

Policy Statement | PS15/18

# Strengthening individual accountability in insurance: Extension of the Senior Managers and Certification Regime to insurers

July 2018



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY



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## 1 Overview

1.1 This Prudential Regulation Authority (PRA) Policy Statement (PS) provides feedback to responses to Consultation Paper (CP) 14/17 'Strengthening individual accountability in insurance: extension of the Senior Managers and Certification Regime to insurers',<sup>1</sup> and CP 28/17 'Strengthening accountability: implementing the extension of the SM&CR to insurers and other amendments'.<sup>2</sup> It also provides:

- the final rules for the extension of the Senior Managers and Certification Regime (SM&CR, 'the regime')<sup>3</sup> to insurers by amending the Senior Insurance Managers Regime (SIMR)<sup>4</sup> (Appendix 1);
- an updated Supervisory Statement (SS) 35/15 'Strengthening individual accountability in insurance' (Appendix 2), and terminology updates to other existing SSs;<sup>5</sup>
- a consolidated Statement of Policy (SoP) 'Conditions, time limits, and variations of approval' (Appendix 3); and
- the streamlined set of forms for the SM&CR, and amendments to Part 4A permissions forms (Appendix 4).

1.2 This PS is relevant to all Solvency II insurance firms (UK Solvency II firms, the Society of Lloyd's and managing agents, and third country (re)insurance branches), and to insurance special purpose vehicles (ISPVs)<sup>6</sup>, large non-Directive firms (large NDFs),<sup>7</sup> and small non-Directive firms (small NDFs)<sup>8</sup> (collectively referred to as 'insurers'). Chapter 3 is relevant to all PRA regulated firms.

1.3 This PS should be read in conjunction with Financial Conduct Authority (FCA) PS18/15,<sup>9</sup> which provides feedback to the responses to FCA CP17/26, CP17/41, and CP17/42, and contains the FCA's equivalent policy to implement the extension of the SM&CR to insurers.

1.4 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 our rules accordingly.

### Background

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

1 July 2017: [www.bankofengland.co.uk/prudential-regulation/publication/2017/strengthening-individual-accountability-in-insurance-extension-of-the-sm-cr-to-insurers](http://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](http://www.bankofengland.co.uk/prudential-regulation/publication/2017/strengthening-accountability-implementing-the-extension-of-the-smcr-to-insurers-and-other-amendments).

3 The statutory framework for this regime is being introduced through amendments to Financial Services and Markets Act 2000 that are made by the Bank of England and Financial Services Act 2016.

4 The SIMR was implemented for insurers on 7 March 2016, and subsequently amended by PS27/16, PS12/17, and PS1/18.

5 The following documents have been updated to reflect new terminology: no other changes have been made to the policy: SS3/17, SS39/15, SS5/16, SS10/16, and SS 28/15.

6 An ISPV is an undertaking with a Part 4A permission to carry on the regulated activity of insurance risk transformation.

7 These are insurers out of scope of Solvency II for which the value of assets in respect of regulated activities, as included in their two most recent annual reports, is more than £25 million. Large non-Directive insurer is defined in the PRA Rulebook Glossary at [www.prarulebook.co.uk/rulebook/Glossary/FullDefinition/77326/22-03-2017](http://www.prarulebook.co.uk/rulebook/Glossary/FullDefinition/77326/22-03-2017).

8 These are insurers out of scope of Solvency II that are not large NDFs.

9 July 2018: [www.fca.org.uk/firms/senior-managers-certification-regime](http://www.fca.org.uk/firms/senior-managers-certification-regime).

remain, reflecting differences in the respective regulatory framework (ie between CRD IV<sup>1</sup> and Solvency II) and the business model of insurers and banking firms.

1.6 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 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.

1.7 In relation to Certification, in CP14/17 the PRA consulted on the extension of the SM&CR to insurers through amendments to the current SIMR that would:

- require insurers annually to assess and certify the fitness and propriety of employees performing functions deemed capable of causing 'significant harm' to the firm or its customers;
- apply the PRA's Conduct Rules to all key function holders (KFHs) and material risk-takers (MRTs) at large insurers; and
- require firms to notify the PRA of internal disciplinary action against individuals within scope of the SM&CR due to breaches of the Conduct Rules.

