



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Consultation Paper | CP18/18

Strengthening accountability: implementing the extension of the SM&CR to insurers

July 2018



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Responses are requested by Monday 1 October 2018.

Please address any comments or enquiries to:

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1 Overview

1.1 In this consultation paper (CP), the Prudential Regulation Authority (PRA) sets out its proposed rules for a technical correction to the Solvency II firms: Insurance General Application Part of the PRA Rulebook, along with some consequential changes and minor administrative amendments related to the extension of the Senior Managers and Certification Regime (SM&CR or ‘the regime’) to insurers (see Appendix).

1.2 The CP should be read in conjunction with Policy Statement (PS) 15/18 ‘Strengthening individual accountability in insurance: Extension of Senior Managers and Certification Regime to insurers’,¹ and Financial Conduct Authority (FCA) PS18/15 ‘Extending the Senior Managers and Certification Regime to insurers – Feedback to CP17/26 and CP17/41 and near final rules’.²

1.3 This CP is relevant to Solvency II insurers (ie UK Solvency II firms, the Society of Lloyd’s and Lloyd’s managing agents, and third country (re)insurance branches), insurance special purpose vehicles (ISPVs), large non-Directive firms (NDFs), small NDFs and Swiss general insurers. Some of the proposals outlined in paragraphs 2.4 and 2.11, concerning cross references to the FCA Handbook in the PRA Rulebook and other minor consequential and administrative amendments, are also relevant to other PRA-regulated firms.

Background

1.4 The policy intent of the SM&CR is to facilitate a clear identification and allocation of responsibilities to the individuals responsible for running firms, to promote firms’ safety and soundness and to enhance policyholder protection. The SM&CR provides a framework to encourage individuals to take greater responsibility for their actions, and make it easier for firms and regulators to hold individuals to account.

1.5 Following the extension of the SM&CR to insurers, there will be a single accountability regime for all PRA-regulated firms. Some divergence between insurers and banking firms will remain, reflecting the differences in the respective regulatory framework (ie between Solvency II and Capital Requirements Directive IV (‘CRD IV’)³) and the business model of insurers and banking firms.

1.6 The extension of the regime to insurers is being introduced by amendments to the Financial Services and Markets Act 2000 (FSMA) through the Bank of England and Financial Services Act 2016 (‘the 2016 Act’). The extended SM&CR for insurers will not come into effect until commencement regulations have been made by HM Treasury for the relevant amendments to FSMA in the 2016 Act. If necessary, the PRA will amend its rules accordingly.

Summary of proposals

1.7 This CP includes a proposal for a technical correction to rule 2.2 in the Solvency II firms: Insurance General Application Part of the PRA Rulebook. The CP also includes proposals for technical changes to the rules in the PRA Rulebook for the implementation of the SM&CR relating to:

1 July 2018: www.bankofengland.co.uk/prudential-regulation/publication/2018/strengthening-individual-accountability-in%20insurance-extension-of-the-smcr-to-insurers.

2 July 2018: www.fca.org.uk/publications/policy-statements/ps18-15-extending-senior-managers-certification-regime-to-insurers.

3 Capital Requirements Directive (2013/36/EU) (CRD) and Capital Requirements Regulation (575/2013) (CRR) – jointly ‘CRD IV’.

- (i) application of an ‘overlap’ rule for individuals with ‘FCA responsibilities’ (as defined in the FCA Handbook);
- (ii) updates to the cross-references in the PRA Rulebook to the FCA’s Handbook;
- (iii) transitional arrangements for the widening of scope of the application of regulatory reference requirements;
- (iv) deletion of some previous transitional rules that are now obsolete; and
- (v) other minor consequential amendments.

Implementation

1.8 The extended SM&CR for insurers will come into effect from 10 December 2018, subject to commencement regulations to be made by HM Treasury for the relevant amendments to FSMA in the 2016 Act. The PRA proposes that the rule changes in this CP will therefore apply from Monday 10 December 2018.

1.9 Once the commencement regulations have been made by HM Treasury the PRA will publish a further CP with the text of the proposed rules for the implementation of the transitional arrangements included in these regulations.

Responses and next steps

1.10 This consultation closes on Monday 1 October 2018, which is intended to ensure that final rules can be made in advance of implementation so that the industry has certainty on the technical details of the regime prior to commencement on Monday 10 December 2018. The PRA invites feedback on the proposals set out in this consultation. Please address any comments or enquiries to CP18_18@bankofengland.co.uk.

2 Proposals

Technical correction to PRA Rulebook

2.1 The PRA proposes to make a technical correction to rule 2.2 in the Solvency II firms: Insurance General Application Part of the PRA Rulebook. This correction would clarify how this rule is intended to be applied by those firms that were either ‘Solvency I firms’ or ‘non-Solvency I firms’ on 31 December 2015. It is not intended to change the policy on which the regulators consulted in CP12/13 ‘Transposition of Solvency II Part 2’¹ or the final policy as set out in PS2/15 ‘Solvency II: A new regime for insurers’² for the application of the rules in the Solvency II firms sector of the Rulebook.

‘Overlap’ rule for individuals with ‘FCA responsibilities’

2.2 Section 2.6 of CRR Firms – Senior Management Functions includes an ‘overlap’ rule. This provides continuing approval in respect of FCA responsibilities, where a PRA senior manager has stopped performing a PRA senior management function and does not hold separate FCA approval to perform a controlled function in respect of these responsibilities. This continuing

1 July 2012: www.bankofengland.co.uk/prudential-regulation/publication/2013/transposition-of-solvency-2-part-1-and-2. The corresponding draft rules for the policy in CP12/13 were set out in CP16/14 ‘Transposition of Solvency II: Part 3’, August 2014: www.bankofengland.co.uk/prudential-regulation/publication/2014/transposition-of-solvency-2-part-3, and the technical correction in this CP will mirror those draft rules.

2 March 2015: www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency-2-a-new-regime-for-insurers.

approval lasts for the shorter of the time that the person receives FCA approval to perform a controlled function, or three months. The FCA is extending the scope of these FCA responsibilities to Solvency II and large NDFs and therefore the PRA proposes to extend this overlap rule to Solvency II firms and large NDFs.

Cross-references to FCA Handbook

2.3 As explained further in paragraphs 2.18 and 2.26 of CP14/17,¹ the PRA is consulting in this CP on the proposed text for the Glossary definition in the PRA Rulebook of a ‘relevant senior management function’. The PRA proposes that this term would cover all individuals who are approved by the FCA for a ‘governing function’ or for the ‘compliance oversight function’ (see FCA Handbook).

2.4 There a number of other cross-references to the FCA Handbook in the PRA Rulebook, and the PRA proposes to update these cross-references to reflect the rule changes made by the FCA as set out in the near final rules in the FCA’s PS 18/15. These changes would not have any substantive implications for the underlying policy.

Transitional arrangements for application of the regulatory reference requirements

2.5 In this CP, the PRA sets out its proposals for the relevant transitional arrangements for the application of the PRA’s regulatory reference requirements to those individuals that immediately prior to 10 December 2019 performed the same certification function. As the PRA envisaged in CP28/17 ‘Strengthening accountability: implementing the extension of the SM&CR to insurers and other amendments’,² firms will not be required to obtain regulatory references for such individuals.

2.6 In addition, where a regulatory reference template is completed by a firm for a certification employee (other than a key function holder), the PRA proposes that this template will not need to disclose any disciplinary action taken prior to 10 December 2019 where the firm’s records do not show whether the conduct that resulted in this action amounted to a breach of the PRA’s conduct standards.

2.7 Where a regulatory reference template is completed by a small NDF for any individual, that template would not need to disclose any disciplinary action taken prior to 10 December 2018 where the firm’s records do not show whether the conduct that resulted in this action amounted to a breach of the PRA’s conduct standards.

Deletion of obsolete transitional rules

2.8 The PRA proposes to delete most of the Insurance - Senior Managers Regime – Transitional Provisions, Large Non-Solvency II firms - Senior Managers Regime – Transitional Provisions, and Non-Solvency II firms - Senior Managers Regime – Transitional Provisions Parts of the PRA Rulebook; together with rule 17.4 in the Group Supervision Part of the Rulebook.³

2.9 The rationale for the deletion is that the Senior Insurance Managers Regime (SIMR) was implemented for insurance firms in March 2016, the relevant transitions have taken place, and therefore these transitional rules are no longer required. However, some relevant rules will be

1 ‘Strengthening individual accountability in insurance: extension of the Senior Managers and Certification regime to insurers’, July 2017: www.bankofengland.co.uk/prudential-regulation/publication/2017/strengthening-individual-accountability-in-insurance-extension-of-the-sm-cr-to-insurers.

2 December 2017: www.bankofengland.co.uk/prudential-regulation/publication/2017/strengthening-accountability-implementing-the-extension-of-the-smcr-to-insurers-and-other-amendments.

3 These part names reflect changes made in PS15/18. They will apply to the PRA Rulebook from Monday 10 December 2018.

retained in these Rulebook parts to enable those individuals who had ‘continued approval’ on 7 March 2016 to continue to benefit from the application of an ‘overlap’ rule in respect of any ‘FCA governing functions’ that they continue to perform.

Consequential amendments related to the extension

2.10 There are some other minor consequential and administrative amendments that have been included in the draft rule instrument appended to this CP.

3 The PRA’s statutory obligations

3.1 In carrying out its policy making and rule making functions, the PRA is required to comply with several legal obligations.

