt about the relevance of information, it should be included.

In addition to other regulatory responsibilities, firms, senior managers and other approved persons have a responsibility to disclose to the *FCA* and/or *PRA* matters of which it would reasonably expect to be notified. Failure to notify the *FCA* and/or *PRA* of such information may lead to the *FCA* and/or *PRA* taking disciplinary or other action against the firm and/or individuals.

For the purposes of complying with the Data Protection Act 1998, the personal information provided in this Form will be used by the *FCA* and *PRA* to discharge their statutory functions under the Financial Services and Markets Act 2000 and other relevant legislation, and will not be disclosed for any other purpose without the permission of the *candidate applicant*.

With reference to the above, the *FCA* and/or *PRA* may seek to verify the information given in this Form including answers pertaining to fitness and propriety. This may include a credit reference check. In signing the form below:

**a) I authorise the *FCA* and/or *PRA* to make such enquiries and seek such further information as it thinks appropriate in the course of verifying the information given in this Form. *Candidates* may be required to apply for a criminal records search to be made as to whether any criminal records are held in relation to them and to obtain a certificate (where such certificate can be obtained) and to disclose the result of that search to the *firm* submitting this application.**

**b) I confirm that the information in this Form is accurate and complete to the best of my knowledge and belief and that I have read the notes to this Form. I confirm that the attached Scope of Responsibilities<sup>9</sup> accurately reflects the aspects of the affairs of the *firm* which it is intended that I will be responsible for managing. I confirm that I have accepted all the responsibilities set out in this Scope of Responsibilities.**

**c) I confirm that I understand the regulatory responsibilities of my proposed role as set out in the rules of conduct in the *FCA*'s Conduct Rules (*COCON*) and/or *PRA Rulebook: Solvency II firms: Insurance- Conduct Standards* (as applicable).**

Tick here to confirm you have read and understood this declaration: ∞

**6.01** *Candidate's* full name†

**6.02** Signature

Date

<sup>9</sup> This is not applicable to candidates for controlled function CF30 only.

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP15.7.4R-15.7.9G of the *FCA Handbook* or in "Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications in the *PRA Rulebook*

**Declaration of Firm**

Knowingly or recklessly giving the *FCA* and/or *PRA* information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). *SUP* 15.6.1R and *SUP* 15.6.4R of the *FCA Handbook* and Notification 6 of the *PRA Rulebook* require an *authorised person* to take reasonable steps to ensure the accuracy and completeness of information given to the *FCA* and/or *PRA* and to notify the *FCA* and/or *PRA* immediately if materially inaccurate information has been provided.

In addition to other regulatory responsibilities, firms, senior managers and other approved persons have a responsibility to disclose to the *FCA* and/or *PRA* matters of which it would reasonably expect to be notified. Failure to notify the *FCA* and/or *PRA* of such information may lead to the *FCA* and/or *PRA* taking disciplinary or other action against the firm and/or individuals.

It should not be assumed that information is known to the *FCA* and/or *PRA* merely because it is in the public domain or has previously been disclosed to the *FCA* and/or *PRA* or another regulatory body. If there is any doubt about the relevance of information, it should be included.

In making this application the *firm* believes on the basis of due and diligent enquiry and, where applicable, by reference to the criteria in FIT that the ~~candidate~~ *candidate* is a fit and proper person to perform the controlled function(s) listed in section 3. The ~~firm~~ *firm* also believes, on the basis of due and diligent enquiry, that the ~~candidate~~ *candidate* is competent to fulfil the duties required in the performance of such function(s).

**IF UNDERTAKING ANY NON MiFID BUSINESS FOR WHICH THE FIRM HAS NOT PREVIOUSLY APPLIED FOR AUTHORISATION, PLEASE ALSO COMPLETE THE FOLLOWING**

The *firm* also believes, on the basis of due and diligent enquiry, that the *candidate* is competent to fulfil the duties required of such function(s). **YES** **NO**

Where applicable, the *firm* confirms that it has had sight of a criminal records certificate prepared within the past 3 months in relation to the Individual and has given due consideration to the information contained in that certificate in determining that Individual to be fit and proper. Alternatively, where a certificate is not obtained the *firm* has provided an explanation in section 5.