1.8 For senior managers, in CP14/17 the PRA consulted on amendments to the current regime that include:

- the ability for the PRA to approve Senior Managers in insurance firms subject to conditions and time limits; and
- a statutory duty of responsibility, which will enable the PRA to hold Senior Managers in insurance firms accountable if a breach of a regulatory requirement takes place in their area of responsibility and the Senior Manager failed to take reasonable steps to prevent or stop the breach.

1.9 In relation to form changes, in CP28/17 the PRA proposed to:

- rationalise SM&CR forms and integrate the two regimes, while recognising their differences; and
- update Part 4A permissions forms to recognise the extension.

1.10 In relation to implementing the extension, in CP28/17 the PRA proposed to:

- make consequential changes to the PRA Rulebook to allow for the extension; and
- make a number of transitional arrangements related to the extension.

1.11 In relation to terminology, in both CP14/17 and CP28/17, the PRA proposed to amend terminology used in the integrated SM&CR including the removal of gendered language.

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1 Capital Requirements Directive (2013/36/EU) (CRD) and Capital Requirements Regulation (575/2013) (CRR) – jointly 'CRD IV'.

## Summary of responses to CP14/17 and CP28/17

1.12 The PRA received 14 responses to the proposals in CP14/17 relating to the extension of the SM&CR to insurers, and eight responses to the proposals in CP28/17 relating to the implementation of the proposed extension of the SM&CR and other amendments. The responses received were broadly supportive of the policy intent and the PRA has made some minor changes to the policy proposals as a result of feedback.

- Chapter 2 summarises feedback on the PRA’s proposals in CP14/17 and the PRA’s final policy.
- Chapter 3 summarises feedback on the PRA’s proposals in CP28/17 and the PRA’s final policy.
- Chapter 4 sets out the various timelines for implementing the rules and expectations in this PS.

## Changes to draft policy

1.13 Where the final rules differ from the draft in the CP in a way which the PRA considers significant, the Financial Services and Markets Act 2000 (FSMA)<sup>1</sup> requires the PRA to publish:

- details of the difference (and the PRA’s response to representations made to it regarding those changes) together with a cost benefit analysis; and
- a statement setting out, in the PRA’s opinion, whether or not the impact of the rule on mutuals is significantly different to that for other PRA authorised firms.

1.14 The final rules relating to the extension of the SM&CR to insurers do not differ significantly from those proposed in CP14/17.

1.15 In response to consultation feedback, the PRA has made a slight modification to the final rules. This relates to the scope of the Certification Regime proposed in CP14/17 for small NDFs. The certification regime will now encompass only members of the governing body (other than PRA/FCA approved persons or non-executive directors (NEDs)) rather than including all members of the governing body and all employees who report directly to the governing body. This more proportionate approach aligns with the PRA’s secondary competition objective.

1.16 This modification to the rules enhances the clarity, flexibility and proportionality of the relevant requirements, relative to the original proposals in CP14/17, and will therefore reduce the burden on firms.

## Next steps

1.17 The timelines and relevant measures for the implementation of the final rules in this PS are as set out in Chapter 4.

1.18 The PRA intends to publish a further CP with some consequential amendments to its rules prior to the policy commencement date, so as to ensure that the rules in the PRA Rulebook are suitably cross-referenced and aligned to those in the FCA’s Handbook. These consequential changes are not intended to make any substantive change to the final policy and rules in this PS.

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<sup>1</sup> [www.legislation.gov.uk/ukpga/2000/8/contents](http://www.legislation.gov.uk/ukpga/2000/8/contents).

## 2 Responses to feedback on proposals in CP14/17

2.1 The PRA received 14 responses to CP14/17. Respondents generally supported the intent of the proposals. However, a number raised concerns about the complexity, proportionality, and relative costs and benefits of the proposed regime, and frequent changes to a regime that had been in place for less than two years. The framework for the SM&CR for insurers is largely set through the changes to FSMA that are being applied for insurers through the Bank of England and Financial Services Act 2016 (the 2016 Act). The PRA does not intend any further significant changes to the regime going forward, unless warranted by its evaluation of how the policy is being embedded and implemented within firms.