3.2 Before making any rules, FSMA¹ requires the PRA to publish a draft of the proposed rules accompanied by:

- a cost benefit analysis;²
- 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,³ insurance objective⁴ (if applicable), and secondary competition objective;⁵
- 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;⁶ and
- a statement as to whether the impact of the proposed rules will be significantly different to mutuals than to other persons.⁷

3.3 The Prudential Regulation Committee (PRC) should have regard to aspects of the Government’s economic policy recommended by HM Treasury.⁸

3.4 The PRA is also required by the Equality Act 2010⁹ 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

3.5 CP14/17¹⁰ included the cost benefit analysis on the principle of the extension of the SM&CR to insurers. As such, the cost benefit analysis below deals solely with the proposals in this CP.

3.6 The PRA recognises there may be some one-off costs required by firms to take account of the technical changes to the rules for the implementation of the extension to the SM&CR that

1 Section 138J of FSMA.

2 Section 138J (2) (a) 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 138K of FSMA.

8 Section 30B of the Bank of England Act 1998.

9 Section 149 Equality Act 2010.

10 See footnote 1 on page 5.

are proposed in this CP. However, as there are no substantive changes that are being proposed to the regime, the PRA anticipates these costs will be minimal.

Compatibility with the PRA's objectives

3.7 The PRA considers that the regime as a whole will advance the PRA's objectives, as was explained in more detail in CP14/17, and that the technical proposals in this CP will facilitate the advancement of these objectives.

Regulatory principles

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

- (i) 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 PRA considers that the rule changes proposed in this CP will clarify how the regime will be operated, including the intended transitional arrangements for the certification regime, and should not impose any additional burden on firms. The proposed new 'overlap' rule will minimise the need for multiple approvals when senior managers stop performing PRA functions but continue to perform FCA responsibilities.
- (ii) The principle that a firm's senior management is responsible for the activities of the firm and for ensuring compliance with regulatory requirements. The proposals in this CP complement the final policy in PS15/18¹ which is designed to strengthen the individual accountability of key individuals in a firm.
- (iii) The principle that the regulators should exercise their functions as transparently as possible. The consequential rule changes, along with the technical rule corrections and administrative amendments, should improve the clarity of the PRA Rulebook, as well as providing the relevant links to the FCA Handbook.

Impact on mutuals

3.9 In the PRA's opinion, the impact of the proposed rule changes on mutuals is expected to be no different from the impact on other firms.

HM Treasury recommendation letter

3.10 HM Treasury has made recommendations to the PRC about aspects of the Government's economic policy to which the PRC should have regard when considering how to advance the PRA's objectives and apply the regulatory principles.² The PRA has considered the implications of the proposals in this CP on each of the recommendations and assessed that the implications are limited due to the technical nature of this CP. Nonetheless, the PRA considers two of the recommendations to be of broader relevance and these are detailed below.

Innovation

3.11 The PRA considers that the proposals in this CP will not hamper innovation in the financial services sector. The final policy for the extension in PS15/18 is proportionate (for example, there are fewer mandatory requirements for smaller firms, and there are proposed

¹ See footnote 1 on page 3.

² Information about the Prudential Regulation Committee and the recommendations from HM Treasury are available on the Bank's website at www.bankofengland.co.uk/about/people/prudential-regulation-committee.

transitional arrangements for the certification regime) and this approach is mirrored in the proposals in this CP.

Competitiveness

3.12 The PRA considers that the proposals to implement the extension of the SM&CR to insurers will enhance the transparency of governance of insurance firms. Effective governance of financial services and the resilience this brings will enhance the United Kingdom's reputation as a leading financial centre. The specific proposals in this CP do not give rise to any negative implications.

Equality and diversity

3.13 The PRA carried out an equality impact assessment as part of the development and implementation of the SM&CR and SIMR. The proposals in this paper do not give rise to additional equality and diversity implications.

Appendix PRA RULEBOOK: CRR FIRMS, NON CRR FIRMS, SOLVENCY II FIRMS AND NON SOLVENCY II FIRMS: SENIOR MANAGERS REGIME AND SENIOR INSURANCE MANAGERS REGIME (AMENDMENT) (NO 2) INSTRUMENT 2018

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 60 (Applications for approval)
 - (2) section 60A (Vetting of candidates by authorised persons)
 - (3) section 61 (Determination of applications)
 - (4) section 63F (Issuing of certificates);
 - (5) section 64A (Rules of conduct)
 - (6) section 137G (The PRA’s general rules); and
 - (7) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (Consultation by the PRA), 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, Solvency II Firms and Non Solvency II Firms: Senior Managers Regime and Senior Insurance Managers Regime (Amendment) (No 2) Instrument 2018

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

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| Senior Management Functions | B |
| Insurance General Application | C |
| Actuaries | D |
| Group Supervision | E |
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| Insurance – Fitness and Propriety | G |
| Insurance – Senior Management Functions | H |
| Insurance – Senior Managers Regime – Transitional Provisions | I |
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| Large Non-Solvency II Firms – Allocation of Responsibilities | L |
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| Non-Solvency II Firms – Senior Managers Regime – Transitional Provisions | V |
| Non-Solvency II Firms — Transitional Measures | W |
| Glossary | X |

Commencement

- E. Annexes G, M and T of this instrument come into force on 10 December 2019.
- F. All other Annexes come into force on 10 December 2018, immediately after the PRA Rulebook: CRR Firms, Non-CRR Firms, Solvency II Firms and Non Solvency II Firms: Senior Managers Regime and Senior Insurance Managers Regime (Amendment) (No 1) Instrument 2018 comes into force.

Citation

- G. This instrument may be cited as the PRA Rulebook: CRR Firms, Non CRR Firms, Solvency II Firms and Non Solvency II Firms: Senior Managers Regime and Senior Insurance Managers Regime (Amendment) (No 2) Instrument 2018.

By order of the Prudential Regulation Committee

[DATE]

Annex A

Amendments to the Allocation of Responsibilities Part

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

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part the following definitions shall apply:

certification regime

~~means the requirements of the regulatory system which apply to relevant authorised persons insofar as they relate to persons performing certification functions including those set out in Certification and Fitness and Propriety and the corresponding FCA requirements in SYSC 5.2 and FIT of the FCA Handbook.~~

...

FCA Chair of nomination committee function

means an *FCA controlled function* specified in ~~SUP 10C.5.2R~~SUP 10C.5A.3R of the *FCA Handbook*.

...

FCA responsibilities

~~means any of:~~

- ~~(1) the functions set out in SYSC 4.7.7R (Table of senior management responsibilities) of the *FCA Handbook*;~~
- ~~(2) the responsibilities allocated under SYSC 4.7.8R of the *FCA Handbook*;~~
- ~~(3) the functions set out in SYSC 4.8.9R (Table: the FCA prescribed senior management responsibilities for third country relevant authorised persons) of the *FCA Handbook*); and~~
- ~~(4) the responsibilities allocated under SYSC 4.8.10R of the *FCA Handbook*.~~

...

management responsibilities map

has the meaning given in 67.

...

...

4 PRESCRIBED RESPONSIBILITIES

- 4.1 Each of the responsibilities set out in this rule is a *prescribed responsibility*:
- (1) responsibility for the *firm's* performance of its obligations under the *senior management regime* (PR A);
 - (2) responsibility for the *firm's* performance of its obligations under the *certification regime* (PR B);
 - (3) responsibility for compliance with the *firm's* obligations in relation to its *management responsibilities map* (PR C);
 - (4) responsibility for the *firm's* performance of its obligations under Fitness and Propriety in respect of its *notified non-executive directors* (PR U);
 - (5) responsibility for monitoring effective implementation of policies and procedures for the induction, training and professional development of *senior management*, other than members of the *governing body* (PR G);
 - (6) responsibility for overseeing the adoption of the *firm's* culture in the day-to-day management of the *firm* (PR H);
 - (7) responsibility for managing the allocation and maintenance of the *firm's* capital, funding and liquidity (PR O);
 - (8) responsibility for the *firm's* treasury management functions (PR P);
 - (9) responsibility for the production and integrity of the *firm's* financial information and its regulatory reporting under the *regulatory system* (PR Q);
 - (10) responsibility for developing and managing the *firm's recovery plan* and *resolution pack* and for overseeing the internal processes regarding their governance (PR R);
 - (11) responsibility for managing the *firm's* internal stress-tests and ensuring the accuracy and timeliness of information provided to the *PRA* and other regulatory bodies for the purpose of stress-testing (PR S);
 - (12) responsibility for the development and maintenance of the *firm's* business model by the *governing body* (PR T);
 - (13) responsibility for leading the development and monitoring effective implementation of policies and procedures for the induction, training and professional development of all member of the *firm's governing body* (PR F);
 - (14) responsibility for leading the development of the *firm's* culture by the *governing body* as a whole (PR I);
 - (15) responsibility for safeguarding the independence of, and overseeing the performance of, the internal audit function, including the performance of a *person* approved to perform the *Head of Internal Audit function* on behalf of the *firm*, in accordance with Compliance and Internal Audit 3 (PR J) ;
 - (16) responsibility for safeguarding the independence of, and overseeing the performance of, the compliance function, including the performance of a *person*

approved by the *FCA* to perform the *compliance oversight function* on behalf of the *firm*, in accordance with Compliance and Internal Audit 2 (PR K);

- (17) responsibility for safeguarding the independence of , and overseeing the performance of, the risk function, including the performance of a *person* approved to perform the *Chief Risk function* on behalf of the *firm*, in accordance with Risk Control 3.4 and 3.5 (PR L);
- (18) responsibility for overseeing the development of, and implementation of the *firm's* remuneration policies and practices in accordance with Remuneration (PR M);
- (19) responsibility for 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 (PR N);
- (20) responsibility for the allocation of all *prescribed responsibilities* in accordance with 3.1 (PR E);
- (21) responsibility for the *firm's* performance of its obligations under Outsourcing (PR X).

