



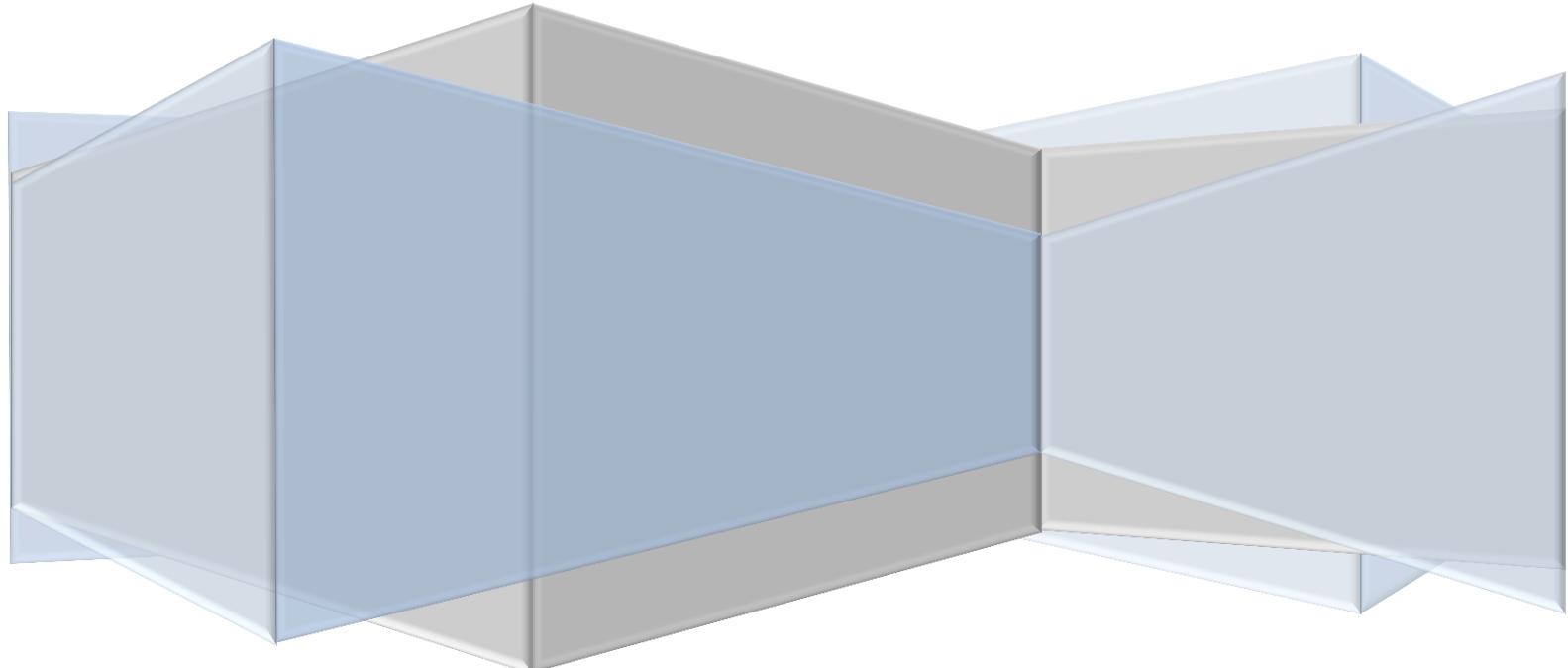
Financial Conduct Authority

25 The North Colonnade
Canary Wharf
London
E14 5HS

Tel: +44 (0)20 7066 1000
Fax: +44 (0)20 7066 1099
www.fca.org.uk

Background Material

**Strengthening accountability in
financial services**



Contents

- **Background materials for respondents**
- **Rationale for extending the accountability regime beyond banking**
- **Key elements of the SM&CR**
- **Territoriality implications**
- **Other relevant publications recently published**