2.2 Respondents also requested more co-ordination and consistency between the PRA and FCA proposed regimes. The PRA regime has been aligned with the FCA regime wherever possible, including on the approach to the provision of handover information, regulatory references, and the terminology for Senior Management Functions (SMFs) and Prescribed Responsibilities (PRs). However, the PRA considers there are justifiable reasons for its difference in policy approach from the FCA on the potential division of PRs, and on the timing of notifications to the PRA of disciplinary action taken by firms in relation to conduct breaches, as explained further below.

### **Certification Regime for insurers other than small NDFs**

2.3 The PRA proposed that the set of 'certification functions' for Solvency II insurers (along with ISPVs and large NDFs, but excluding small run-off firms) would include KFHs. In addition, the set of 'certification functions' would include MRTs at Solvency II insurers (and large NDFs) that are 'large firms'. Any individuals who are NEDS or that are approved for an SMF by the PRA or FCA would be excluded (as required by FSMA). Any individuals whose appointment is solely to cover the absence of an employee in a 'certification function' whose absence is reasonably unforeseen, and is for less than four weeks, would also be deemed to be excluded.

2.4 Some respondents suggested that the PRA's proposals for the Certification Regime would dilute transparency and accountability, and some suggested that there would be additional costs arising from the Certification Regime without much practical tangible benefit.

2.5 The PRA does not agree that its proposals for the Certification Regime would dilute transparency and accountability. These proposals build on the framework in the current SIMR through which KFHs have been identified by firms, and there should already be a clear record of their responsibilities in place. These KFHs have responsibility for a function that is of specific importance to the sound and prudent management of the firm. Likewise, the PRA expects 'large firms' to set clear responsibilities and reporting lines for their MRTs whose activities could have a material impact on the firm's risk profile, and then to monitor the activities and conduct of these individuals. Insurance firms' approach to MRT identification in the context of remuneration is less well developed compared to the banking sector. However the PRA considers that documentation of information on the reasoning for the identification of MRTs by firms will lead to greater consistency over time.

2.6 The PRA is maintaining its policy on certification for insurers other than small NDFs, which it believes should enhance, rather than reduce, the accountability of these individuals. The PRA believes that the Certification Regime will provide important benefits through ensuring the sound management of risks at firms, and thereby minimising the risk of failure of these firms.

### **Certification Regime for small NDFs**

2.7 One respondent raised a concern that the costs of implementing our proposals would be significant for these firms, and the benefits limited. None of the respondents provided data in relation to any of these costs, though they were invited to do so in the CP.

2.8 The PRA has modified its proposals for the Certification Regime for small NDFs by including only members of the governing body<sup>1</sup> (other than PRA/FCA approved persons or NEDs) in the Certification Regime, and not their direct reports, which was proposed in the CP. The PRA considers that this change will align the PRA's Certification Regime more closely with the FCA's, and limit costs for firms. Firms will still be required through the FCA's 'competent employees' rules to employ staff with relevant skills, knowledge and expertise, and the FCA's Conduct Rules will apply to employees of the firm (other than ancillary staff). This more proportionate approach aligns with the PRA's secondary competition objective.

### **Application of Conduct Rules to employees in a 'certification function' and certain other employees**

2.9 The PRA proposed to extend the application of a number of its Conduct Rules, as explained in CP14/17, to all employees who are holding a PRA 'certification function' (including KFHS) at insurers, as well as to the employees of those firms who are performing an SMF on a temporary basis, including those who have been approved subject to a time limit or are performing an SMF pursuant to the grace period.

2.10 One respondent asked whether it was intended that Conduct Rules should only apply in respect of regulated activities, and referenced the information technology (IT) and human resources (HR) functions.

2.11 The PRA is maintaining the policy on which it consulted. The PRA considers that its Conduct Rules should apply in respect of the conduct of all business activities, given that both regulated and non-regulated activities (including IT or HR) may affect the safety and soundness of a firm.

### **Notification of disciplinary action following conduct rule breaches**

2.12 The PRA proposed to make a rule that notification to the PRA would be required within seven business days of any disciplinary action taken by an insurer that relates to any action, failure to act, or circumstance that breaches any Conduct Rule. This notification rule would then apply to all SMFs and 'Conduct Rules non-executive directors', as well as to employees to whom the PRA Conduct Rules apply. This includes those holding a 'certification function' and KFHS. The proposed timing of these notifications to the PRA differed from the FCA's proposal that such notifications to the FCA by firms in respect of certification employees would only be required annually. Several respondents challenged the need for notifications to be made to the PRA within seven business days.