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

- (1) if the ~~firm~~ *firm* carries out *proprietary trading*, responsibility for the *firm's* *proprietary trading* activities (PR V);
- (2) if the *firm* does not have a *person* who performs the *Chief Risk function*, responsibility for the compliance of the ~~firm's~~ *firm's* risk management systems, policies and procedures with the requirements of Risk Control 2.1 to 2.4 (PR W);
- (3) if the *firm* outsources its internal audit function, responsibility for taking reasonable steps to ensure that every *person* involved in the performance of that function is independent from the *persons* who perform external audit, including:
 - (a) supervision and management of the work of outsourced internal auditors; and
 - (b) management of potential conflicts of interest between the provision of external audit and internal audit services (PR J1);
- (4) if the *firm* is a *ring-fenced body*, responsibility for ensuring that those aspects of the *firm's* affairs for which a ~~person~~ *person* is responsible for managing are in compliance with the *ring-fencing obligations* (PR Y).

5 PRESCRIBED RESPONSIBILITIES: SMALL FIRMS

...

5.2 Each of the responsibilities listed in this rule is a *small firm prescribed responsibility*.

...

- (2) responsibility for allocation of all *small firm prescribed responsibilities* in accordance with 3.3(1) or (2), as the case may be (PR E);
- (3) responsibility for implementing and managing the *firm's* risk management policies and procedures (PR AA);
- (4) responsibility for managing the systems and controls of the *firm* (PR BB);
- (5) responsibility for managing the *firm's* financial resources (PR CC);
- (6) responsibility for ensuring the *governing body* is informed of its legal and regulatory obligations (PR DD).

6 PRESCRIBED RESPONSIBILITIES: UK BRANCHES

...

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

- (1) responsibility for the *firm's* performance of its obligations under the *senior management regime*, including implementation and oversight (PR A);
- (2) responsibility for the *firm's* performance of its obligations under the *certification regime* (PR B);
- (3) responsibility for compliance with the *firm's* obligations in relation to its *management responsibilities map* (PR C);
- (4) responsibility for management of the *firm's* risk management processes in the ~~UK~~UK (PR AA);
- (5) responsibility for the *firm's* compliance with the *UK regulatory system* applicable to the *firm* (PR FF);
- (6) responsibility for the escalation of correspondence from the *PRA, FCA* and other ~~regulators~~regulators in respect of the *firm* to the *governing body* and/or the *management body* of the *firm*, or, where appropriate, of the *parent undertaking* or *holding company* of the *firm's* group (PR EE);
- (7) responsibility for management of the *firm's* systems and controls in the ~~UK~~UK (PR BB);
- (8) responsibility for the allocation of all *UK branch prescribed responsibilities* in accordance with 3.5 (PR E);
- (9) responsibility for management of the *firm's* liquidity or, where a liquidity waiver is in place, the submission of information to the *PRA* on the *firm's* liquidity position (PR HH);
- (10) responsibility for the production and integrity of the *firm's* financial information and its regulatory reporting in respect of its *regulated activities* (PR Q);
- (11) responsibility for the *firm's* performance of its obligations under Internal Governance of Third Country Branches 7 (PR X1).

...

Annex B

Amendments to the Senior Management Functions Part

In this Annex deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

FCA governing function

~~means a controlled function specified by the FCA in SUP 10C.5 of the FCA Handbook.~~

...

Annex C

Amendments to the Insurance General Application Part

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

...

2 UK SOLVENCY II FIRM

...

2.2 The conditions referred to in 2.1(1) are, subject to the exclusions in 2.3 to 2.6:

...

(4) if the firm is a Solvency I firm, ~~that it~~ is not excluded pursuant to 2.6;

(5) if the firm is a non-Solvency I firm, ~~that it~~ is not excluded pursuant to:

(a) 2.3 on the *Solvency II implementation date*; or

(b) 2.6;

...

...

Annex D

Amendments to the Actuaries Part

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

1 APPLICATION AND DEFINITIONS

...

1.3 In this Part, the following definitions shall apply:

Chief Executive function

has the meaning given in Insurance – Senior Management Functions 3.1~~means the *PRA-controlled function* CF3 in the table of *PRA-controlled functions* in SUP 10B.4.3 R of the *PRA Handbook*, described more fully in SUP 10B.6.7 R of the *PRA Handbook*.~~

With-Profits Actuary function

has the meaning given in Insurance – Senior Management Functions 8.2~~means the *PRA-controlled function* CF12A in the table of *PRA-controlled functions*, described more fully in SUP 10B.8.2 R of the *PRA Handbook* and Actuaries 5.1.~~

Annex E

Amendments to the Group Supervision Part

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

17 RISK MANAGEMENT AND INTERNAL CONTROL

...

17.4 [Deleted.] For the purposes of applying Key Function Holder – Notifications 2 to 6 at the level of the *group*, in accordance with 17.1(1)(i), *firms* should read the definitions of *grandfathering key function holder*, *new SIMF applicant*, *transitional key function holder* and *transitional notified non-executive director* in Key Function Holder – Notifications 1 as follows:

~~(1) grandfathering key function holder~~

~~means a key function holder at the level of the group who is seeking continuing approval in relation to a PRA-*authorised person* in that group.~~

~~(2) new SIMF applicant~~

~~means a key function holder at the level of the group (other than a grandfathering key function holder) who submits an application for a senior management function or senior insurance management function prior to the commencement date in relation to a PRA-*authorised person* in that group.~~

~~(3) transitional key function holder~~

~~means a person who is a key function holder at the level of the group as at the commencement date.~~

~~(4) transitional notified non-executive director~~

~~means a key function holder at the level of the group who, in relation to a PRA-*authorised person* in that group, is approved to perform controlled function CF2 or CF5 on 6 March 2016 and who will be a notified non-executive director at that PRA-*authorised person* on the commencement date.~~

Annex F

Amendments to the Insurance – Allocation of Responsibilities Part

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

2 ALLOCATION OF RESPONSIBILITIES

...

2.5 A UK ISPV must allocate each of the *prescribed responsibilities* set out in 3.1~~(4A)~~(A1) to 3.1~~(4C)~~(A3) to one or more *persons* who, in relation to that *firm*, are approved under section 59 of *FSMA* by:

...

3 PRESCRIBED RESPONSIBILITIES

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

- (A1) responsibility for the *firm's* performance of its obligations under the *senior management regime* (PR A);
- (A2) responsibility for the *firm's* performance of its obligations under the *certification regime* (PR B);
- (A3) responsibility for compliance with the *firm's* obligations in relation to its *management responsibilities map* (PR C);
- (1) responsibility for ensuring that the *firm* has complied with its obligations in Insurance - Fitness and Propriety to:
 - (a) ensure that every *person* who performs a *key function* but does not also perform a *PRA senior management function* or a *certification function* is a fit and proper *person*; and
 - (b) provide and obtain regulatory references (PR U);
- (2) responsibility for leading the development of the *firm's* culture by the *governing body* as a whole (PR I);
- (3) responsibility for overseeing the adoption of the *firm's* culture in the day-to-day management of the *firm* (PR H);
- (4) responsibility for the production and integrity of the *firm's* financial information and its regulatory reporting (PR Q);
- (5) responsibility for management of the allocation and maintenance of the *firm's*:
 - (a) capital; and
 - (b) liquidity (PR O);
- (6) responsibility for the development and maintenance of the *firm's* business model by the *governing body* (PR T);
- (7) responsibility for performance of the *firm's* *ORSA* (PR T2);

- (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* (PR F);
- (9) responsibility for monitoring effective implementation of policies and procedures for the induction, training and development of all of the *firm's key function holders* (other than members of the *firm's governing body*) (PR G);
- (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 (PR N);
- (11) responsibility for overseeing the development and implementation of the *firm's* remuneration policies and practices (PR M);
- (12) responsibility for the *firm's* performance of its obligations in respect of outsourced operational functions and activities under Conditions Governing Business 7 (PR X).

3.2 Each of the following responsibilities is a *prescribed responsibility* in respect of a *small run-off firm*:

- (1) responsibility for providing the *governing body* with an up-to-date business plan and all relevant management information (PR T1);
- (2) responsibility for managing the *small run-off firm's* financial resources (PR CC);
- (3) responsibility for ensuring the *governing body* is kept informed of its legal and regulatory obligations (PR DD);
- (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 *small run-off firm's* business model (PR GG).

3.3 The responsibility set out in rule 3.3(1) is a *prescribed responsibility* in the circumstances specified:

- (1) if a *firm* is not significant and 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*), 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* (PR J2).

3A PRESCRIBED RESPONSIBILITIES: UK BRANCHES

...

3A.2 Each of these responsibilities is a *third country branch prescribed responsibility*:

- (1) responsibility for management of the *firm's* risk management processes in the *UK* (PR AA);
- (2) responsibility for the *firm's* compliance with the *UK regulatory system* applicable to the *firm* (PR FF);

- (3) responsibility for the escalation of correspondence from the *PRA*, *FCA* and other regulators in respect of the *firm* to each of the *governing body* or the *management body* of the *firm* and, as appropriate, the *firm's parent undertaking* and the ultimate *parent undertaking* of the *firm's group* (PR EE); and
- (4) responsibility for management of the *firm's* systems and controls in the *UK* (PR BB).

...

Annex G

Amendments to the Insurance – Fitness and Propriety Part

In this Annex new text is underlined.