In signing this form on behalf of the *firm*:

- a) I confirm that the information in this Form is accurate and complete to the best of my knowledge and belief and that I have read the notes to this Form.
- b) I confirm that I have authority to make this application and provide the declarations given by the *firm*, and sign this Form, on behalf of the *firm* identified in section 2.01 and/or each firm identified in section 4.04. I also confirm that a copy of this Form, as submitted to the *FCA* and/or *PRA*, will be sent to each of those firms at the same time as submitting the Form to the *FCA* and/or *PRA*.
- c) I confirm the *candidate* has been made aware of the regulatory responsibilities of the proposed role as set out in the rules of conduct in the *FCA*'s Conduct Rules (*COCOM*) and/or *PRA Rulebook: Insurance- Conduct Standards* (as applicable).
- d) I confirm that that the Scope of Responsibility submitted with this form accurately reflects the aspects of the affairs of the *firm* which it is intended that the *candidate* will be responsible for managing.<sup>10</sup>

6.03 Name of the *firm* submitting the application †

6.04 Name of ~~person~~ *person* signing on behalf of the *firm* †

6.05 Job title †

6.06 Signature

Date †

<sup>10</sup> This is not applicable to ~~candidate~~ *candidates* for controlled function CF30 only.



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Application number or IRN  
(for FCA/PRA use only)

# Solvency II Firms<sup>11</sup>: Scope of Responsibilities

For ~~candidates~~ candidates for approval, this form **must** be submitted as an attachment to a Form A application or a Form E application  
*PRA Rulebook* Reference: Solvency II firms: Senior Insurance Managers Regime - Applications and Notifications

**Please note:** this form does NOT need to be completed for ~~candidates~~ candidates for *controlled function* CF30 only.

Name of ~~individual~~ individual<sup>†</sup>  
(to be completed by *firm*)

Name of *firm*<sup>†</sup>  
(as entered in 2.01)

Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS  
United Kingdom  
Telephone +44 (0) 300 500 0597  
E-mail iva@fca.org.uk  
Website <http://www.fca.org.uk>

Prudential Regulation Authority  
20 Moorgate  
London  
EC2R 6DA  
United Kingdom  
Telephone +44 (0) 203 461 7000  
Email PRA-ApprovedPersons@bankofengland.co.uk  
Website [www.bankofengland.co.uk/PRA](http://www.bankofengland.co.uk/PRA)

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<sup>11</sup> Please see the *FCA Handbook Glossary* for the definition of *Solvency II firm*, and for the *PRA* see the firms included in *PRA Rulebook*: Solvency II firms: Insurance- Senior Insurance Management Functions Chapter 1 (Applications and Definitions)

**Personal identifications details** **Section 1**

1.01	Individual Reference Number (IRN) †	
1.02	Title (e.g. Mr, Mrs, Ms, etc) †	
1.03	Surname †	
1.04	ALL forenames †	
1.05	Date of birth †	/ /
1.06	National Insurance number †	

**Firm identification details** **Section 2**

2.01	Name of <i>firm</i>	
2.02	<del>Firm</del> <u>Firm</u> Reference Number (FRN)	
2.03 a	Who should the <i>FCA/PRA</i> contact at the <i>firm</i> in relation to this scope of responsibilities?	
b	Position	
c	Telephone	
d	Fax	
e	E-mail	



I have supplied further information related to this page in Section 4 YES  NO

## Controlled Functions

## Section 3

A Scope of Responsibilities should be drafted to clearly show the responsibilities that the individual candidate is to perform as part of their *controlled function* and other relevant responsibilities and how they fit in with the *firm's* overall governance and management arrangements.

A Scope of Responsibilities should be drafted in such a way as to be practical and useable by regulators. The *FCA* and the *PRA* consider that this would be achieved by succinct, clear descriptions of each responsibility which avoid unnecessary detail. Firms have the opportunity to provide details of each responsibility allocated to an individual using the free text boxes in this form, however, the *PRA* and *FCA* would not usually expect the description of each responsibility to exceed 300 words.