Annexes

Annex I- Current SIFs and their potential equivalent SMFs in the SM&CR for banks

Annex I-a - List of PRA SIMFs and FCA CFs for insurance firms

Annex II - List of Prescribed Responsibilities in the SM&CR for banks

Annex II-a - List of PRA's Prescribed Responsibilities for insurance firms

Annex III –List of current Significant Harm Functions in banks

Annex IV – List of Conduct Rules

Glossary

APR – Approved Persons Regime

APER – the Statements of Principle and Code of Practice for Approved Persons

CASS – Client assets sourcebook

CBA – Cost Benefit Analysis

CF – Controlled function

CR – Certification Regime

COCON – Code of Conduct sourcebook

DBS – Disclosure and Barring Services

FCA – Financial Conduct Authority

HMT – Her Majesty's Treasury

PCBS – Parliamentary Commission on Banking Standards

PRA – Prudential Regulation Authority

SHF – Significant Harm Function

SIMR – Senior Insurer Managers Regime

SoR – Statements of Responsibility

SIF – Significant Influence Function

SIMF – Senior Insurer Manager Function

SM&CR – Senior Managers & Certification Regime

SMF – Senior Managers Function

SMR – Senior Managers Regime

Background Material for Respondents

Rationale for extending the accountability regime beyond banking

The financial crisis in 2007-08 and more recent misconduct events highlighted concerns about the performance and behaviour of many individuals working in the financial services industry.

In June 2012, the Houses of Parliament appointed the Parliamentary Commission on Banking Standards (PCBS) to consider and report on professional standards and culture of the UK banking sector and to make recommendations for legislative and other action.

The PCBS was critical of the existing Approved Persons Regime (APR) in Part 5 of FSMA, which provides the main set of rules for individuals working in the financial services industry. When the PCBS reported, it said that the APR was too broad and insufficiently focused on senior management. They also said that it 'created a largely illusory impression of regulatory control over individuals, while meaningful responsibilities were not in practice attributed to anyone. As a result, there was little realistic prospect of effective enforcement action, even in many of the most flagrant cases of failure.'¹

The PCBS recommendations were outlined in its final report on 'Changing banking for good'² in June 2013. These were implemented through a series of measures relating to individual conduct and standards in banking which were included in the Financial Services (Banking Reform) Act 2013, amending the Financial Services and Markets Act 2000 (FSMA).

The new individual accountability framework for the banking sector³, which has **replaced the APR** for these firms, is referred to as the Senior Managers & Certification Regime (SM&CR) and came into force on 7 March 2016. The key elements of the SM&CR as it applies to banks are explained in the next section.

The PCBS expected that the deficiencies it had identified in the APR and its operation were unlikely to be confined to isolated parts of the financial system. However, they recommended that the SM&CR should initially be introduced only for the banking sector to avoid undue delay in the timetable for implementation. The government shared those concerns and prioritised the implementation of the regime for the banking sector.

On 4 May 2016, Parliament passed the Bank of England and Financial Services Act ('the Act').

The Act **extends the SM&CR to all FSMA authorised firms** (including but not limited to insurers, investment firms, asset managers, insurance and mortgage brokers and consumer credit firms).

¹ PCBS, Volume I, page 8.

² www.publications.parliament.uk/pa/jt201314/jtselect/jtpcbs/27/2702.htm

³ By 'banking sector' we mean deposit taking institutions (banks, credit unions and building societies) and the nine dual-regulated investment firms.

The extended SM&CR will replace the APR and, as the Treasury stated,⁴ is intended to create a fairer, more consistent and rigorous regime for all in-scope firms. For insurers, the Senior Insurance Managers Regime (SIMR) introduced by the PRA (and the changes to the APR applying to insurers made by the FCA) as part of the implementation of the EU Solvency II Directive (Solvency II), paved the way to apply the SM&CR and already incorporates some substantive ideas and principles underpinning the SM&CR. However, not all of the pillars and elements of the SM&CR are in place for insurers and so we will have to make changes to fully implement the new accountability regime.

The key principles and elements of the extended SM&CR will be the same as those applied to the banking sector. However, the Treasury stressed that the principle of proportionality will be particularly important and that the regulators 'will ensure that the extended regime appropriately reflects the diverse business models operating in the UK market and is proportionate to the size and complexity of firms'.

To assure proportionality, we expect that most firms will only have to implement a subset of the elements (i.e. the 'core' elements) of the full SM&CR which is applicable to banks. Some firms may have to implement additional elements, depending on the complexity of and/or risk posed by their governance or business.

Key elements of the SM&CR for banks

This section explains how the PRA and FCA implemented the SM&CR for banks.

The SM&CR for banks has essentially **three pillars**: the Senior Managers Regime (SMR), the Certification Regime and a new set of conduct rules in the Code of Conduct sourcebook (COCON).

Each of these pillars presents a number of **elements** which we explain in the next section. We are considering the best way to apply these elements proportionately, and in what combination, to the firms subject to the extended SM&CR.