6 FITNESS AND PROPRIETY TRANSITIONAL PROVISIONS

...

6.5 The requirement to obtain regulatory references in accordance with 2.5 does not apply to a *firm* in respect of any *person* to the extent that:

(1) the *firm* is deciding whether the *person* is fit and proper for the purpose of issuing a *certificate* to perform a *certification function*; and

(2) immediately prior to 10 December 2019 the *person* performed the same *certification function* for the *firm*.

6.6 Item (F) in the *regulatory reference template* does not require disclosure of *disciplinary action* that took place in respect of a *certification employee* (other than a *key function holder*) prior to 10 December 2019 if the *firm's* records do not show whether the conduct that was subject to *disciplinary action* amounted to a breach of the *individual conduct requirements* referred to in item (F) in the *regulatory reference template*.

Annex H

Amendments to the Insurance – Senior Management Functions Part

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

1 APPLICATION 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*.~~

....

2 GENERAL

...

2.5 (1) If, in relation to a *firm*, a *PRA senior management function holder* also performs *FCA activities*, performance of the *PRA senior management function* will include the performance of those *FCA activities*, provided the following conditions are met:

....

(c) ~~the *firm* made an *FCA activities notification*~~ the notification required by SUP10A.11.12 R (4) of the *FCA Handbook*; and

....

...

2.6A If a *PRA approved person*:

(1) (other than in the circumstances set out in 2.5 or 2.6) performs one or more *FCA responsibilities*;

(2) ceases to perform any *PRA senior management function*; and

(3) does not have an *FCA approval* to perform an *FCA controlled function* in relation to that *firm*

the functions in (1) will continue to be part of the *PRA senior management function* that the *person* most recently performed for that *firm* until the earlier of:

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

...

Annex I

Amendments to the Insurance – Senior Managers Regime – Transitional Provisions Part

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

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

~~candidate~~

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

...

~~continued approval~~

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

...

~~equivalent function~~

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

...

~~FCA controlled function~~

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

~~FCA function~~

~~means any of the functions specified in column 3 (FCA controlled functions) of the table set out in 6.~~

~~grandfathering notification~~

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

~~pending application~~

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

~~(1) has been received by the FCA or PRA from the firm on or before the commencement date, and~~

~~(2) has not been determined or withdrawn.~~

~~pre-implementation controlled function~~

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

~~...~~

~~senior insurance management function~~

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

~~Transitional Order~~

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

2 GENERAL

2.1 ~~[Deleted.]The PRA directs that a firm must make a grandfathering notification using Form K before 8 February 2016.~~

2.2 ~~[Deleted.]The PRA directs that the notice required by article 6(1) of the Transitional Order must be provided to the PRA using Form K.~~

2.3 ~~[Deleted.]The PRA directs that the notice required by article 11(b) of the Transitional Order in respect of a candidate for whom continued approval is sought must be provided to the PRA in Form K as part of a grandfathering notification.~~

3 GRANDFATHERING NOTIFICATION REQUIREMENTS

3.1 ~~[Deleted.]Where a grandfathering notification is required pursuant to 2.1, a firm must ensure that it sets out the following details in respect of each approved person or candidate:~~

~~(1) each of the pre-implementation controlled functions for which the person is approved, or (in the case of a candidate) has a pending application, in relation to the firm;~~

~~(2) each senior insurance management function to be performed by the person on and after the commencement date in relation to the firm; and~~

~~(3) each FCA function (if any) to be performed by the person on and after the commencement date in relation to the firm.~~

3.2 ~~[Deleted.]The PRA directs that a firm must not specify in a grandfathering notification a senior insurance management function or FCA function for a person which~~

is not an *equivalent function* in the table in 6 or the table in SUP TP 7.2.3R in the *FCA Handbook* in relation to:

(1) ~~(for an approved person) any pre-implementation controlled functions for which the person has approval in relation to the firm; or~~

(2) ~~(for a candidate) any pre-implementation controlled functions in respect of which there is a pending application.~~

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

4 PROCEDURE FOR MAKING GRANDFATHERING NOTIFICATIONS

4.1 ~~[Deleted.]The PRA directs that, save as required by 4.2 and 8.2, a firm must make any applications, notifications or submissions required by this Part using the ONA system.~~

4.2 ~~[Deleted.]If, under any direction or rule in this Part:~~

(1) ~~a firm is required to make an application, notification or submission online; and~~

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

~~until such time as facilities for online submission are restored a firm may submit the specified form in accordance with Notifications 7.~~

5 WITHDRAWING OR UPDATING A GRANDFATHERING NOTIFICATION

5.1 ~~[Deleted.]The PRA directs that if, before the commencement date, there has been a significant change to the matters covered by the grandfathering notification, the firm must provide a revised version of it to the PRA.~~

6 TABLE OF EQUIVALENT FUNCTIONS FOR GRANDFATHERING CONVERSION

6.1 ~~[Deleted.]The senior insurance management functions set out in column 2 of the table are specified as equivalent functions, in each case in relation to the pre-implementation controlled functions set out in the corresponding row in column 1 of the table below.~~

6.2 ~~[Deleted.]The FCA functions set out in column 3 of the table are specified as equivalent functions, in each case in relation to the pre-implementation controlled functions set out in the corresponding row of column 1 of the table below.~~

| Column 1 | Column 2 | Column 3 |
|--|--|---|
| PRA or FCA Controlled Function | PRA Senior Insurance Management Function | FCA Function |
| All firms apart from third country branch undertakings and UK ISPVs | | |
| Director (CF1) | Chief Finance function (SIMF2) Chief Risk function (SIMF4) Head of Internal Audit function (SIMF5) Group Entity Senior Insurance Manager function (SIMF7) Chief Actuary function | FCA Director function (CF1) (see Note) |

| | | |
|--|---|---|
| | (SIMF20) Chief Underwriting Officer function (SIMF22) Underwriting Risk Oversight function (SIMF23) | |
| Non-executive director (CF2) | Group Entity Senior Insurance Manager function (SIMF7) Chairman function (SIMF9) Chair of the Risk Committee function (SIMF10) Chair of the Audit Committee function (SIMF11) Chair of the Remuneration Committee function (SIMF12) Senior Independent Director function (SIMF14) | Chair of the Nomination Committee function (CF2a) Chair of the With-Profits Committee function (CF2b) (see Note) |
| Chief executive (CF3) | Chief Executive function (SIMF1) | - |
| Director of unincorporated association (CF5) | Chief Finance function (SIMF2) Chief Risk function (SIMF4) Head of Internal Audit function (SIMF5) Group Entity Senior Insurance Manager function (SIMF7) Chief Actuary function (SIMF20) Chief Underwriting Officer function (SIMF22) Chairman function (SIMF9) Chair of the Risk Committee function (SIMF10) Chair of the Audit Committee function (SIMF11) Chair of the Remuneration Committee function (SIMF12) Senior Independent Director function (SIMF14) | FCA Director of an unincorporated association function (CF5) Chair of the Nomination Committee function (CF2a) Chair of the With-Profits committee function (CF2b) (See Note) |
| Actuary (CF12) | Chief Actuary function (SIMF20) | - |
| With-Profits Actuary (CF12A) | With-Profits Actuary function (SIMF21) | - |
| Lloyd's Actuary (CF12B) | Chief Actuary function (SIMF20) Underwriting Risk Oversight function (SIMF23) | - |
| Systems and Controls (CF28) | Chief Finance function (SIMF2) Chief Risk function (SIMF4) Head of Internal Audit function (SIMF5) | - |
| Significant management (CF29) | Group Entity Senior Insurance Manager function (SIMF7) Chief Actuary function (SIMF20) (general insurance firms only) Chief Underwriting Officer function (SIMF22) Underwriting Risk Oversight function (SIMF23) | - |

| UK ISPVs | | |
|--|--|---|
| PRA or FCA Controlled Function | PRA Senior Insurance Management Function | FCA Function |
| Director (CF1) | Chief Finance function (SIMF2) Chief Actuary function (SIMF20) Group Entity Senior Insurance Manager function (SIMF7) | FCA Director function (CF1) (see Note) |
| Non-executive director (CF2) | Chairman function (SIMF 9) | Chair of the Nomination Committee function (CF2a) Chair of the With-Profits Committee function (CF2b) (see Note) |
| Chief executive (CF3) | Chief Executive function (SIMF1) | - |
| Actuary (CF12) | Chief Actuary function (SIMF20) | - |
| Systems and Controls (CF28) | Chief Finance function (SIMF2) | FCA Systems and Controls function (CF28) (see Note) |
| Significant management (CF29) | Group Entity Senior Insurance Manager function (SIMF7) Chief Actuary function (SIMF20) (general insurance firms only) | - |
| Third country branch undertakings | | |
| PRA or FCA Controlled Function | PRA Senior Insurance Management Function | FCA Function |
| Director (CF1) | Chief Finance function (SIMF2) Chief Risk function (SIMF4) Head of Internal Audit function (SIMF5) Group Entity Senior Manager (SIMF7) Head of Third Country Branch function (SIMF19) Chief Actuary function (SIMF20) Chief Underwriting Officer function (SIMF22) | FCA Director function (CF1) (see Note) |
| Non-executive director (CF2) | Group Entity Senior Manager (SIMF7) Chairman function (SIMF 9) Senior Independent Director function (SIMF 14) Chair of the Risk Committee function (SIMF 10) Chair of the Audit Committee function (SIMF 11) Chair of the Remuneration Committee function (SIMF 12) | - |
| Chief executive (CF3) | Head of Third Country Branch function (SIMF19) | - |
| Actuarial (CF 12) | Chief Actuary function (SIMF20) | Actuarial conduct function (third country) (CF 51) (conduct perspective only) |

| | | |
|------------------------------------|--|--|
| With-profits actuary (CF12A) | With-Profits Actuary function (SIMF21) | - |
| Systems and controls (CF28) | Chief Finance function (SIMF2) Chief Risk function (SIMF4) Head of Internal Audit function (SIMF5) | FCA Systems and Controls function (CF28) (see Note) |
| FCA Significant management (CF-29) | Chief Underwriting Officer function (SIMF22) Group Entity Senior Insurance Manager function (SIMF7) | - |

Note: See SUP TP 7.2.3 R in the *FCA Handbook*.