A Scope of Responsibilities must be a self-contained document. There should be one document per *Senior Insurance Management Function (SIMF)* holder or *Significant Influence Function (SIF)* holder per firm. Where an individual performs a senior insurance manager or significant influence function on behalf of more than one firm within a group, one Scope of Responsibilities is required for each firm. Any supplementary information may be provided in section 4 (or if submitting electronically, in a **single** attachment). A Scope of Responsibilities must not cross-refer to or include other documents, attachments or links.

If the appropriate regulator considers that the Scope of Responsibilities is not sufficiently clear to be practical and useable, it could be challenged as part of a candidate's application for approval, or in ongoing supervision.

Details of the individual's responsibilities should be set out in sections 3.2 and 3.3, as appropriate:

- Section 3.2 covers those responsibilities required by regulators to be allocated to one or more controlled functions.
- Section 3.3 covers anything else, not otherwise included, for which an individual candidate is to be responsible.

### 3.1 Effective date and relevant Controlled Functions

3.1.1 Please state the effective date of this scope of responsibilities:     /     /

3.1.2 List all *SIMFs* and *SIFs* which the individual approved person is to perform and the effective date the *person* commenced or will commence the performance of the functions. Please include those *FCA* functions that are included in a *PRA controlled function* under *PRA Rulebook: Solvency II firms: Insurance- Senior Insurance Management Functions Chapter 2*.

Function	Description of a controlled function <u>controlled function</u>	Tick (if applicable)	Effective Date
SIMF 1	Chief Executive officer*		
SIMF 2	Chief Finance function*		
SIMF 4	Chief Risk officer*		
SIMF 5	Head of Internal Audit*		
SIMF 7	Group Entity Senior Manager		
SIMF 9	Chairman*		
SIMF 10	Chair of the Risk Committee*		
SIMF 11	Chair of the Audit Committee*		
SIMF 12	Chair of the Remuneration Committee*		
SIMF 14	Senior Independent Director*		
SIMF 19	Head of Third Country Branch function		
SIMF 19A	Head of Firm without permission to effect contracts of insurance function		
SIMF 20	Chief Actuary*		
SIMF21	With-Profits Actuary*		
SIMF22	Underwriting function		
SIMF23	Underwriting Risk Oversight Officer (Lloyd's)		

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP15.7.4- 15.7.9G of the *FCA Handbook* and/or Senior Insurance Managers Regime – Applications and Notifications of the *PRA Rulebook* as applicable Solvency II firms – Scope of responsibilities September 2016/August 2015

CF 1	Director		
CF 2a	Chair of the Nominations Committee*		
CF 2b	Chair of the With-Profits Committee		
CF 10	Compliance Oversight*		
CF 10a	CASS Operational Oversight		
CF 11	Money Laundering Reporting*		
CF 28	Systems and Controls		
CF 29	Significant Management		
CF 51	Actuarial conduct function (third country)		

Please note that for those roles asterisked above, this scope of responsibilities is considered to automatically include the existing legal and regulatory obligations for these roles. For example, certain specific responsibilities of a director are set out in company law. Such responsibilities do not need to be recorded in this statement, but any additional responsibilities should be recorded in the sections below.



### 3.2 PRA Prescribed Responsibilities

This section deals with those responsibilities required by *PRA* rules to be allocated to one or more controlled functions.

If the responsibilities that the *candidate* or a ~~person~~ *person* performing ~~SIMFs~~ *SIMFs* or ~~SIFs~~ *SIFs* is to carry out as described in the scope of responsibilities go beyond those set out in this section, those additional responsibilities should not reduce or alter the scope of the prescribed requirements set out in this section.

3.2.1 Please indicate below which of the responsibilities listed are/will be allocated to this individual. Where responsibilities are shared (for example, a responsibility may be shared as part of a job share or where departing and incoming controlled functions work together temporarily as part of a handover), please provide details.