- A) Senior Managers Regime

1) Senior Management Functions (or Senior Managers)

The Senior Managers Regime directly replaced the Approved Persons Regime in its application to persons performing senior roles in a firm. Persons performing these senior roles we refer to as **Senior Management Functions** ('SMFs') or **Senior Managers**.

Senior Managers are defined in FSMA as 'those responsible for *managing* one or more aspects of a firm's affairs ... and those aspects involve a risk of serious consequences for the firms or for the business or other interest in the UK'. FSMA also clarifies that

⁴ www.gov.uk/government/publications/senior-managers-and-certification-regime-extension-to-all-fsma-authorised-persons



'managing' includes taking decisions, or participating in the taking of decisions, about how one or more aspects of the firm's affairs should be carried on.

Broadly, this covers all key decision makers, i.e. board members and executive committee members (or equivalents). It could also include individuals below this level if they have ultimate responsibility and oversight of activities, functions or areas of the business (see section 8 below on 'Allocation of overall responsibility'). Key business functions could include, for example, sales, compliance, HR, IT and product development. Based on this definition, the PRA and FCA specified in their rules which roles constitute Senior Managers roles. Note that the regime itself does not require all firms to have individuals performing all these roles – instead, if the role already exists, the incumbent individual is captured as a senior manager.

In banks and insurers, only non-executive directors ('NEDs') with specific responsibilities (for example, Chairmen and Heads of Committees) qualify as Senior Managers. NEDs who do not perform the above roles are not pre-approved and fall outside the Senior Managers Regime (SMR).

Senior Managers are subject to a **duty of responsibility**, i.e. a statutory requirement to take reasonable steps to prevent regulatory breaches in their areas of responsibility. This duty will apply to Senior Managers in financial services firms in the extended SM&CR. However, the new criminal offence for Senior Managers in banks, will not apply to Senior Managers in other firms.

The current list of SMFs for banks is available in Annex I. The current list of SIMF ('Senior Insurer Manager Functions') and FCA Controlled Functions for insurance firms is available in Annex I-a.

2) Pre-approval

Senior Managers must be **pre-approved** by the regulators.

The process for banks is similar to the pre-approval process under APR, with some additional requirements. For example:

- supplementary information provided by the firms including the Statement of Responsibilities (see section 5 below) and Responsibilities Maps (see section 6 below); and
- confirmation by the firm that the individual is suitable for the role in the broader context of the skills mix of other board members.

3) Conditional approval – SMF roles

In addition, regulators now have the power to impose **conditions or time-limits on pre-approvals** both at the initial approval stage and subsequently through a variation of approval.

Variations include:

- time limited approvals – for example, approving a candidate on an interim basis whilst the firm looks for a permanent candidate;
- competency related condition – for example, granting approval on the condition that the applicant undertakes training or receives mentoring to compensate for a relative deficiency in a competency area;
- role scope limited – for example, approval so long as the role does not expand (e.g. after a planned merger); and
- enforcement action time limited – for example, approval awaiting the outcome of an ongoing investigation

4) Fitness and Propriety assessment

Firms are required to make sure that all Senior Managers are 'fit and proper' to perform their role and to have regard to the rules we have on the qualifications, training, competence and personal characteristics an individual in that role needs to have. This must be done on appointment and continuously thereafter.

Our FIT Handbook guidance sets out the factors we currently consider when assessing the fitness and propriety of approved persons. The above guidance applies to, and is relevant for, firms assessing the fitness and propriety of Senior Managers, with the following amendments:

- for board members the firm should carry out an assessment of how the candidate is fit and proper in the broader context of the skills mix of the board
- regular Disclosure and Barring Services ('DBS', previously the Criminal Record Bureau) checks on individuals in SMF roles; and
- mandatory 'Regulatory References' as explained in section 10.

Similar requirements and guidance apply for individuals subject to the Certification Regime, as detailed in section 12.

5) Statement of responsibility

Statements of responsibility (SoRs) and Responsibilities Maps (see section 6) are intended to support the aims of improved governance and a clear allocation of responsibilities. They do this by requiring firms to set out their governance arrangements and senior management responsibilities and keep these up to date.

When applying for regulatory pre-approval for Senior Managers, banks are required to include a SoR setting out the areas of the firm that the Senior Manager will be responsible for managing.

A SoR show clearly the responsibilities that the candidate or Senior Manager has as part of their function. A SoR should also be consistent with the firm's management Responsibilities Map (see section 6).



The SoR should include a succinct, clear description of each responsibility and should be a self-contained document which does not cross refer or include links to other documents.