6.3

- (1) If, in relation to a *firm*, a *PRA senior insurance-management function holder* with *continued approval* also performs *FCA activities* on and from the *commencement date*, performance of the *PRA senior insurance-management function* will include the performance of those *FCA activities* provided that the *firm* has included details of the *FCA activities* in a *scope of responsibilities form* for that *PRA senior insurance-management function holder* which is provided to the *PRA* by 7 September 2016 in accordance with Key Function Holder – Notifications 6.3.
- (2) If, in relation to a *firm*, a *PRA senior insurance-management function holder* with *continued approval* has been performing *FCA activities* in the circumstances set out in (1), and that *person*:
- (a) ceases to perform the *PRA senior insurance-management function*;
 - (b) within three *months* of ceasing performance, is approved to perform a new *PRA senior insurance-management function* at the *firm*; and
 - (c) continues to perform the *FCA activities*,
- performance of the new *PRA senior insurance-management function* will include the performance of those *FCA activities*, provided:
- (d) the *PRA*'s approval to perform that *PRA's PRA senior management function* continues in force;
 - (e) the *firm* makes the notification required by SUP10A.11.12 R (4) SUP 10C.9.8R(4) of the *FCA Handbook*; and
 - (f) that *person* performs and is continuing to perform the *FCA activities*.

- 6.4 If a *PRA senior insurance-management function holder* to whom 6.3 applies ceases to perform a *PRA senior insurance-management function* but continues to perform the *FCA activities*, 6.3(1) will continue to apply in respect of the performance of the *FCA activities* until the earlier of:

...

- (2) three *months* from the time that the *person* ceased to perform that *PRA senior insurance-management function*.

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

7 FORMS

7.1 ~~[Deleted.]The *grandfathering notification* form, Form K, may be found here.~~

8 TRANSITIONAL ARRANGEMENTS FOR NEW SENIOR INSURANCE MANAGEMENT FUNCTIONS

8.1 ~~[Deleted.]This Chapter applies only before the *commencement date*.~~

8.2 ~~[Deleted.]Where an *approved person* or a *candidate* is intended to perform a *senior insurance management function* with effect from the *commencement date* but:~~

~~(1) in the case of an *approved person*, is not prior to the *commencement date* approved; or~~

~~4.—~~

~~(2) in the case of a *candidate*, is not to be approved~~

~~to perform a *controlled function* that is equivalent to the proposed *senior insurance management function* in accordance with 6, the *PRA* directs that the *firm* must not submit a *grandfathering notification* in respect of that *approved person* or *candidate* (as the case may be) but must instead submit a *senior insurance management approval application* for the proposed *senior insurance management function* in accordance with Key Function Holder — Notifications 6.4.~~

...

Annex J

Amendments to the Key Function Holder - Notifications Part

In this Annex deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

~~*commencement date*~~

~~has the meaning given in Senior Insurance Managers Regime—Transitional Provisions.~~

~~*continuing approval*~~

~~has the meaning given in the *Transitional Order*.~~

~~*grandfathering key function holder*~~

~~means, in relation to a *firm*, a *key function holder* who is seeking *continuing approval*.~~

~~*grandfathering notification*~~

~~has the meaning given in Senior Insurance Managers Regime—
Transitional Provisions~~

...

~~*new SMF applicant*~~

~~means, in relation to a *firm*, a *key function holder* (other than a *grandfathering key function holder*) who submits an application for a *PRA senior management function* prior to the *commencement date*~~

~~*notified non-executive director*~~

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

~~*transitional key function holder*~~

~~means, in relation to a *firm*, a person who is a *key function holder* as at 1 January 2016~~

~~*transitional notified non-executive director*~~

~~means, in relation to a *firm*, a person who is approved to perform *controlled function* CF2 or CF5 on 6 March 2016 and who will be a *notified non-executive director* at that *firm* on the *commencement date*.~~

Transitional Order

~~has the meaning given in Senior Insurance Managers Regime—Transitional Provisions~~

2 KEY FUNCTION HOLDER NOTIFICATION

2.1 ~~[Deleted.] This Chapter does not apply in relation to a:~~

- ~~(1) transitional key function holder, in relation to key functions held as at 1 January 2016;~~
- ~~(2) grandfathering key function holder, in relation to key functions held as at the commencement date;~~
- ~~(3) new SMF applicant; or~~
- ~~(4) transitional notified non-executive director.~~

...

3 PROCEDURE FOR MAKING APPLICATIONS AND NOTIFICATIONS

...

3.3 The notifications required under 2.3 ~~and 6.5~~ should be submitted in accordance with Notifications 7.

...

Annex K

Amendments to the Third Country Branches Part

In this Annex new text is underlined.

...

7 CONDITIONS GOVERNING BUSINESS

- 7.1 A *third country branch undertaking* must fulfil the following requirements laid down in the Conditions Governing Business Part of the *PRA* Rulebook, as modified by 7.2, 7.3 and 7.4:

...

...

Annex L

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

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

...

2 ALLOCATION OF RESPONSIBILITIES

...

- 2.3 A Swiss general insurer must allocate each of the *prescribed responsibilities* set out in 3.1(1A)(A1) to 3.1(1) and each of the *Swiss general insurer prescribed responsibilities* to one or more *persons* who, in relation to that *firm*, are approved under section 59 of FSMA by:

...

...

3 PRESCRIBED RESPONSIBILITIES

- 3.1 Each of the responsibilities set out in this rule is an ~~an~~ prescribed responsibility:
- (A1) responsibility for the *firm's* performance of its obligations under the *senior management regime* (PR A);
 - (A2) responsibility for the *firm's* performance of its obligations under the *certification regime* (PR B);
 - (A3) responsibility for compliance with the *firm's* obligations in relation to its *management responsibilities map* (PR C);
 - (1) responsibility for ensuring that the *firm* has complied with its obligations in Large Non-Solvency II Firms – Fitness and Propriety to:
 - (a) ensure that every *person* who performs a *key function* but does not also perform a *PRA senior management function* or a *certification function* is a fit and proper *person*; and
 - (b) provide and obtain regulatory references (PR U);
 - (2) responsibility for leading the development of the *firm's* culture by the *governing body* as a whole (PR I);
 - (3) responsibility for overseeing the adoption of the *firm's* culture in the day-to-day management of the *firm* (PR H);
 - (4) responsibility for the production and integrity of the *firm's* financial information and its regulatory reporting (PR Q);
 - (5) responsibility for management of the allocation and maintenance of the *firm's*:
 - (a) capital; and
 - (b) liquidity (PR O);

- (6) responsibility for the development and maintenance of the *firm's* business model by the *governing body* (PR T);
- (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* (PR F);
- (8) responsibility for monitoring effective implementation of policies and procedures for the induction, training and development of all of the *firm's key function holders* (other than members of the *firm's governing body*) (PR G);
- (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 (PR N);
- (10) responsibility for overseeing the development and implementation of the *firm's* remuneration policies and practices (PR M);
- (11) responsibility for the *firm's* performance of its obligations in respect of outsourced operational functions under Non-Solvency II Firms – Governance 5 (PR X).

3.2 The responsibility set out in rule 3.2(1) is a *prescribed responsibility* in the circumstances specified:

- (1) 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*), 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* (PR J2).

3A PRESCRIBED RESPONSIBILITIES: SWISS GENERAL INSURERS

...

3A.2 Each of the responsibilities set out in this rule is a *Swiss general insurer prescribed responsibility*:

- (1) responsibility for management of the *firm's* risk management processes in the *UK* (PR AA);
- (2) responsibility for the *firm's* compliance with the *UK regulatory system* applicable to the *firm* (PR FF);
- (3) responsibility for the escalation of correspondence from the *PRA*, *FCA* and other regulators in respect of the *firm* to each of the *governing body* or the *management body* of the *firm* and, as appropriate, the *firm's parent undertaking* and the ultimate *parent undertaking* of the *firm's group* (PR EE); and
- (4) responsibility for management of the *firm's* systems and controls in the *UK* (PR BB).

Annex M

Amendments to the Large Non-Solvency II Firms –Fitness and Propriety Part

In this Annex new text is underlined.

...

5 FITNESS AND PROPRIETY TRANSITIONAL PROVISIONS

...

5.5 The requirement to obtain regulatory references in accordance with 2.5 does not apply to a *firm* in respect of any *person* to the extent that:

- (1) the firm is deciding whether the *person* is fit and proper for the purpose of issuing a *certificate* to perform a *certification function*; and
- (2) immediately prior to 10 December 2019 the *person* performed the same *certification function* for the *firm*.

5.6 Item (F) in the *regulatory reference template* does not require disclosure of *disciplinary action* that took place in respect of a *certification employee* (other than a *key function holder*) prior to 10 December 2019 if the *firm's* records do not show whether the conduct that was subject to *disciplinary action* amounted to a breach of the *individual conduct requirements* referred to in item (F) in the *regulatory reference template*.