2.13 A comparable notification requirement already applies in respect of KFHS and Senior Insurance Management Functions (S(I)MFs) at insurers, so in effect a new notification requirement is being added only for MRTs at 'large firms'. The PRA is maintaining its policy on notifications, as it considers it important to identify as soon as possible any instance where action has been taken against such individuals for a breach of its Conduct Rules, in view of their potential influence on the risk profile, safety and soundness of a firm, and its

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<sup>1</sup> The 'governing body' for a small NDF is defined in the Rulebook to mean a board of directors, committee of management or other governing body of an unincorporated association or [of a] body corporate.



policyholders.<sup>1</sup> These notifications could then influence the supervisory review of the insurer, and any resulting supervisory actions.

### **Duty of responsibility**

2.14 The PRA proposed amendments to SS35/15, to set out its expectations of how the new statutory 'duty of responsibility' (as established through the addition of a fourth element to s66B(5) of FSMA) should be observed by individuals performing an SMF at insurers.

2.15 There were no comments from respondents on the amended text in SS35/15, though one respondent asked how these expectations would interact with section 172 of the Companies Act.

2.16 The PRA is maintaining its text for these expectations in the updated SS35/15 (Appendix 2), as consulted on in CP14/17.

### **Prescribed responsibilities (PRs)**

2.17 The PRA proposed to add some new PRs that should be allocated to a senior manager, so as to encompass responsibility for all aspects of the operation of the regime, including the new Certification Regime. The PRA also proposed to add four new PRs for third country branches<sup>2</sup> and Swiss general insurers. These proposals would also bring these PRs more closely in line with the corresponding proposals being made by the FCA.

2.18 There were no comments from respondents on these proposed PRs, and the PRA is maintaining this policy as consulted on.

### **Statements of responsibility and management responsibility maps**

2.19 The PRA proposed to rename the current 'scope of responsibility' records and 'governance maps' in the SIMR as 'statements of responsibility' (SoRs) and 'management responsibilities maps' (MRMs) respectively, and that the MRMs should also include a record of any matters reserved to the governing body. The PRA proposed amendments to SS35/15, to set out its fuller expectations on SoRs and MRMs.

2.20 There was one comment questioning the change in terminology, and there were no comments from respondents on the amended text in SS35/15. One respondent asked that matters reserved to the board should not be included in the MRM, and another respondent asked that an updated MRM should be provided only to the PRA on request.

2.21 The PRA is maintaining the new terminology for SoRs and MRMs, for consistency with the FCA's regime,<sup>3</sup> and is maintaining its text for its expectations on SoRs and MRMs in the updated SS35/15 (Appendix 2) as consulted on in CP14/17. The PRA believes that matters reserved to the board should be straightforward for firms to include in the MRM. The PRA's rules only require firms to send the relevant part of any updated MRM to the PRA, where this update is significant, and the PRA believes that this is a proportionate approach.

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1 A comparable notification requirement also applies for banking firms, so there will be a consistent approach for all PRA-regulated firms.

2 The PRA's approach to branch supervision for European Economic Area (EEA) firms that are currently branching into the United Kingdom under the passporting arrangements remains unchanged until the United Kingdom withdraws from the European Union. Subject to the outcome of the negotiations between the United Kingdom and the European Union, and in particular absent some agreement in relation to EEA firms, these firms would have to apply for authorisation in order to undertake PRA regulated activities in the United Kingdom after the United Kingdom withdraws from the European Union. They would then be treated in the same way as other insurance branches.

3 This terminology will also be consistent with the PRA's regime for banking firms.

2.22 The PRA also proposed that if there is a significant change<sup>1</sup> to the SoR for an individual performing an SMF, then in line with the requirements in the amended FSMA, a copy of the revised SoR would need to be provided to the PRA.

2.23 Some respondents questioned the need for potentially frequent updates to the SoRs to be sent to the regulators. However, the need to send updates of SoRs to the PRA and FCA whenever there is a significant change to the responsibilities of an individual performing an SMF is a statutory obligation through s62A of FSMA.