It is a statutory requirement for a SoR to accompany an application for approval by the regulators.

Banks are required to keep SoRs up to date on an ongoing basis and to submit revised SoRs to the regulators if there has been a significant change to a Senior Manager's responsibilities.

6) Responsibilities Maps

Responsibilities Maps are another tool for supervising Senior Managers and assessing firms' overall corporate governance. They are also intended to help firms ensure that they have clear and appropriate governance arrangements. They should be comprehensive documents that describe a firm's management and corporate governance arrangements, including, for example, details of reporting lines. Banks are required to keep their responsibilities maps up to date on an ongoing basis and to submit them alongside certain applications and notifications.

SoRs and Responsibilities Maps help the regulators assess a candidate's suitability to perform the Senior Management Function applied for. They help us understand the allocation of responsibilities within a firm and, if things go wrong, we know which SMF holder is responsible for the area where the misconduct occurred. They can also be a valuable tool for firms in order to clarify and define roles and responsibilities.

7) Prescribed Responsibilities

These are specific responsibilities that must be assigned to Senior Managers. For banks, Prescribed Responsibilities can be divided into different groups:

- Prescribed Responsibilities that apply to **all firms** – these are responsibilities that relate directly to the new SM&CR.
- Prescribed Responsibilities that apply to **smaller firms only** – Under the PRA's rules, four broad responsibilities apply to banks that have assets of £250m or less. These cover risk management, systems and controls, financial resources and legal and regulatory obligations.
- Prescribed Responsibilities that apply to **larger firms only** – these cover many of the same areas as those which apply to smaller firms, but in more detail (e.g. there are specific responsibilities relating to recovery and resolution and to culture).
- Prescribed Responsibilities that only apply to **specific types of firms** – for example, if a firm carries out proprietary trading, it will need to allocate

responsibility for these activities. These also include the responsibility in relation to our client assets sourcebook (CASS).

Firms must allocate all responsibilities to a Senior Manager. Some responsibilities can only be allocated to non-executive Senior Managers.

We have listed current Prescribed Responsibilities for banks and insurers in Annex II and Annex II-a respectively.

8) Allocation of overall responsibility

In addition to Prescribed Responsibilities, the SM&CR for banks imposes a requirement on firms that one or more of its Senior Managers must have overall responsibility for *each* of the activities, business areas and management functions of the firm at all times.

The person having overall responsibility means the person who has ultimate responsibility, under the governing body, for managing or supervising a function and has direct responsibility for reporting to the governing body, and putting matters about that function for its decision.

In the SM&CR for banks we have clarified that we expect firms to ensure for themselves that they have allocated responsibility for all of their activities, areas or functions, covering the business that they conduct.

In the banking regime, if an individual with overall responsibility for an activity, function or area is not otherwise included in the list of SMFs (i.e. he or she does not hold any of functions SMF1 to SMF17), they will need to be pre-approved for SMF18, our 'Other Overall Responsibility' function.

9) Criminal record check for Senior Managers

The responsibility for assessing fitness and propriety rests with firms. As part of this we require firms to conduct criminal records checks for Senior Managers.

The requirement is for a firm to obtain the fullest information that it lawfully can about the candidate, under Part V of the Police Act 1997 and related subordinated legislation of the UK, before making the application.

This will involve applying to one of the available disclosure services (i.e. Disclosure and Barring Service, Disclosure Scotland or AccessNI, as appropriate). Firms may use an umbrella body to access these services, rather than apply directly.

10) Regulatory references

There is a danger to the financial system if individuals who have been found not to be 'fit and proper' for particular positions or who have shown unacceptable conduct, can move from firm to firm without relevant information about them being disclosed to future employers.



Under APR the regulators are able to refer to intelligence, which is not available to firms, about candidates when considering whether to approve them to take on another Controlled Function with a new employer. As is currently the case with APR, this information will be available to the regulators when assessing applications for Senior Management Functions.

However, regulatory pre-approval does not apply to individuals within the Certification Regime. Further, existing rules do not require all firms to obtain references from previous employers to find out whether an individual has engaged in unacceptable conduct in a previous position.

Banks and insurers seeking to appoint someone to either an Senior Management Functions or a certification function are required to request 'Regulatory References' from the candidate's past employer(s).

For full details of our final regulatory references rules for banks and insurers, please refer to our recent policy statement 'Strengthening accountability in banking and insurance: regulatory references' ([PS16/22](#)).