...

Annex N

Amendments to the Large Non-Solvency II Firms - Key Function Holder - Notifications Part

In this Annex deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

~~*commencement date*~~

~~has the meaning given in Large Non-Solvency II Firms — Senior Insurance Managers Regime — Transitional Provisions.~~

~~*continuing approval*~~

~~has the meaning given in the *Transitional Order*.~~

~~*grandfathering key function holder*~~

~~means, in relation to a *firm*, a *key function holder* who is seeking *continuing approval*.~~

~~*grandfathering notification*~~

~~has the meaning given in Large Non-Solvency II Firms — Senior Insurance Managers Regime — Transitional Provisions.~~

...

~~*new SMF applicant*~~

~~means, in relation to a *firm*, a *key function holder* (other than a *grandfathering key function holder*) who submits a *PRA senior management approval application* prior to the *commencement date*.~~

~~*notified non-executive director*~~

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

~~*transitional key function holder*~~

~~means, in relation to a *firm*, a person who is a *key function holder* as at 7 March 2016.~~

~~*transitional notified non-executive director*~~

~~means, in relation to a firm, a person who is approved to perform controlled function CF2 or CF5 on 6 March 2016 and who will be a notified non-executive director at that firm on the commencement date.~~

~~Transitional Order~~

~~has the meaning given in Large Non-Solvency II Firms — Senior Insurance Managers Regime — Transitional Provisions.~~

2 KEY FUNCTION HOLDER NOTIFICATIONS

2.1 ~~[Deleted.] This Chapter does not apply in relation to a:~~

~~(1) transitional key function holder, in relation to key functions held as at the commencement date;~~

~~(2) grandfathering key function holder, in relation to key functions held as at the commencement date;~~

~~(3) new SMF applicant, or~~

~~(4) transitional notified non-executive director.~~

...

3 PROCEDURE FOR MAKING APPLICATIONS AND NOTIFICATIONS

...

3.3 The notifications required under 2.3 and 5.5 should be submitted in accordance with Notifications 7.

Annex O

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

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

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*.

...

...

2 GENERAL

...

2.5 (1) If, in relation to a *firm*, a *PRA senior management function holder* also performs *FCA activities*, performance of the *PRA senior management function* will include the performance of those *FCA activities*, provided the following conditions are met:

...

(c) the *firm* made an *FCA activities notification*~~the notification required by SUP10A.11.12 R (4) of the *FCA Handbook*~~; and

...

2.6A If a *PRA approved person*:

(1) (other than in the circumstances set out in 2.5 or 2.6) performs one or more *FCA responsibilities*;

(2) ceases to perform any *PRA senior management function*; and

(3) does not have an *FCA approval* to perform an *FCA controlled function* in relation to that *firm*

the functions in (1) will continue to be part of the *PRA senior management function* that the *person* most recently performed for that *firm* until the earlier of:

- (1) approval by the FCA in respect of the performance by that person of an FCA controlled function in relation to the firm; or
- (2) three months from the time that the person ceased to perform that PRA senior management function.

10 COMBINATION OF SENIOR MANAGEMENT FUNCTIONS

...

10.3 A large firm that is a member of a group must ensure that a group executive does not perform any of the following functions in respect of the firm:

...

- (4) the *Chair of Remuneration Committee function* (SMF12); or
- (5) the *Senior Independent Director function* (SMF14).

Annex P

Amendments to the Large Non-Solvency II Firms – Senior Managers Regime – Transitional Provisions Part

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

1 APPLICATIONS AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

candidate

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

commencement date

~~means 7 March 2016.~~

continued approval

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

...

equivalent function

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

...

FCA controlled function

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

FCA function

~~means any of the functions specified in column 3 (FCA controlled functions) of the table set out in 6.~~

grandfathering notification

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

pending application

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

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

pre-implementation controlled function

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

...

senior insurance management function

means a function specified as a controlled function in Large Non-Solvency II Firms – Senior Insurance Management Functions 2 in relation to the carrying on of a regulated activity by a firm.

Transitional Order

means the Financial Services (Banking Reform) Act 2013 (Transitional and Savings Provisions) Order 2015 (SI 2015/492) as amended by Financial Services (Banking Reform) Act 2013 (Transitional and Savings Provisions) (Amendment) Order 2015 (SI 2015/1660).

2 GENERAL

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

3 GRANDFATHERING NOTIFICATION REQUIREMENTS

- 3.1 ~~[Deleted.]Where a grandfathering notification is required pursuant to 2.1, a firm must ensure that it sets out the following details in respect of each approved person or candidate:~~
 - (1) each of the pre-implementation controlled functions for which the person is approved, or (in the case of a candidate) has a pending application, in relation to the firm;

~~(2) each *senior insurance management function* to be performed by the *person* on and after the *commencement date* in relation to the *firm*; and~~

~~(3) each *FCA function* (if any) to be performed by the *person* on and after the *commencement date* in relation to the *firm*.~~

3.2 ~~[Deleted.]The *PRA* directs that a *firm* must not specify in a *grandfathering notification* a *senior insurance management function* or *FCA function* for a *person* which is not an *equivalent function* in the table in 6 or the table in SUP TP 7.2.3R in the *FCA Handbook* in relation to:~~

~~(1) (for an *approved person*) any *pre-implementation controlled functions* for which the *person* has approval in relation to the *firm*; or~~

~~(2) (for a *candidate*) any *pre-implementation controlled functions* in respect of which there is a *pending application*.~~

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

4 PROCEDURE FOR MAKING GRANDFATHERING NOTIFICATIONS

4.1 ~~[Deleted.]The *PRA* directs that a *firm* must make any applications, notifications or submissions required by this Part by submitting the specified form to *PRA-ApprovedPersons@bankofengland.co.uk*.~~

5 WITHDRAWING OR UPDATING A GRANDFATHERING NOTIFICATION

5.1 ~~[Deleted.]The *PRA* directs that if, before the *commencement date*, there has been a significant change to the matters covered by the *grandfathering notification*, the *firm* must provide a revised version of it to the *PRA*.~~

6 TABLE OF EQUIVALENT FUNCTIONS FOR GRANDFATHERING CONVERSION

6.1 ~~[Deleted.]The *senior insurance management functions* set out in column 2 of the table are specified as *equivalent functions*, in each case in relation to the *pre-implementation controlled functions* set out in the corresponding row in column 1 of the table below.~~

6.2 ~~[Deleted.]The *FCA functions* set out in column 3 of the table are specified as *equivalent functions*, in each case in relation to the *pre-implementation controlled functions* set out in the corresponding row of column 1 of the table below.~~

| Column 1 | Column 2 | Column 3 |
|--------------------------------|---|---|
| PRA or FCA Controlled Function | PRA Senior Insurance Management Function | FCA Function |
| Director (CF1) | Chief Finance function (SIMF2) Chief Risk function (SIMF4) | FCA Director function (CF1) (see Note) |

| | | |
|--|--|---|
| | <p>Head of Internal Audit function (SIMF5)</p> <p>Group Entity Senior Insurance Manager function (SIMF7)</p> <p>Chief Actuary function (SIMF20)</p> <p>Chief Underwriting Officer function (SIMF22)</p> | |
| Non-executive director (CF2) | <p>Group Entity Senior Insurance Manager function (SIMF7)</p> <p>Chairman function (SIMF9)</p> <p>Chair of the Risk Committee function (SIMF10)</p> <p>Chair of the Audit Committee function (SIMF11)</p> <p>Chair of the Remuneration Committee function (SIMF12)</p> <p>Senior Independent Director function (SIMF14)</p> | <p>Chair of the Nomination Committee function (CF2a)</p> <p>Chair of the With-Profits Committee function (CF2b) (see Note)</p> |
| Chief executive (CF3) | Chief Executive function (SIMF1) | - |
| Director of unincorporated association (CF5) | <p>Chief Finance function (SIMF2)</p> <p>Chief Risk function (SIMF4)</p> <p>Head of Internal Audit function (SIMF5)</p> <p>Group Entity Senior Insurance Manager function (SIMF7)</p> <p>Chief Actuary function (SIMF20)</p> <p>Chief Underwriting Officer function (SIMF22)</p> <p>Chairman function (SIMF9)</p> <p>Chair of the Risk Committee function (SIMF10)</p> <p>Chair of the Audit Committee function (SIMF11)</p> <p>Chair of the Remuneration Committee function (SIMF12)</p> <p>Senior Independent Director function (SIMF14)</p> | <p>FCA Director of unincorporated association function (CF5)</p> <p>Chair of the Nomination Committee function (CF2a)</p> <p>Chair of the With-Profits Committee function (CF2b) (See Note)</p> |
| Small friendly society (CF6) | <p>Chief Finance function (SIMF2)</p> <p>Chief Risk function (SIMF4)</p> <p>Head of Internal Audit function (SIMF5)</p> <p>Group Entity Senior Insurance Manager function (SIMF7)</p> <p>Chief Actuary function (SIMF20)</p> <p>Chief Underwriting Officer function (SIMF22)</p> <p>Chairman function (SIMF9)</p> <p>Chair of the Risk Committee function (SIMF10)</p> <p>Chair of the Audit Committee</p> | <p>FCA Small friendly society function (CF6)</p> <p>Chair of the Nomination Committee function (CF2a)</p> <p>Chair of the With-Profits Committee function (CF2b) (see Note)</p> |

