BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Consultation Paper | CP26/15

The Senior Insurance Managers Regime: implementation proposals for non-Solvency II firms

August 2015

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Responses are requested by 12 October 2015.

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1 Overview

1.1 On 12 August 2015, the PRA published a policy statement (PS21/15[1]) on key elements of the new Senior Insurance Managers Regime (SIMR) for insurance firms that are outside the scope of Solvency II. This consultation paper (CP) sets out further proposals to implement the new SIMR for these firms.

1.2 The SIMR will replace the PRA's current Approved Persons Regime (APR), and will cover the assessment of fitness and propriety of Senior Insurance Managers and directors, the allocation of certain responsibilities to senior individuals, and the application of relevant Conduct Standards to senior individuals. In CP12/15[2] the PRA proposed to apply a similar SIMR regime to those firms not within the scope of Solvency II, but with assets of more than £25 million in respect of regulated activities. This consultation sets out the details of the regime for those firms. It also sets out some further proposals, additional to those consulted on in CP12/15 along with proposals to support the implementation of the proposed regime.

1.3 This consultation is relevant to UK insurance firms not within the scope of Solvency II. In addition, it is proposed that these rules will cover run-off firms, on a transitional basis, so long as these firms are not subject to the Solvency II rules in accordance with Transitional Measures 2 in the Solvency II Firms section of the PRA Rulebook. These firms are described collectively as non-Directive firms (NDFs) in this CP.

1.4 The PRA expects around 100 UK insurance firms will be out of the scope of Solvency II. Most of these firms are mutuals and many of them are registered as friendly societies.

1.5 This CP is set out as follows:

- Chapter 2 sets out the detailed proposals for the application of the SIMR to those NDFs with assets of more than £25 million;

- Chapter 3 sets out the PRA's proposal to maintain the requirement for certain NDFs to appoint an actuarial function holder, and a with-profits actuary;

- Chapter 4 sets out the transitional arrangements for all NDFs;

- Chapter 5 sets out the proposed new forms and explains how they will be used, and proposes updates to existing forms; and

- Chapter 6 sets out the proposals for the retention of records in respect of the allocation of responsibilities to senior managers at NDFs.

1.6 Firms should read this CP alongside the Financial Conduct Authority's (FCA) corresponding consultation CP15/25 'Changes to the Approved Persons Regime for insurers not subject to Solvency II'[3] in order to understand how the regulators' reformed regimes will work together.

Statutory obligations

1.7 The proposals are compatible with the PRA's statutory objectives under the Financial Services and Markets Act 2000 (FSMA) to promote the safety and soundness of PRA-

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1 PRA PS21/15 '*The Senior Insurance Managers Regime: a streamlined approach for non-Solvency II firms*', August 2015; www.bankofengland.co.uk/pra/Pages/publications/ps/2015/ps2115.aspx.

2 PRA CP12/15 '*Senior Insurance Managers Regime: a streamlined approach for non-Solvency II*', March 2015; www.bankofengland.co.uk/pra/Pages/publications/cp/2015/cp1215.aspx.

3 A link to the FCA's CP is available at www.bankofengland.co.uk/pra/Pages/publications/cp/2015/cp2615.aspx.

authorised firms[1] and, in the context of insurance, to contribute to policyholder protection.[2] The PRA believes that the proposals in this CP would facilitate the sound and prudent management of insurance firms, which is central to the PRA's general and insurance objectives.

1.8 When discharging its general rule-making function, the PRA must, so far as is reasonably possible, act in a way which facilitates effective competition in the markets for services provided by PRA-authorised persons in carrying on regulated activities.[3] The PRA has assessed whether the proposals in this CP facilitate effective competition. The approach the PRA is proposing for NDFs with assets of more than £25 million is similar to that for Solvency II firms of an equivalent size, since these firms are expected to pose similar levels of risk to policyholder protection. The PRA thinks this is proportionate, and that it will help to facilitate effective competition.

1.9 The PRA is required to perform an analysis of the economic impact in respect of proposed rules. Overall the PRA believes that the proposals in this CP would facilitate the sound and prudent management of NDFs, which is central to the PRA's general and insurance objectives. The proposals in this CP are proportionate to the risks that these firms pose to the PRA's objectives. This proportionality, along with the similarities with the SIMR for other insurers, would enable an efficient use of the PRA's resources.

1.10 There would be little increase in ongoing costs as a direct result of these proposals, as the scope of the PRA's pre-approval regime would be narrowed; and the allocation of defined responsibilities, along with the application of new conduct standards, would each codify existing good practice.