11) Handover procedures

As part of organising the business, a Senior Manager should ensure there is an orderly transition when another Senior Manager under their oversight stops performing a function and someone else takes over.

We require the individual vacating such a position to prepare a comprehensive set of handover-notes for their successor. As a minimum, those notes should specify any ongoing matter which the successor would reasonably expect to be aware to:

- perform their function effectively
- ensure compliance with the requirements and standards of the regulatory system, and
- ensure that the individual with overall responsibility for that part of the business of the firm maintains effective control

• B) Certification Regime

12) Significant Harm Functions

The Certification Regime (CR) applies to individuals who are not carrying out SMFs but who are capable of causing significant harm to the firm or its customers. The regulator has defined 9 such roles for banks; similarly with Senior Management Functions, the regime does not require firms to have individuals performing all these roles, but instead that individuals who already perform these roles be captured as SHFs.

FSMA requires **firms themselves to assess the fitness and propriety** of persons performing these roles, and to formally certify them as fit and proper at least annually and renew their certificate accordingly.

Firms' preparations include implementing procedures to assess for themselves their staff's fitness and propriety before they obtain a certification role and annually thereafter. These preparations will be important both when recruiting for roles that come under the Certification Regime and on at least an annual basis subsequently.

Certified roles (known as **Significant Harm Functions** - SHFs) are specified by the regulators in rules but the appointments are not subject to prior regulatory approval.

Currently, there is no Certification Regime in place for insurers.

Significant Harm Functions for the banking sector are listed in Annex III.

- **C) Code of Conduct sourcebook ('COCON')**

13) Individual and Senior Conduct Rules

The Code of Conduct sourcebook (COCON) is a new set of enforceable conduct rules that set standards of good individual conduct. Where individuals fall short of our expectations the rules allow us to hold individuals to account.

COCON for banks has a wider application than the rules in the Statements of Principle under the Statements of Principle and Code of Practice for Approved Persons (APER). APER only applies to approved persons, however COCON applies to SMFs, SHFs and other employees. Ancillary staff (for example, post room, reception and security staff) are not subject to COCON. In insurers, COCON currently only applies to all approved persons within those firms.

There are two sets of conduct rules: 5 individual conduct rules and 4 senior conduct rules.

Individual conduct rules set out high level standards of conduct, including the duty to act with integrity (Rule 1), to act with due skill, care and diligence (Rule 2) and to be open and cooperative with regulators (Rule 3).

The **senior conduct rules** only apply to Senior Managers and include, for example, the duty for individuals to take reasonable steps to ensure the business they are responsible for is controlled effectively and complies with regulatory standards.

14) Training requirements

FSMA requires firms to take all reasonable steps to ensure that individuals subject to COCON understand how the rules apply to them, including providing suitable **training**.

15) Notification requirements

Breaches of COCON trigger **notification requirements**. Firms are required to notify us immediately of breaches by Senior Managers and annually of breaches by all other individuals subject to COCON if those breaches have led to disciplinary actions.

COCON rules are listed in Annex IV.

SM&CR for EEA branches

FCA rules for banks mandate the appointment of two FCA Senior Management Functions only: SMF 21 - EEA branch senior manager function and SMF17 (current CF29 under APR) - Money Laundering Reporting Function (currently CF 11 under APR).

The SMF21 for banks is based on the current Significant Management (CF29) function for EEA branches under the APR. This is limited to individuals involved in particular regulatory activities, for example, accepting deposits, designated investment business, processing confirmations, payments, settlements, insurance claims, client money for designated investment business and CASS (for EEA firms with a top up permission only).

In the banking sector, governance/systems and controls is a home state matter. So there are no requirements for EEA banks to allocate responsibilities (i.e. no Prescribed Responsibilities/local responsibility).

Statement of Responsibilities (SoR) is a statutory requirement; EEA banks are also required to provide and maintain a Responsibilities Map.

For the Certification Regime, the list of certified function and fitness and propriety certification for UK firms apply equally to EEA banks. For the CASS Oversight function, it applies for EEA branches with a top up permission only.

SM&CR for third-country branches

Third country branches have a limited set of FCA-required SMFs roles. These include: SMF3 Executive Director, SM16 Compliance Oversight Function, SMF17 Money Laundering Reporting Function and SMF22 Other local responsibility function.