If the individual has not been allocated a prescribed responsibility in this list, please go to section 3.3.

Ref	Prescribed Responsibilities	Tick if applicable
1	Ensuring that the <del>firm</del> <i>firm</i> has complied with the obligation to ensure that every <i>person</i> who performs a <i>key function</i> is fit and proper	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4:	
2	Leading the development of the <i>firm's</i> culture by the <i>governing body</i> as a whole	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4:	
3	Overseeing the adoption of the <i>firm's</i> culture in its day-to-day management	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4:	
4	Production and integrity of the <i>firm's</i> financial information and regulatory reporting	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4:	
5	Management of the allocation and maintenance of the <i>firm's</i> capital and liquidity	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4:	
6	Development and maintenance of the <i>firm's</i> business model by the <del>governing</del>	

	<del>body</del> <u>governing body</u>	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4:	
7	Performance of the <i>firm's</i> Own Risk and Solvency Assessment ( <del>ORSA</del> ) ( <u>ORSA</u> )	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4:	
8	Policies and procedures for the induction, training and professional development for all members of the <i>firm's</i> <del>governing body</del> <u>governing body</u>	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4:	
9	Policies and procedures for the induction, training and professional development for all the <i>firm's</i> <del>key function holders</del> <u>key function holders</u> (other than members of the <i>firm's</i> <del>governing body</del> <u>governing body</u> )	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4:	
10	Oversight of the independence, autonomy and effectiveness of the whistleblowing policies and procedures, including those for the protection of staff raising concerns	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4:	
11	Oversight of the <i>firm's</i> remuneration policies and practices	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4:	



I have supplied further information related to this page in Section 4

YES

NO

3.2.2 If necessary, please provide additional information about each prescribed responsibility, including:

- A breakdown of the different components and tasks which the responsibility encompasses; and

- If applicable, details of any sharing arrangements including, if known, the name(s), IRN(s) and/or job title(s) of the individual(s) you are sharing this prescribed responsibility with. The responsibility should be recorded in the same way in the scope of responsibilities documents for each individual.

Additional information must be relevant, succinct and not dilute or undermine the prescribed responsibility.

Ref	Prescribed Responsibility	Further Relevant Details

### 3.3 Other Responsibilities

3.3.1 Please set out below anything else, not otherwise included in this statement, for which a ~~candidate~~ *candidate* or ~~SIMF~~ *SIMF* or ~~SIF~~ *SIF* is to be responsible as part of their *FCA* and/or *PRA* ~~controlled function(s)~~ *controlled function(s)* or ~~key function(s)~~ *key function(s)* role.

For a *firm* that is not significant, which outsources its internal audit *function* to an external third party service provider (that is, a service provider outside the *firm* or the *firm's group*), this should include the allocation, where applicable, of the responsibility for the provision of an effective internal audit *function*, and oversight of the performance of that *function* [see Insurance – Allocation of Responsibilities 3.3]

For a *firm* without permission to effect contracts of insurance, this should include the allocation, where applicable, of each of the following responsibilities that are set out in Insurance – Allocation of Responsibilities 3.2

- Providing governing body with business plan and management information
- Management of financial resources
- Ensuring governing body is kept informed of legal & regulatory obligations
- Oversight of systems & controls, and risk management policies and procedures

Responsibility		Yes/ No
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> If 'yes' please provide further details in section 4:	
	Is this responsibility divided with another <i>SIMF</i> or <i>SIF</i> (i.e. are you responsible for part of this responsibility rather than all of it)? If 'yes' please provide further details in section 4:	
Please provide a description of your responsibilities:		

**I have supplied further information related to this page in Section 4**
 YES  NO

**Supplementary Information**

**Section 4**

4.1 Is there any other information the ~~individual~~ individual or the firm considers to be relevant?

YES  NO

If yes, please provide details below or on a separate sheet of paper and clearly identify the section and question to which the additional information relates.