1.11 Grandfathering and other transitional arrangements help implement the proposals set out in this CP. Incremental costs are expected to be minimal as those who are grandfathered into the new regime will not be required to go through a new approval process. Where existing forms are being revised or updated, the PRA and the FCA have sought to introduce only those changes deemed necessary to implement the new regimes. Accordingly, while there may be some costs associated with the transition and the use of the new forms, the PRA considers these to be minimal.

1.12 In making its rules and establishing its practices and procedures, the PRA must have regard to the Regulatory Principles as set out in the FSMA.[4] The PRA may not act in an unlawfully discriminatory manner. It is required, under the Equalities Act 2010, to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out its policies, services and functions.[5] The proposals in this CP have the following potential equality and diversity implications.

- The proposals would allow more than one individual to perform a senior management role at the same firm, thereby accommodating individuals working under a job-share arrangement. If this was not the case, the proposed rules could be deemed to discriminate indirectly against individuals working under a job-share arrangement.

- The assessment of prospective and current individuals within the SIMR would consider their fitness and propriety to carry out their function. For some roles, this assessment may

[1] See s.2B(1) and s.2B(2) FSMA.
[2] See s.2C FSMA.
[3] See s.2H FSMA.
[4] See s.2H and s.3B FSMA.
[5] Equalities Act 2010, section 149(1).

involve consideration of the individual's experience, which is only acquired over time. This could result in a bias in favour of individuals in certain age groups. However, this does not depart from existing practice and is offset by the requirement to take into account other assessment criteria not related to age, such as qualifications.

1.13 Accordingly, the proposals in this consultation would not result in discrimination for any of the groups with protected characteristics. Overall, the PRA does not consider that the proposals in this CP raise concerns with regards to equality and diversity.

1.14 FSMA requires that the PRA assesses whether, in its opinion, the impact of the proposed rules on mutuals will be significantly different from the impact on other firms.[1] The provisions in this CP would affect mutuals, but the effect on mutuals would not be significantly different to the effect on other insurance firms. In particular, the principle of proportionality has been applied for mutuals, as well as for other firms.

Responses and next steps

1.15 This consultation closes on Monday 12 October 2015. The PRA invites feedback on the proposals set out in this consultation. Please address any comments or enquiries to CP26_15@bankofengland.co.uk.

2 Proposals to apply the SIMR to NDFs with assets of more than £25 million

2.1 When setting out the proposals for a streamlined SIMR for NDFs in CP12/15, the PRA stated its intention that firms with assets of more than £25 million in respect of regulated activities would apply a similar SIMR regime as for Solvency II firms, rather than the streamlined regime. The PRA believes that this would be a proportionate response to the greater risks that any such firms may present to the PRA's objectives.

2.2 This chapter contains the proposals to replace the PRA's APR rules for NDFs above this threshold with a similar SIMR regime as for Solvency II firms. The proposals in this chapter mirror proposals that were consulted on in CP26/14[2] and CP7/15[3] respectively, and cover the following topics for these firms:

- scope of the PRA's SIMR;
- approach for non-executive directors (NEDs);
- key function holders;
- allocation of certain responsibilities and governance arrangements;
- application of Conduct Standards;
- assessment of fitness and propriety; and
- timing.

[1] Section 138K of FSMA.
[2] PRA CP26/14 '*Senior Insurance Managers Regime: a new regulatory framework for individuals*', November 2014; www.bankofengland.co.uk/pra/Pages/publications/cp/2014/cp2614.aspx.
[3] PRA CP7/15 '*Approach to non-executive directors in banking and Solvency II firms & Application of the presumption of responsibility to Senior Managers in banking firms',* February 2015; www.bankofengland.co.uk/pra/Pages/publications/cp/2015/cp715.aspx.

Scope of the SIMR

2.3 Similarly to the proposals in CP26/14 for Solvency II firms, the scope of the proposed SIMR for these NDFs will cover Senior Insurance Managers who are subject to pre-approval by the PRA for a Senior Insurance Management Function (SIMF). In addition, it is proposed to cover the other senior persons who are effectively running the firm or who have responsibility for other key functions at the firm (or group), and who will also need to be assessed as being fit and proper by the PRA.

2.4 The following SIMFs are proposed for Senior Insurance Managers at these firms, as for other Solvency II firms:

- Chief Executive function (SIMF1);
- Chief Finance function (SIMF2);
- Chief Risk function (SIMF4);
- Head of Internal Audit function (SIMF5);
- Chief Actuary function (SIMF20);
- Chief Underwriting Officer (general insurance business) (SIMF22); and
- where relevant Group entity SIMF, and With-profits actuary.