In particular, the 'Other Local Responsibility function' (SMF 22) operates in a similar way to the 'Other overall responsibility' (SMF18) function for UK firms as it:

- captures any individuals with local responsibility for any of the activities, business areas or management function of the branch, but who do not perform any other SMFs for the branch
- similar to SMF18, SMF22 will only apply if a person with local responsibility does not require approval for any other SMF

There is a tailored list of Prescribed Responsibilities for third country banks. The list is shorter which reflects the differing legal structure of a branch (e.g. the UK responsibilities designed for NEDs are not included), that some functions may be performed overseas (e.g. resolution) and that small firms/credit unions have no separate sections of responsibilities.

Statement of Responsibilities (SoR) is a statutory requirement; third country banks are required to provide and maintain a Responsibilities Map.

For the Certification Regime, the list of certified function and fitness and propriety certification for UK firms apply equally to third country banks.



Territoriality implications

The Certification Regime applies to staff in a UK firm who are performing a Significant Harm Function if they are either based in the UK or dealing with a UK client as defined in SYSC 5.2.19. However, material risk takers are subject to the Certification Regime wherever they are based and irrespective of whether they are dealing with a UK client.

For an overseas third country bank with a branch in the UK, the Certification Regime applies to staff who perform a Significant Harm Function if they are based in the UK.

Other relevant publications recently published

We have also recently published five other documents of relevance to the SM&CR regime:

- CP16/26: Guidance on Duty of Responsibility
- CP16/27: Applying conduct rules to non-executive directors in the banking and the insurance sectors
- DP16/4: Overall responsibility and the legal function
- PS16/22: Regulatory References
- CP16/25: Whistleblowing in UK branches of overseas banks

These documents and further information are available on our website: www.fca.org.uk

Annex I

Current SIFs and their potential equivalent SMFs in the SM&CR for banks

Current controlled function	New PRA-designated senior management function	New FCA-designated senior management function
<i>All firms apart from credit unions</i>		
<i>The following PRA controlled functions:</i>		
Director function (CF1)	The following PRA-designated senior management functions:	Executive director function (SMF3)
Partner function (CF4)	Chief Finance function (SMF2)	
Director of unincorporated association function (CF5)	Chief Risk function (SMF4)	
	Head of Internal Audit (SMF5)	
	Head of Key Business Area (SMF6)	
	Group Entity Senior Manager (SMF7)	
<i>The PRA's non-executive director controlled function (CF2)</i>	Group Entity Senior Manager (SMF7)	Chair of the nominations committee function (SMF13)
	Chairman (SMF9)	
	Chair of the Risk Committee (SMF10)	
	Chair of the Audit Committee (SMF11)	
	Chair of the Remuneration Committee (SMF12)	
	Senior independent director (SMF14)	
<i>The PRA's Chief executive controlled function (CF3)</i>	Chief executive (SMF1)	
<i>The PRA's Systems and Controls controlled function (CF28)</i>	Chief finance function (SMF2)	
	Chief Risk function (SMF4)	
	Head of Internal Audit (SMF5)	
<i>The significant management function (CF29)</i>	Head of Key Business Area (SMF6)	Other overall responsibility function (SMF18)
	Group Entity Senior Manager (SMF7)	
<i>All firms to which the function in the first column applies</i>		
<i>Compliance oversight function (CF10)</i>	None	Compliance oversight function (SMF16)
<i>CASS operational oversight function (CF 10A)</i>	None	Other overall responsibility function (SMF18)
<i>Money laundering reporting function (CF11)</i>	None	Money laundering reporting function (SMF17)
<i>Credit unions</i>		
<i>The PRA's director controlled function (CF1)</i>	Credit Union Senior Manager (SMF8)	Executive director function (SMF3)
<i>The PRA's non-executive director controlled function (CF2)</i>	Credit Union Senior Manager (SMF8)	Chair of the nominations committee function (SMF13)
<i>The PRA's Chief executive controlled function (CF3)</i>	Credit Union Senior Manager (SMF8)	None