Question	Information

4.2 How many additional sheets are being submitted?

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP15.7.4- 15.7.9G of the *FCA Handbook* and/or Senior Insurance Managers Regime – Applications and Notifications of the *PRA Rulebook* as applicable  
 Solvency II firms – Scope of responsibilities  
 September 2016/August 2015

**Declarations and signatures** **Section 5**

**Declaration by Individual\***

The individual confirms that this Scope of Responsibilities form accurately reflects the aspects of the affairs of the *firm* which it is intended that the individual will be responsible for managing. The individual confirms that they have accepted all the responsibilities set out in this Scope of Responsibilities.

Tick here to confirm you have read and understood this declaration: \_\_\_\_\_

<b>5.01</b>	<u>Individual's full name</u>	
<b>5.02</b>	<u>Signature</u> *	
	<u>Date</u>	

**Declaration by Firm\***

The *Firm* confirms that this Scope of Responsibilities form accurately reflects the aspects of the affairs of the *Firm* which it is intended that the individual will be responsible for managing.

In signing this form on behalf of the *firm*:

**I confirm that the information in this Form is accurate and complete to the best of my knowledge and belief and that I have read the notes to this Form.**

I confirm that I have authority to make this application and provide the declarations given by the *firm*, and sign this Form, on behalf of the *firm* identified in section 2.01.

<b>5.03</b>	<u>Name of the <i>firm</i> submitting the scope of responsibilities</u>	
<b>5.04</b>	<u>Name of person signing on behalf of the <i>firm</i></u>	
<b>5.05</b>	<u>Job title</u>	
<b>5.06</b>	<u>Signature</u> *	
	<u>Date</u>	

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\* The above question(s) appears on a paper form submission only. That question does not appear on an electronic form submission.

\* The above declaration appears on a paper form submission only. That declaration does not appear on an electronic form submission.



Application number or IRN  
(for FCA/PRA use only)

## Large non-directive insurers<sup>12</sup>: Scope of Responsibilities

For *candidates* for approval, this form **must** be submitted as an attachment to a Form A application or a Form E application

*PRA Rulebook* Reference: Large Non-Solvency II Firms – Senior Insurance Managers Regime – Applications and Notifications

**Please note:** this form does NOT need to be completed for *candidates* for *controlled function* CF30 only.

Name of ~~individual~~ individual<sup>†</sup>  
(to be completed by *firm*)

Name of *firm*<sup>†</sup>  
(as entered in 2.01)

Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS  
United Kingdom  
Telephone +44 (0) 300 500 0597  
E-mail [iva@fca.org.uk](mailto:iva@fca.org.uk)  
Website [www.fca.org.uk](http://www.fca.org.uk)  
Registered as a Limited Company in England and  
Wales No 1920623. Registered Office as above

Prudential Regulation Authority  
20 Moorgate  
London  
EC2R 6DA  
United Kingdom  
Telephone +44 (0) 203 461 7000  
Email [PRA-ApprovedPersons@bankofengland.co.uk](mailto:PRA-ApprovedPersons@bankofengland.co.uk)  
Website [www.bankofengland.co.uk/PRA](http://www.bankofengland.co.uk/PRA)  
Registered as a Limited Company in England and Wales  
No 07854923. Registered Office: 8 Lothbury Road,  
London, EC2R 7HH

<sup>12</sup> Please see the definition of *large non-directive insurer* in PRA Rulebook: Glossary

**Personal identifications details****Section 1**

1.01 Individual Reference Number (IRN) †

1.02 Title  
(e.g. Mr, Mrs, Ms, etc) †

1.03 Surname †

1.04 ALL forenames †

1.05 Date of birth  
(dd/mm/yyyy) †

1.06 National Insurance number †

**Firm identification details****Section 2**2.01 Name of *firm*2.02 ~~Firm~~ Firm Reference Number (FRN)2.03 a Who should the *FCA/PRA* contact at the *firm* in relation to this scope of responsibilities?

b Position

c Telephone

d Fax

e E-mail

I have supplied further  
information  
related to this page in Section 4 †YES  NO



## Controlled Functions

## Section 3

A Scope of Responsibilities should be drafted to clearly show the responsibilities that the individual candidate is to perform as part of their *controlled function* and other relevant responsibilities and how they fit in with the *firm's* overall governance and management arrangements.