2.5 The focused range of Senior Insurance Managers that the PRA proposes to be subject to regulatory pre-approval for SIMFs reinforces the critical role that these individuals play within an organisation. These are the individuals who would be held responsible and accountable for ensuring the safety and soundness of their firm and the appropriate protection of policyholders.

2.6 Some individuals at firms may be performing a combination of functions in relation to regulated activities that could be regarded as needing separate approval from both the PRA and the FCA. Following discussion between the regulators, the PRA proposes to include a rule to the effect that where an individual is approved by the PRA for a SIMF, then subject to appropriate conditions (including notification to the regulators), any FCA governing functions (Controlled Functions) (FCA CF1, CF2, CF5, CF6) would be absorbed within the PRA function. The PRA believes that this will lessen the potential administrative burden on firms. However, this will mean that both at the approval gateway and on an ongoing basis, the firm and the regulators will need to consider all the activities performed by the individual when considering their fitness and propriety. This will then enable a coherent regulatory approach to be applied.

2.7 The PRA believes that the incremental costs of these proposals are minimal as most firms are likely to have approved persons for these roles already in place under the current APR. The narrower scope of the proposed SIMFs should help reinforce the particular importance of the roles subject to regulatory pre-approval. The narrower scope could also lead to more focused scrutiny at the pre-approval stage.

Approach for NEDs

2.8 The PRA proposes to align the scope of its pre-approval regime for NEDs for NDFs with assets of more than £25 million with those for Solvency II firms. The PRA considers that the same NED functions in these firms and Solvency II firms can take decisions that affect a firm's safety and soundness or the protection of policyholders.

2.9 Consequently, the PRA proposes to approve the following NED roles in these firms:

- Chairman (SIMF9);
- Chairman of the Risk Committee (SIMF10);
- Chairman of the Audit Committee (SIMF11);
- Chairman of the Remuneration Committee (SIMF12); and
- Senior Independent Director (SIMF14).

2.10 As is the case with Solvency II firms, it is proposed that these NDF firms will be required to have a Chairman, but will only be required to have individuals pre-approved for the other NED functions described above, where they have established the relevant board committees, and/or appointed individual NEDs to these roles. The PRA believes that the incremental costs of these proposals are minimal, as most firms of this size are likely to have approved persons for these roles already in place under the current APR.

Key function holders

2.11 These firms will be required to identify their key functions, ie the functions that are of specific importance to the sound and prudent management of the firm. These key functions will as a minimum include the role of 'effectively running the firm' together with a risk management function, actuarial function, internal audit function and compliance function. Depending on the nature and complexity of the business, other functions, such as an investment manager function, may also be included where their operation, if not properly managed and overseen, could potentially lead to significant losses being incurred or to a failure in the ongoing ability of the firm to meet its obligations to policyholders. The corresponding key function holders will comprise all those individuals who are responsible for a key function, including all members of the governing body.

2.12 Firms will need to notify the PRA (or the FCA) with relevant information about all their proposed key function holders for an assessment of these individuals. In addition, firms will need to carry out their own fit and proper assessment of these key function holders on an ongoing basis. In relation to the fit and proper assessment of these key function holders notified to the PRA, but who are not exercising either a PRA SIMF or an FCA CF, the PRA proposes to assess whether a person is fit and proper on an *ex-post* basis. The PRA will take appropriate action in respect of persons that it considers do not meet these requirements.

2.13 The PRA proposes to apply the principle of proportionality, so that these firms may have the flexibility to combine responsibilities for different functions allocated to a single individual. This would be subject to satisfactory transparency, accountability and appropriate management of conflicts of interest.

2.14 The PRA expects the incremental costs of these proposals to be minimal. NDFs in this category would be expected either to have suitable persons already in place, or to be planning the appointment of suitable persons who can take responsibility for each of these key functions.

Allocation of certain responsibilities and governance arrangements

2.15 Central to good governance within all insurance firms is the appropriate and transparent allocation of oversight and management responsibilities. This is intended to enable proper decision making, avoid conflicts of interest and ensure sound management of the undertaking.