Annex I-A

List of PRA SIMFs and FCA CFs currently in place for insurance firms

Current APR ³²		Reformed APR
Current PRA / FCA controlled function	New PRA CF	FCA CFs
PRA Director (CF1)	CFO (SIMF2) CRO (SIMF4) Head of Internal Audit (SIMF5) Chief Actuary (SIMF20) Underwriting Function (SIMF22) Underwriting Risk Oversight Officer (Lloyd's) (SIMF23) Group Entity Senior Manager (SIMF7)	CF1s not otherwise grandfathered to any PRA SIMF function in Column 2
PRA NED (CF2)	Chairman (SIMF9) Senior Independent Director (SIMF14) Chair of the Risk Committee (SIMF10) Chair of the Audit Committee (SIMF11) Chair of the Remuneration Committee (SIMF12) Group Entity Senior Manager (SIMF7)	Chair of the Nomination Committee (CF2a) not otherwise grandfathered to a CF2 equivalent PRA SIMF function in Column 2 Chair of the With-Profits Committee (CF2b) not otherwise grandfathered to a CF2 equivalent SIMF function in Column 2
PRA CEO (CF3)	CEO (SIMF1)	
PRA Director of an unincorporated association (CF5)	CFO (SIMF2) CRO (SIMF4) Head of Internal Audit (SIMF5) Group Entity Senior Manager function (SIMF7) Chief Actuary (SIMF20) Underwriting function (SIMF22) Chairman (SIMF9) Chair of the Risk Committee (SIMF10) Chair of the Audit Committee function (SIMF11) Chair of the Remuneration Committee (SIMF12) Senior Independent Director (SIMF14)	Executive CF5 not otherwise grandfathered to any PRA SIMF function in Column 2 Chair of the Nomination Committee (CF2a) not otherwise grandfathered to a CF2 equivalent PRA SIMF function in Column 2 Chair of the With-Profits Committee (CF2b) not otherwise grandfathered to a CF2 equivalent SIMF function in Column 2

Annex II

List of Prescribed Responsibilities in the SM&CR for banks

Description of prescribed senior management responsibility (as set out in SYSC, where prescribed by the FCA)	FCA-prescribed?	PRA-prescribed?
Applying to all firms		
a Responsibility for the firm's performance of its obligations under the senior management regime	<i>SYSC 4.7.7R(1)</i>	4.1(1)
b Responsibility for the firm's performance of its obligations under the employee certification regime	<i>SYSC 4.7.7R(2)</i>	4.1(2)
c Responsibility for compliance with the requirements of the regulatory system about the management responsibilities map	<i>SYSC 4.7.7R(3)</i>	4.1(3)
d Overall responsibility for the firm's policies and procedures for countering the risk that the firm might be used to further financial crime	<i>SYSC 4.7.7R(4)</i>	–
e Responsibility for the allocation of all prescribed responsibilities in accordance with 3.1	–	4.1(20)
Applying to larger firms		
f Responsibility for: (a) leading the development of; and (b) monitoring the effective implementation of; policies and procedures for the induction, training and professional development of all members of the firm's governing body.	<i>SYSC 4.7.7R(5)</i>	4.1(13)
g Responsibility for monitoring the effective implementation of policies and procedures for the induction, training and professional development of all persons performing designated senior management functions on behalf of the firm other than members of the governing body.	<i>SYSC 4.7.7R(6)</i>	4.1(5)
h Responsibility for overseeing the adoption of the firm's culture in the day-to-day management of the firm.	–	4.1(6)
i Responsibility for leading the development of the firm's culture by the governing body as a whole.	–	4.1(14)
j Responsibility for: (a) safeguarding the independence of; and (b) oversight of the performance of; the internal audit function, in accordance with SYSC 6.2 (Internal Audit)	<i>SYSC 4.7.7R(7)</i>	4.1(15)
k Responsibility for: (a) safeguarding the independence of; and (b) oversight of the performance of; the compliance function in accordance with SYSC 6.1(Compliance).	<i>SYSC 4.7.7R(8)</i>	4.1(16)
l Responsibility for: (a) safeguarding the independence of; and (b) oversight of the performance of; the risk function, in accordance with SYSC 7.1.21R and SYSC 7.1.22R (Risk control).	<i>SYSC 4.7.7R(9)</i>	4.1(17)
m Responsibility for overseeing the development of, and implementation of, the firm's remuneration policies and practices in accordance with SYSC 19D (Remuneration Code)	<i>SYSC 4.7.7R(10)</i>	4.1(18)
n 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	–	4.1(19)
o Management of the allocation and maintenance of capital, funding and liquidity	–	4.1(7)
p The firm's treasury management functions	–	4.1(8)