2.24 The PRA rules already require firms to maintain an up-to-date SoR for their senior managers, and the PRA is proceeding with the new rule which will mirror the statutory requirement for firms to send the PRA updates to the SoRs whenever there is some significant change in a senior manager's responsibilities. The PRA has updated SS35/15<sup>2</sup> to clarify what it considers to be a 'significant' change to a SoR which would trigger submission of the revised SoR to the PRA. Firms are not expected to resubmit the SoR each year if there has been no significant change to it.

### Sharing or splitting a PR or SMF

2.25 The PRA proposed amendments to SS35/15 to include the expectation (as also applied for banking firms) that PRA PRs and PRA SMFs can be shared but not split among two or more SMFs. Firms and individuals would be expected to utilise the free text section in the SoRs to provide additional details on how a given shared PR applies to the different individuals sharing it in practice.

2.26 Several respondents raised concerns about the PRA's proposal that firms could share but not split their PRs or SMFs, and observed that the PRA's approach to PRA PRs and shared PRs differs from the FCA approach. These respondents thought that the consequences of the PRA's proposal may be that some individuals would be allocated PRs they had little or no control over. They considered that the PRA should apply the same approach as the FCA, so as to allow firms to divide PRs in the most appropriate way for their own business model.

2.27 The PRA asserts that the clarity of roles and responsibilities is fundamental to underpinning the SM&CR as a whole. Consequently, the PRA is maintaining the approach in CP14/17 whereby it will be possible for PRs and SMFs to be wholly allocated to more than one Senior Manager but not split (the exceptions being the Chief Operations function (SMF24) and Group entity Senior Manager function (SMF7), which can be split). Where two or more individuals share an SMF, such as a job-share, both are individually accountable for all the responsibilities inherent in or allocated to that SMF. The same approach applies where a firm allocates a PRA PR to two or more individuals performing an SMF.

2.28 If a firm breaches a relevant requirement in an area relating to an SMF or PR which is shared by two or more individuals, the PRA would still assess separately whether each individual took reasonable steps in discharging their shared responsibilities.

### Handover of responsibilities

2.29 The PRA proposed to add a new rule<sup>3</sup> that will require Solvency II insurers and large NDFs to take all reasonable steps to ensure a senior manager is provided, in advance, with all the information and materials they would reasonably expect in order to perform a new SMF, or

1 As envisaged by section 62A of FSMA (as added by the 2016 Act).

2 See paragraphs 2.86 to 2.88 of SS35/15.

3 In Insurance – Senior Insurance Management Functions and Large Non-Solvency II Firms – Senior Insurance Management Functions.

new responsibilities effectively. This would mirror a corresponding new requirement that was proposed by the FCA.

2.30 Several respondents raised some concerns over this proposal in view of the perceived impracticalities, including uncertainties over the circumstances leading to handover of a function, how to handle subjective opinions, and how this might be applied in respect of sensitive information or unexpected departures. This was seen by some respondents as undue process and bureaucracy, and the benefits were perceived as less than the costs, especially for smaller firms. One respondent requested that the provision of handover information should be set out in supervisory guidance rather than as a prescriptive rule.

2.31 The PRA has considered these comments jointly with the FCA. The PRA believes that this proposed new rule would codify best practice on the provision of this handover information. The PRA recognises that information that a firm chooses to include in its handover material will depend on the business model and governance structure, as well as the specific individual's position and responsibilities in all circumstances. The PRA is maintaining its policy, as it believes this will improve the clarity and robustness of the handover arrangements and reinforce a culture of accountability.

### **Conditions and time limits for the approval of individuals**

2.32 The PRA consulted on a consolidated Statement of Policy 'Conditions, time limits, and variations of approval' which explained how the PRA would propose to exercise its ability to apply such conditions or time limits, or to vary any approvals. There were no comments by respondents on the proposed text of this SoP, and the PRA is issuing this SoP as consulted on in CP14/17.

### **Movement of individuals between insurance and banking firms**

2.33 The PRA proposed to enable individuals who have been approved for an SMF within insurance firms to be treated equivalently to individuals who have been approved for an SMF within banking firms. Respondents supported this proposal, and the PRA is proceeding with this policy.