A Scope of Responsibilities should be drafted in such a way as to be practical and useable by regulators. The *FCA* and the *PRA* consider that this would be achieved by succinct, clear descriptions of each responsibility which avoid unnecessary detail. Firms have the opportunity to provide details of each responsibility allocated to an individual using the free text boxes in this form, however, the *PRA* and *FCA* would not usually expect the description of each responsibility to exceed 300 words.

A Scope of Responsibilities must be a self-contained document. There should be one document per *Senior Insurance Management Function (SIMF)* holder or *Significant Influence Function (SIF)* holder per firm. Where an individual performs a SIMF or SIF on behalf of more than one firm within a group, one Scope of Responsibilities is required for each firm. Any supplementary information may be provided in section 4 (or if submitting electronically, in a **single** attachment). A Scope of Responsibilities must not cross refer to or include other documents, attachments or links.

If the appropriate regulator considers that the Scope of Responsibilities is not sufficiently clear to be practical and usable, it could be challenged as part of a *candidate's* application for approval, or in ongoing supervision.

Details of the individual's responsibilities should be set out in sections 3.2 and 3.3, as appropriate:

- Section 3.2 covers those responsibilities required by regulators to be allocated to one or more controlled functions.
- Section 3.3 covers anything else, not otherwise included, for which an individual candidate is to be responsible.

### 3.1 Effective date and relevant Controlled Functions

3.1.1 Please state the effective date of this Scope of Responsibilities (dd/mm/yyyy):

3.1.2 List all *SIMFs* and *SIFs* which the individual approved person is to perform and the effective date the *person* commenced or will commence the performance of the functions. Please include those *FCA* functions that are included in a *PRA controlled function* under *PRA Rulebook: Large Non-Solvency II Firms: Senior Insurance Management Functions*.

Function	Description of a <i>controlled function</i>	Tick (if applicable)	Effective Date
SIMF 1	Chief Executive officer*		
SIMF 2	Chief Finance function*		
SIMF 4	Chief Risk officer*		
SIMF 5	Head of Internal Audit*		
SIMF 7	Group Entity Senior Insurance Manager		
SIMF 9	Chairman*		
SIMF 10	Chair of the Risk Committee*		
SIMF 11	Chair of the Audit Committee*		
SIMF 12	Chair of the Remuneration Committee*		

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP15.7.4- 15.7.9G of the *FCA Handbook* and/or in the Large Non-Solvency II Firms – Senior Insurance Managers Regime – Applications and Notifications Part of the *PRA Rulebook* as applicable

Function	Description of a <i>controlled function</i>	Tick (if applicable)	Effective Date
SIMF 14	Senior Independent Director*		
SIMF 20	Chief Actuary*		
SIMF21	With-Profits Actuary*		
SIMF22	Chief Underwriting Officer function		
CF 1	Director		
CF 2a	Chair of the Nomination Committee*		
CF 2b	Chair of the With-Profits Committee		
CF 5	Director of unincorporated association function		
CF 6	Small friendly society function		
CF 10	Compliance Oversight function*		
CF 10a	CASS Operational Oversight function		
CF 11	Money Laundering Reporting function*		
CF 29	Significant Management function		

Please note that for those roles asterisked above, this scope of responsibilities is considered to automatically include the existing legal and regulatory obligations for these roles. For example, certain specific responsibilities of a director are set out in company law. Such responsibilities do not need to be recorded in this statement, but any additional responsibilities should be recorded in the sections below.

### 3.2 PRA Prescribed Responsibilities

This section deals with those responsibilities required by PRA rules to be allocated to one or more controlled functions.

If the responsibilities that the *candidate* or a ~~person~~ *person* performing ~~SIMFs~~ *SIMFs* or ~~SIFs~~ *SIFs* is to carry out as described in the scope of responsibilities go beyond those set out in this section, those additional responsibilities should not reduce or alter the scope of the prescribed requirements set out in this section.