Description of prescribed senior management responsibility (as set out in SYSC, where prescribed by the FCA)	FCA-prescribed?	PRA-prescribed?
---	------------------------	------------------------

q	The production and integrity of the firm's financial information and its regulatory reporting in respect of its regulated activities	–	4.1(9)
r	The firm's recovery plan and resolution pack and overseeing the internal processes regarding their governance	–	4.1(10)
s	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 purposes of stress-testing;	–	4.1(11)
t	Responsibility for the development and maintenance of the firm's business model by the governing body;	–	4.1(12)
u	Responsibility for the firm's performance of its obligations under Fitness and Propriety in respect of its notified non-executive directors	–	4.1(4)
Applying in specified circumstances			
v	If the firm carries out proprietary trading, responsibility for the firm's proprietary trading activities;	–	4.2(1)
w	If the firm does not have an individual performing the Chief Risk function, overseeing and demonstrating that the risk management policies and procedures which the firm has adopted in accordance with SYSC 7.1.2 R to SYSC 7.1.5 R satisfy the requirements of those rules and are consistently effective in accordance with SYSC 4.1.1R.		4.2(2)
x	If the firm outsources its internal audit function taking reasonable steps to ensure that every person involved in the performance of the service 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		4.2(3)
y	If the firm is a ring-fenced body, responsibility for ensuring that those aspects of the firm's affairs for which a person is responsible for managing are in compliance with the ring-fencing requirements.		4.2(4)
z	Overall responsibility for the firm's compliance with CASS	SYSC 4.7.7R(11)	–
Applying to small firms⁸¹ only			
aa	Responsibility for implementing and management of the firm's risk management policies and procedures		5.2(3)
bb	Responsibility for managing the systems and controls of the firm	–	5.2(4)
cc	Responsibility for managing the firm's financial resources.	–	5.2(5)
dd	Responsibility for ensuring the governing body is informed of its legal and	–	5.2(6)

Shading indicates SMFs to be held by approved NEDs, rather than executives

Small firms are firms with gross total assets of £250 million or less (determined on the basis of the annual average amount calculated across a rolling period of 5 years (calculated by reference to the firm's annual accounting date)).

Annex II-a

List of current PRA's Prescribed Responsibilities for insurance firms

1. Responsibility for ensuring that the firm has complied with its obligation in Insurance Fitness and Propriety 2.1 to ensure that every person who performs a key function (including those in respect of whom an application under section 59 of FSMA is made) is a fit and proper person;
2. Responsibility for leading the development of the firm's culture by the governing body as a whole;
3. Responsibility for overseeing the adoption of the firm's culture in the day-to-day management of the firm;
4. Responsibility for the production and integrity of the firm's financial information and its regulatory reporting;
5. Responsibility for management of the allocation and maintenance of the firm's;
 - (a) capital; and
 - (b) liquidity;
6. Responsibility for the development and maintenance of the firm's business model by the governing body;
7. Responsibility for performance of the firm's ORSA;
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;
9. Responsibility for monitoring effective implementation of policies and procedures for the induction, training and professional development of all of the firm's key function holders (other than members of the firm's governing body);
10. 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; and
11. Responsibility for developing and overseeing the firm's remuneration policies and practices.

Annex III

List of current Significant Harm Functions in the Certification Regime for banks

Function	Where defined
(1) CASS oversight	<i>SYSC 5.2.32R</i>
(2) Benchmark submission and administration	<i>SYSC 5.2.33R</i>
(3) Proprietary trader	<i>SYSC 5.2.34R</i>
(4) Significant management	<i>SYSC 5.2.35R</i>
(5) Functions requiring qualifications	<i>SYSC 5.2.39R</i>
(6) Managers of certification employees	<i>SYSC 5.2.41R</i>
(7) Material risk takers	<i>SYSC 5.2.42R</i>
(8) Client-dealing	<i>SYSC 5.2.44R</i>
(9) Algorithmic trading	<i>SYSC 5.2.49R</i>

Annex IV

List of the Regulators' Conduct Rules

Rule	Applied by
First tier – Individual Conduct Rules	
(applies to Senior Managers, Certified Persons and other financial services staff)	
CR1	You must act with integrity
CR2	You must act with due skill, care and diligence
CR3	You must be open and cooperative with the FCA, the PRA and other regulators .
CR4	You must pay due regard to the interests of customers and treat them fairly.
CR5	You must observe proper standards of market conduct .
Second tier – Senior Management Conduct Rules	
(applies to Senior Managers only)	
SM1	You must take reasonable steps to ensure that the business of the firm for which you are responsible is controlled effectively
SM2	You must take reasonable steps to ensure that the business of the firm for which you are responsible complies with the relevant requirements and standards of the regulatory system
SM3	You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person and that you oversee this effectively
SM4	You must disclose appropriately any information of which the FCA or PRA would reasonably expect notice