### **Amendments to SS35/15**

2.34 The PRA proposed to update SS35/15 to reflect the application of the proposals in CP14/17 to extend the SM&CR to Solvency II insurers, and to widen the proposed scope of application of this SS to include large NDFs.

2.35 There were no comments by respondents on the text of the updated SS. The PRA is issuing this SS with the amendments as consulted on. This includes text to clarify what is considered a 'significant' change to a SoR which would trigger submission of the revised SoR to the PRA.

### **Application of SM&CR to small NDFs**

2.36 The PRA proposed to continue to apply a streamlined set of requirements for the extension of the SM&CR to small NDFs, that was suitably co-ordinated with the FCA's proposals on how it would apply a proportionate regime for these firms.

2.37 One respondent had a concern that the costs of implementing the proposals would be significant for smaller firms, and the benefits limited. They cited in particular the costs for updating the SoRs, as well as the costs of training, which they believe could be problematic for firms without an HR function. They thought that some of these costs could be reduced if there were more co-ordination between the PRA and FCA on roles and definitions. They added that

the proposed regulatory references requirements for small NDFs would increase considerably the work required in appointing a new senior manager (or certification employee).

2.38 Many of the changes to the regime, such as the need to update SoRs, and to provide training for employees subject to the Conduct Rules, are directly required by statutory changes.<sup>1</sup> The PRA did propose a streamlined version of its SM&CR for small NDFs in Chapter 3 of CP14/17. The PRA also proposed in CP28/17 closer alignment with the FCA of the roles and definitions for the regime (see Chapter 3 in this PS).

2.39 The PRA has modified its policy in relation to the Certification Regime for small NDFs as explained in paragraphs 2.7 to 2.8 above. The PRA is maintaining its policy on regulatory references for small NDFs, as this will ensure that relevant information is sought (and provided) by firms about key individuals before their appointment as an SMF or certification employee. This policy is consistent with the proposed application of these regulatory reference requirements to all FCA-regulated firms.

### **3 Responses to feedback on proposals in CP28/17**

3.1 The PRA received eight responses to CP28/17. This part of the PS should be read in conjunction with Financial Conduct Authority (FCA) PS18/15, which contains the FCA's equivalent proposals to implement the extension. Respondents were largely supportive of the proposals. However, a number of clarifications were requested. The PRA has responded to these below.

#### **Rationalisation of forms and Part 4 permissions forms**

3.2 The rationalisation of the forms will reduce the number of forms from 26 to 11. All respondents welcomed the rationalisation of the forms. As a result the PRA will remove Forms K 'Grandfathering Notification Form' and F 'Changes in Notified Persons Form'. The PRA will now have one version of each remaining form for all the firms it regulates. Some respondents suggested some alterations to the new forms. The PRA's responses to these changes are outlined below.

3.3 With regard to Long Form A and Short Form A: One respondent sought clarification on whether Section 4 of the forms should request an employment history of six years rather than five, in light of the regulatory references requirement to capture six years of employment history. The PRA has not made this change on the basis that regulatory references are a facilitative tool for firms to assess the fitness and propriety of certain individuals and while the information in the references may be relevant to the completion of the form, the references are not submitted to the PRA and FCA as part of applications for approval as an SMF.

3.4 In relation to the SoR: One respondent requested that the PRA changes the term 'Shared PR' to 'Dual PR' in Section 3.2 of the form. This will avoid the implication that it is a responsibility that is shared among senior managers rather than a dual-regulated responsibility. The PRA has made this change.

3.5 In addition, one respondent suggested that the individual and firm should both sign the SoR. The PRA does not consider this necessary because the legislation states that applications for approval as an SMF, including the SoR are submitted by firms. However, the PRA considers

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<sup>1</sup> The changes to the Financial Services and Markets Act 2000 (FSMA) that are applied to insurers through the Bank of England and Financial Services Act 2016.

it important for those candidates to confirm that they understand and accept the responsibilities they will have in their proposed SMF.

3.6 The PRA has also made minor editorial amendments and corrections to the forms which do not alter the burden on applicants or the policy intent. For example, numbering the pages for ease of reference.

3.7 Final versions of all the forms are included in Appendix 4.

### **Transitional arrangements for the extension of the Certification Regime to insurers**

3.8 The PRA proposed that the new requirement on insurers to certify employees performing certification functions as fit and proper would come into effect 12 months after the commencement date of the SM&CR for insurers. The PRA received no responses to this issue and will implement the transitional arrangements as consulted in CP28/17.