3.2.1 Please indicate below which of the responsibilities listed are/will be allocated to this individual. Where responsibilities are shared (for example, a responsibility may be shared as part of a job share or where departing and incoming controlled functions work together temporarily as part of a handover), please provide details.

If the individual has not been allocated a prescribed responsibility in this list, please go to section 3.3.

Ref	Prescribed Responsibilities	Tick if applicable
1	Ensuring that the <del>firm</del> <i>firm</i> has complied with the obligation to ensure that every <del>person</del> <i>person</i> who performs a <i>key function</i> is fit and proper	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4.	
2	Leading the development of the <i>firm's</i> culture by the <i>governing body</i> as a whole	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4.	
3	Overseeing the adoption of the <i>firm's</i> culture in its day-to-day management	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4.	
4	Production and integrity of the <i>firm's</i> financial information and regulatory reporting	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4.	
5	Management of the allocation and maintenance of the <i>firm's</i> capital and liquidity	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4.	
6	Development and maintenance of the <i>firm's</i> business model by the <del>governing body</del> <i>governing body</i>	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4.	
7	Performance of the <i>firm's</i> Own Risk and Solvency Assessment ( <i>ORSA</i> )	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4.	
8	Policies and procedures for the induction, training and professional development for all members of the <i>firm's governing body</i>	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4.	
9	Policies and procedures for the induction, training and professional development for all the <del><i>firm's key function holders</i></del> <i>key function holders</i> (other than members of the <del><i>firm's governing body</i></del> <i>governing body</i> )	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4.	

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP15.7.4- 15.7.9G of the FCA Handbook and/or in the Large Non-Solvency II Firms – Senior Insurance Managers Regime – Applications and Notifications Part of the PRA Rulebook as applicable

Ref	Prescribed Responsibilities	Tick if applicable
10	Oversight of the independence, autonomy and effectiveness of the whistleblowing policies and procedures, including those for the protection of staff raising concerns	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4.	
11	Oversight of the <i>firm's</i> remuneration policies and practices	
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> ? If 'yes' please provide further details in section 4.	


**I have supplied further information related to this page in Section 4<sup>†</sup>**
 YES  NO

3.2.2 If necessary, please provide additional information about each prescribed responsibility, including:

- a breakdown of the different components and tasks which the responsibility encompasses; and
- if applicable, details of any sharing arrangements including, if known, the name(s), IRN(s) and/or job title(s) of the individual(s) you are sharing this prescribed responsibility with. The responsibility should be recorded in the same way in the scope of responsibilities documents for each individual.

**Additional information must be relevant, succinct and not dilute or undermine the prescribed responsibility.**

Ref	Prescribed Responsibility	Further Relevant Details

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### 3.3 Other Responsibilities

3.3.1 Please set out below anything else, not otherwise included in this statement, for which a *candidate* or ~~SIMF~~-*SIMF* or ~~SIF~~ *SIF* is to be responsible as part of their *FCA* and/or *PRA* ~~controlled function(s)~~ controlled function(s) or ~~key function(s)~~ key function(s) role.

For a firm which outsources its internal audit function to an external third party service provider (that is, a service provider outside the firm or the firm's group), this should include the allocation, where applicable, of the responsibility for the provision of an effective internal audit function, and oversight of the performance of that function [see Large Non-Solvency II firms - Allocation of Responsibilities 3.2]

Responsibility		Yes/ No
	Is this responsibility shared with another <i>SIMF</i> or <i>SIF</i> If 'yes' please provide further details in section 4:	
	Is this responsibility divided with another <i>SIMF</i> or <i>SIF</i> i.e. are you responsible for part of this responsibility rather than all of it? If 'yes' please provide further details in section 4:	
Please provide a description of your responsibilities:		

→ I have supplied further information related to this page in Section 4<sup>†</sup> YES  NO

4.1 Is there any other information the ~~individual~~ individual or the *firm* considers to be relevant?

If yes, please provide details below or on a separate sheet of paper and clearly identify the section and question to which the additional information relates.

YES  NO

Question	Information

4.2 How many additional sheets are being submitted?