| | | |
|---|--|--|
| | function (SIMF11) Chair of the Remuneration Committee function (SIMF12) Senior Independent Director function (SIMF14) | |
| Actuary (CF12) | Chief Actuary function (SIMF20) | - |
| With-Profits Actuary (CF12A) | With-Profits Actuary function (SIMF21) | - |
| Systems and Controls (CF28) | Chief Finance function (SIMF2) Chief Risk function (SIMF4) Head of Internal Audit function (SIMF5) | - |
| Significant management (CF29) | Group Entity Senior Insurance Manager function (SIMF7) Chief Actuary function (SIMF20) (general insurance firms only) Chief Underwriting Officer function (SIMF22) | - |
| Swiss General Insurers | | |
| PRA or FCA Controlled Function | PRA Senior Insurance Management Function | FCA Function |
| Director (CF1) | Chief Finance function (SIMF2) Chief Risk function (SIMF4) Head of Internal Audit function (SIMF5) Group Entity Senior Insurance Manager function (SIMF7) Head of Third Country Branch function (SIMF19) Chief Actuary function (SIMF20) Chief Underwriting Officer function (SIMF22) | FCA Director function (CF1) (see Note) |
| Non-executive director (CF2) | Group Entity Senior Insurance Manager function (SIMF7) Chairman function (SIMF 9) Senior Independent Director function (SIMF 14) Chair of the Risk Committee function (SIMF 10) Chair of the Audit Committee function (SIMF 11) Chair of the Remuneration Committee function (SIMF 12) | - |
| Chief executive (CF3) | Head of Third Country Branch function (SIMF19) | - |
| Systems and controls (CF28) | Chief Finance function (SIMF2) Chief Risk function (SIMF4) Head of Internal Audit function | FCA Systems and Controls (CF28) (see Note) |

| | |
|-----------------------------------|---|
| | (SIMF5) |
| FCA Significant management (CF29) | Chief Underwriting Officer function - (SIMF22) Group Entity Senior Insurance Manager (SIMF7) |

Note: See SUP TP 7.2.3 R in the FCA Handbook.

6.3

- (1) If, in relation to a firm, a PRA senior insurance-management function holder with continued approval also performs FCA activities on and from the commencement date, performance of the PRA senior insurance-management function will include the performance of those FCA activities provided that the firm has included details of the FCA activities in a scope of responsibilities form for that PRA senior insurance-management function holder which is provided to the PRA by 7 September 2016 in accordance with Large Non-Solvency II Firms – Key Function Holder – Notifications 5.3.
- (2) If, in relation to a firm, a PRA senior insurance-management function holder with continued approval has been performing FCA activities in the circumstances set out in (1), and that person:
 - (a) ceases to perform the PRA senior insurance-management function;
 - (b) within three months of ceasing performance, is approved to perform a new PRA senior insurance-management function at the firm; and
 - (c) continues to perform the FCA activities,
 performance of the new PRA senior insurance-management function will include the performance of those FCA activities, provided:
 - (d) the PRA's approval to perform that PRA senior insurance-management function continues in force;
 - (e) the firm makes the notification required by SUP10A.11.12 R (4) SUP 10C.9.8R (4) of the FCA Handbook; and
 - (f) that person performs and is continuing to perform the FCA activities.

6.4 If a PRA senior insurance-management function holder to whom 6.3 applies ceases to perform a PRA senior insurance-management function but continues to perform the FCA activities, 6.3(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 *PRA senior insurance management function*.

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

7 FORMS

7.1 ~~[Deleted.]The *grandfathering notification* form, Form K, may be found here.~~

8 TRANSITIONAL ARRANGEMENTS FOR NEW SENIOR INSURANCE MANAGEMENT FUNCTIONS

8.1 ~~[Deleted.]This Chapter applies only before the *commencement date*.~~

8.2 ~~[Deleted.]Where an *approved person* or a *candidate* is intended to perform a *senior insurance management function* with effect from the *commencement date* but:~~

~~(1) in the case of an *approved person*, is not prior to the *commencement date* approved; or~~

~~(2) in the case of a *candidate*, is not to be approved~~

~~to perform a *controlled function* that is equivalent to the proposed *senior insurance management function* in accordance with 6, the *PRA* directs that the *firm* must not submit a *grandfathering notification* in respect of that *approved person* or *candidate* (as the case may be) but must instead submit a *senior insurance management approval application* for the proposed *senior insurance management function* in accordance with Large Non Solvency II Firms – Key Function Holder – Notifications 5.4.~~

Annex Q

Amendments to the Non-Solvency II Firms – Actuarial Requirements Part

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

1 APPLICATION AND DEFINITIONS

...

1.5 In this Part, the following definitions shall apply:

...

Chief Executive function

for a large non-directive insurer has the meaning given in Large Non-Solvency II Firms – Senior Management Functions 3.1 ~~means the PRA-controlled function CF3 in the table of PRA-controlled functions in SUP 10B.4.3 R of the PRA Handbook, described more fully in SUP 10B.6.7 R of the PRA Handbook.~~

With-Profits Actuary function

for a large non-directive insurer has the meaning given in Large Non-Solvency II Firms - Senior Management Functions 8.2 and for a small non-directive insurer has the meaning given in Non-solvency II Firms – Senior Management Functions 5.1 ~~means the PRA-controlled function CF12A in the table of PRA-controlled functions, described more fully in SUP 10B.8.2 R of the PRA Handbook and Actuaries 5.1.~~

Annex R

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

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

...

3 PRESCRIBED RESPONSIBILITIES

- 3.1 Each of the responsibilities set out in this rule is a *small non-directive insurer prescribed responsibility*:
- (A1) responsibility for the *firm's* performance of its obligations under the *senior management regime* (PR A);
 - (A2) responsibility for the *firm's* performance of its obligations under the *certification regime* (PR B);
 - (1) responsibility for providing the *governing body* with an up-to-date business plan and all relevant management information (PR T1);
 - (2) responsibility for management of the *firm's* financial resources (PR CC);
 - (3) responsibility for ensuring the *governing body* is kept informed of its legal and regulatory obligations (PR DD);
 - (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's* business model (PR GG).

Annex S

Amendments to the Non-Solvency II Firms –Fitness and Propriety Part

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

...

5 FITNESS AND PROPRIETY TRANSITIONAL PROVISIONS

...

5.2 Item (F) in the *regulatory reference template* does not require disclosure of the following information if the *firm's* records do not show whether the conduct that was subject to *disciplinary action* amounted to a breach of the *individual conduct requirements* referred to in item (F) in the *regulatory reference template*:

(1) *disciplinary action* that took place prior to 10 December 2018.

(2) [not used]

6 TEMPLATE

6.1 The *regulatory reference template* is the template found ~~here~~here.

Annex T

Amendments to the Non-Solvency II Firms –Fitness and Propriety Part

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

...

5 FITNESS AND PROPRIETY TRANSITIONAL PROVISIONS

...

5.2 Item (F) in the *regulatory reference template* does not require disclosure of the following information if the *firm's* records do not show whether the conduct that was subject to *disciplinary action* amounted to a breach of the *individual conduct requirements* referred to in item (F) in the *regulatory reference template*:

(1) *disciplinary action (other than disciplinary action in (2)) that took place prior to 10 December 2018-; and*

(2) *disciplinary action in respect of a certification employee that took place prior to 10 December 2019.*

5.3 The requirement to obtain regulatory references in accordance with 2.4A does not apply to a *firm* in respect of any *person* to the extent that:

(1) the *firm* is deciding whether the *person* is fit and proper for the purpose of issuing a *certificate* to perform a *certification function*; and

(2) immediately prior to 10 December 2019 the *person* performed the same *certification function* for the *firm*.

...

Annex U

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

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

1 APPLICATION 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*.

...

2 GENERAL

...

2.4 If, in relation to a *firm*:

(1) a *PRA senior management function holder* also performs *FCA activities*, performance of the *PRA senior management function* will include the performance of those *FCA activities*, provided the following conditions are met:

...

(c) the *firm* made an *FCA activities notification*~~the notification required by SUP10A.11.12R (4) of the *FCA Handbook*~~; and

...

...

Annex V

Amendments to the Non-Solvency II Firms – Senior Managers Regime – Transitional Provisions Part

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

1 APPLICATIONS AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

~~candidate~~

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

...

~~equivalent function~~

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

...

~~FCA controlled function~~

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

~~FCA function~~

~~means any of the functions specified in column 3 (FCA controlled functions) of the table set out in 6.~~

~~FCA governing function~~

~~has the meaning given in SUP 10A.4.4R of the FCA Handbook~~

~~grandfathering notification~~

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

~~non-executive director~~

~~means a director of a firm who does not perform an executive function in relation to that firm.~~

~~pending application~~

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

(1) has been received by the *FCA* or *PRA* from the *firm* on or before the *commencement date*, and

(2) has not been determined or withdrawn.

pre-implementation controlled function

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

...

senior insurance management function

means a function specified as a *controlled function* in Non-Solvency II Firms – Senior Insurance Management Functions 2 in relation to the carrying on of a regulated activity by a *firm*.

Transitional Order

means the Financial Services (Banking Reform) Act 2013 (Transitional and Savings Provisions) Order 2015 (SI 2015/492), as amended by the Financial Services (Banking Reform) Act 2013 (Transitional and Savings Provisions) (Amendment) Order 2015 (SI 2015/1660).