### **Consequential amendments related to the extension**

3.9 The PRA proposed to amend the PRA Rulebook to facilitate the extension of the SM&CR to insurers. The PRA received no responses to this proposal and will amend terminology in the Rulebook and Ss. For example, amending references to ‘Senior Insurance Managers Regime’ or ‘SIMR’ to ‘Senior Managers Regime’ or ‘SMR’.<sup>1</sup>

### **Deletion of Senior Managers Regime – Transitional Provisions**

3.10 The PRA will delete the Senior Managers Regime – Transitional Provisions Part of the PRA Rulebook. The transitions for banking firms have already taken place and therefore are no longer required. The PRA received no responses on this issue and will implement as consulted.

### **SMFs moving between an insurance firm and a banking firm**

3.11 The PRA will allow an individual performing an SMF at an insurance firm to apply for approval as an SMF at a banking firm (or vice versa) via a Short Form A or Form E, as appropriate, rather than a Long Form A. The PRA received no responses on this issue and will implement the policy as consulted.

### **Removal of gendered language from the SM&CR**

3.12 The PRA used this opportunity of making amendments to the PRA Rulebook and forms as part of the extension to also remove gendered language from the SM&CR. Separately, the PRA proposed updating its terminology from ‘grandfather/ing’ to ‘conversion’.

3.13 The PRA has considered the gendered language and terminology change objections from two respondents. One respondent suggested the term ‘assimilate/assimilation’ would be more appropriate than ‘conversion’. The PRA will continue with the approach to update language with a non-gendered term appropriate to the policy context. This language is used to describe the ‘conversion’ of a PRA approved person to a senior manager. The PRA considers ‘conversion’ appropriate in this context. The PRA recognises that the term ‘conversion’ will not be appropriate for all future policy contexts.

## **4 Timelines and relevant measures for implementation**

### **Timeline for implementation**

4.1 The extension of the SM&CR will apply with effect from 10 December 2018.

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<sup>1</sup> See footnote 5, page 5.

### **Implementation measures**

4.2 The rationalised Form A (application for approval to perform a SMF) will be made available via the FCA administered Connect system in September. This form will be available for submission before Commencement and should be used if the candidate's proposed date of appointment is after the commencement date of the new regime. However, applications will only be determined from the start of the new regime.

4.3 Forms cannot be submitted for the new SMF 6 and SMF 24 for insurers in advance of the commencement date of the extended regime.

4.4 There will be no notification/application closing date. However, firms are requested to submit these document as soon as practically possible

4.5 If the candidate's proposed date of appointment is prior to the commencement date of the extended regime, the existing forms should be used.

## Appendices

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- 1** PRA RULEBOOK: SOLVENCY II FIRMS, NON-SOLVENCY II FIRMS: SENIOR INSURANCE MANAGERS REGIME (AMENDMENT) INSTRUMENT 2018, available at: [www.bankofengland.co.uk/prudential-regulation/publication/2018/strengthening-individual-accountability-in-insurance-extension-of-the-smcr-to-insurers](http://www.bankofengland.co.uk/prudential-regulation/publication/2018/strengthening-individual-accountability-in-insurance-extension-of-the-smcr-to-insurers)

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  - 2** Supervisory Statement 35/15 UPDATE 'Strengthening individual accountability in insurance' available at: [www.bankofengland.co.uk/prudential-regulation/publication/2015/strengthening-individual-accountability-in-insurance-ss](http://www.bankofengland.co.uk/prudential-regulation/publication/2015/strengthening-individual-accountability-in-insurance-ss)

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  - 3** Statement of Policy UPDATE 'Conditions, time limits, and variations of approval' available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/conditions-time-limits-and-variations-of-approval>

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  - 4** Directory for streamlined set of forms for the SM&CR, and amendments to Part 4A permissions forms available at: [www.bankofengland.co.uk/prudential-regulation/publication/2018/strengthening-individual-accountability-in-insurance-extension-of-the-smcr-to-insurers](http://www.bankofengland.co.uk/prudential-regulation/publication/2018/strengthening-individual-accountability-in-insurance-extension-of-the-smcr-to-insurers)