2 GENERAL

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

3 GRANDFATHERING NOTIFICATION REQUIREMENTS

- 3.1 ~~[Deleted.]Where a *grandfathering notification* is required pursuant to 2.1, a firm must ensure that it sets out the following details in respect of each *approved person* or *candidate*:~~
- (1) ~~each of the *pre-implementation controlled functions* for which the *person* is approved, or (in the case of a *candidate*) has a *pending application*, in relation to the *firm*;~~

~~(2) each *senior insurance management function* to be performed by the *person* on and after the *commencement date* in relation to the *firm*; and~~

~~(3) each *FCA function* (if any) to be performed by the *person* on and after the *commencement date* in relation to the *firm*.~~

3.2 ~~[Deleted.]The *PRA* directs that a *firm* must not specify in a *grandfathering notification* a *senior insurance management function* or *FCA function* for a *person* which is not an *equivalent function* in the table in 6 or the table in FCA SUP TP 8.2.3R in relation to:~~

~~(1) (for an *approved person*) any *pre-implementation controlled functions* for which the *person* has approval in relation to the *firm*; or~~

~~(2) (for a *candidate*) any *pre-implementation controlled functions* in respect of which there is a *pending application*.~~

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

4 PROCEDURE FOR MAKING GRANDFATHERING NOTIFICATIONS

4.1 ~~[Deleted.]The *PRA* directs that a *firm* must make any applications, notifications or submissions required by this Part by submitting the specified form to PRA-ApprovedPersons@bankofengland.co.uk.~~

5 WITHDRAWING OR UPDATING A GRANDFATHERING NOTIFICATION

5.1 ~~[Deleted.]The *PRA* directs that if, before the *commencement date*, there has been a significant change to the matters covered by the *grandfathering notification*, the *firm* must provide a revised version of it to the *PRA*.~~

6 TABLE OF EQUIVALENT FUNCTIONS FOR GRANDFATHERING CONVERSION

6.1 ~~[Deleted.]The *senior insurance management functions* set out in column 2 of the table are specified as *equivalent functions*, in each case in relation to the *pre-implementation controlled functions* set out in the corresponding row in column 1 of the table below.~~

6.2 ~~[Deleted.]The *FCA functions* set out in column 3 of the table are specified as *equivalent functions*, in each case in relation to the *pre-implementation controlled functions* set out in the corresponding row of column 1 of the table below.~~

| Column 1 | Column 2 | Column 3 |
|--------------------------------|---|--|
| PRA or FCA Controlled Function | PRA Senior Insurance Management Function | FCA Function |
| Director (CF1) | Small Insurer Senior Management function (SIMF25) | FCA Director function (CF1) (See Note) |

| | | |
|--|--|--|
| Non-executive director (CF2) | Small Insurer Senior Management function (SIMF25) - | |
| Chief executive (CF3) | Small Insurer Senior Management function (SIMF25) | FCA Chief executive function (CF3) (See Note) |
| Director of unincorporated association (CF5) | Small Insurer Senior Management function (SIMF25) | FCA Director of unincorporated association function (CF5) (See Note) |
| Small friendly society (CF6) | Small Insurer Senior Management function (SIMF25) | FCA Small friendly society function (CF6) (See Note) |
| Actuary (CF12) | Small Insurer Chief Actuary function (SIMF20) | - |
| With-Profits Actuary (CF12A) | Small Insurer With-Profits Actuary function (SIMF21) | - |
| Systems and Controls (CF28) | Small Insurer Senior Management function (SIMF25) - | |

Note: See SUP TP 8.2.3R in the FCA Handbook.

6.3 ~~[Deleted.] A firm must submit a scope of responsibilities form to the PRA by 7 March 2017 in respect of any senior insurance management function holder with continued approval in relation to that firm.~~

6.4

(1) If, in relation to a firm, a PRA senior insurance-management function holder with continued approval also performs FCA activities on and from the commencement date, performance of the PRA senior insurance-management function will include the performance of those FCA activities provided that the firm has included details of the FCA activities in a scope of responsibilities form for that PRA senior insurance-management function holder which is provided to the PRA by 7 March 2017.

(2) If, in relation to a firm, a PRA senior insurance-management function holder with continued approval has been performing FCA activities in the circumstances set out in (1), and that person:

(a) ceases to perform the PRA senior insurance-management function;

(b) within three months of ceasing performance, is approved to perform a new PRA senior insurance-management function at the firm; and

(c) continues to perform the FCA activities,

performance of the new PRA senior insurance-management function will include the performance of those FCA activities, provided:

(d) the PRA's approval to perform that PRA senior insurance-management function continues in force;

(e) the firm makes the notification required by ~~SUP10A.11.12R(4)~~SUP 10C.9.8R (4) of the FCA Handbook; and

(f) that person performs and is continuing to perform the FCA activities.

6.5 If a PRA senior ~~insurance-management function holder~~ to whom 6.4 applies ceases to perform a PRA senior ~~insurance-management function~~ but continues to perform the FCA activities, 6.4(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 a 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 PRA senior ~~insurance-management function~~.

6.6 ~~[Deleted.]The PRA directs that a firm must not specify in the grandfathering notification that any person shall perform any combination of senior insurance management functions which is prohibited by any other provision of the PRA Rulebook or the FCA Handbook.~~

7 FORMS

7.1 ~~[Deleted.]The grandfathering notification form, Form K, may be found here.~~

7.2 ~~[Deleted.]The scope of responsibilities form may be found here.~~

Annex W

Amendments to the Non-Solvency II Firms — Transitional Measures Part

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

1 APPLICATIONS AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

Solvency II rules

means the *PRA* rules in the Valuation, Technical Provisions, Own Funds, Solvency Capital Requirement – General Provisions, Solvency Capital Requirement – Standard Formula, Solvency Capital Requirement – Internal Models, Minimum Capital Requirement, Undertakings in Difficulty, Investments, Composites, Conditions Governing Business, Insurance Special Purpose Vehicles, Group Supervision, Reporting, Surplus Funds, With-Profits, Insurance - Certification, Insurance – Conduct Standards, Insurance – Senior ~~Insurance~~ Management Functions, Insurance – Allocation of Responsibilities and Insurance – Fitness and Propriety Parts of the *Solvency II Firms Sector* of the *PRA* Rulebook.

...

Annex X

Amendments to the Glossary

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

...

certification employee

means an employee (within the meaning in section 63E(9) of *FSMA* (certification of employees by ~~relevant~~ authorised persons)) of a *firm* who has a valid *certificate* issued by that *firm*.

...

certification regime

means the requirements of the *regulatory system* which apply to *authorised persons* insofar as they relate to *persons* performing *certification functions* including those set out in Certification, Fitness and Propriety, Insurance – Certification, Insurance – Fitness and Propriety, Large Non-Solvency II Firms – Certification, Large Non-Solvency II Firms – Fitness and Propriety, Non-Solvency II Firms – Certification and Non-Solvency II Firms – Fitness and Propriety and the corresponding *FCA* requirements in SYSC ~~5-227~~ and FIT of the *FCA Handbook*.

...

FCA activities

means a function which would, except for SUP 10C.9.8R or SUP TP 11.2.11R of the *FCA Handbook*, be an *FCA governing function*.

FCA activities notification

means:

(1) in respect of a *PRA senior management approval application* that was made prior to 10 December 2018, the notification required by SUP 10A.11.12R(4) of the *FCA Handbook*;

(2) in respect of a *PRA senior management approval application* made on or after 10 December 2018, the notification required by SUP 10C.9.8R(4) of the *FCA Handbook*.

...

FCA governing function

~~has the meaning given in SUP 10A.4.4R~~ means any of the *FCA controlled functions* labelled as *FCA governing functions* in the table of *FCA-designated senior management functions* in SUP 10C.4.3R of the *FCA Handbook*

...

FCA responsibilities

means any of:

- (1) the responsibilities set out in SYSC ~~4.7.7R~~24.2.6R (Table of FCA-prescribed senior management responsibilities) of the *FCA Handbook*; and
- (2) the responsibilities allocated under SYSC ~~4.7.8R~~26.3 of the *FCA Handbook*;
- (3) ~~[Deleted.]the responsibilities set out in SYSC 4.8.9R (Table: the FCA prescribed senior management responsibilities for third country relevant authorised persons) of the FCA Handbook~~; and
- (4) ~~[Deleted.]the responsibilities allocated under SYSC 4.8.10R of the FCA Handbook.~~

...

individual conduct requirements

means:

- (1) the Individual Conduct Rules and Senior Manager Conduct Rules in Conduct Rules 2 and 3;
- (2) the Individual Conduct Standards and Senior Manager Conduct Standards in Insurance – Conduct Standards 3;
- (3) the Individual Conduct Standards and Senior Manager Conduct Standards in Large Non-Solvency II Firms – Conduct Standards 3;
- (3A) the Individual Conduct Standards in Non-Solvency II Firms – Conduct Standards 2;
- (4) ~~[Deleted.]FIT and APER in the PRA Handbook;~~
- (5) COCON in the *FCA Handbook*; and
- (6) ~~[Deleted.]APER in the FCA Handbook.~~

...

large firm

means:

...

- (2) the *Society*, or

(3) a *managing agent*

...

...

relevant senior management function

means, for the purposes of section 64A of *FSMA* and 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~~ an *FCA governing function*; and
2. ~~[Deleted.]CF2A Chair of the Nomination committee function~~;
3. ~~[Deleted.]CF2B Chair of the With-Profits committee function~~;
4. ~~[Deleted.]CF3 Chief executive function~~;
5. ~~[Deleted.]CF5 Director of unincorporated association function~~;
6. ~~[Deleted.]CF6 Small friendly society function~~;
7. ~~CF10 Compliance oversight function~~ (*FCA controlled function SMF 16*);
8. ~~[Deleted.]CF28 Systems and control function~~; and
9. ~~[Deleted.]CF51 Actuarial conduct function holder in Solvency II third country Insurance undertakings~~.

...