2.16 Consistent with the approach proposed for Solvency II firms, it is proposed that these firms will also need to allocate certain prescribed core responsibilities to one or more persons who have been approved for a SIMF. This ensures that responsibility for certain key activities relating to the effective governance of the firm and to its ongoing safety and soundness are allocated to a designated senior person. These responsibilities are summarised below:

- ensuring that the firm has complied with the obligation to satisfy itself that persons performing a key function are fit and proper;
- leading the development of the firm's culture and standards;
- embedding the firm's culture and standards in its day-to-day management;
- production and integrity of the firm's financial information and regulatory reporting;
- allocation and maintenance of the firm's capital and liquidity;
- development and maintenance of the firm's business model;
- induction, training and professional development for all the firm's key function holders;
- oversight of the independence, integrity and effectiveness of the procedures for whistleblowing, and for the protection of staff raising concerns; and
- oversight of the firm's remuneration policies and practices.

2.17 The PRA considers that all firms should have an effective system of governance in place that provides for sound and prudent management of their business. This must be proportionate to the nature scale and complexity of the firm. Minimum requirements for the governance arrangements of all NDFs have been set out in the Non-Solvency II Firm - Governance instrument of the PRA Rulebook. Further information on the PRA's requirements for these governance arrangements are set out in CP27/15[1].

2.18 As part of their governance arrangements, the PRA proposes a new rule which would require NDFs with assets of more than £25 million in respect of regulated activities, to compile and maintain a 'governance map'. This document would record the key functions at the firm, and the relevant individuals responsible for these functions. This document should also record the allocation of significant management responsibilities and reporting lines for each of these senior persons within the firm or group.

2.19 There will be some costs in compiling and maintaining the governance map, and in allocating the above responsibilities. However, the PRA does not expect these costs to be significant. The governance map could help promote greater clarity for all regarding the allocation and duty for performance of the relevant responsibilities and thereby may contribute to the promotion of effective governance arrangements.

Application of Conduct Standards

2.20 The PRA proposes to revise the Conduct Standards that are set out in the APER Part in the PRA Handbook. The new conduct standards to be applied to NDFs are the same as those

1 PRA CP27/15 '*The prudential regime for non-Solvency II firms and consequential amendments*', August 2015; www.bankofengland.co.uk/pra/Pages/publications/cp/2015/cp2715.aspx.

for insurance firms within the scope of Solvency II, and are aligned with those Conduct Standards for individuals working for UK deposit-takers and PRA-designated investment firms.

2.21 These standards would include acting with integrity and due skill, care and diligence, as well as dealing with the PRA and other regulators in an open and co-operative way. The full set of standards is set out in Appendix 1. Subjecting individuals to these Conduct Standards helps ensure the safety and soundness of insurers and policyholder protection which is consistent with the PRA's statutory objectives.

2.22 It is proposed that these Conduct Standards will be applied directly through the Rulebook to those individuals, who are either in a SIMF subject to pre-approval by the PRA, or who are approved by the FCA for a CF that is deemed to be a 'relevant senior management function'.

2.23 In addition, the PRA proposes that firms themselves should require all those individuals performing key functions to observe the applicable Conduct Standards. There would be some additional costs incurred by firms in applying these standards. However, these will be minimal as approved persons are already subject to certain regulatory conduct standards, and firms should already be applying some of the proposed standards to persons who are performing key functions.

Assessment of fitness and propriety

2.24 The PRA proposes that firms should ensure that all persons who perform key functions are fit and proper on an ongoing basis. The Large Non-Solvency II Firms – Fitness and Propriety Part of the PRA Rulebook contains a non-exhaustive set of factors that should be considered by firms when assessing the fit and proper status of individuals.

2.25 The PRA proposes that firms will be required to take reasonable steps to obtain appropriate references from current and previous employers and to carry out criminal record checks for all those individuals notified to the PRA for approval for taking up a SIMF. There will be some costs in providing theses references and carrying out these checks. However, the PRA expects that generally firms will already have a referencing process, even though they may now have to include some additional information. Therefore the PRA expects the incremental costs to be minimal.

2.26 Firms should have policies and procedures to assess the fitness and propriety of the persons who effectively run the undertaking or perform other key functions on an ongoing basis. In performing this assessment, it is proposed that firms should satisfy themselves that an individual discharges his or her key functions in accordance with the relevant conduct standards specified in the Insurance – Conduct Standards Part of the PRA Rulebook.

Timing

2.27 The PRA proposes that these new rules would be implemented from 7 March 2016 which is the commencement date for the SIMR for all insurance firms.

3 Actuarial function holder and with-profits actuary

3.1 Certain NDFs writing long-term insurance business[1] are currently required to appoint an actuarial function holder and, if they are writing with-profits business, a with-profits actuary, in accordance with section SUP 4 of the PRA Handbook. The PRA proposes to maintain this requirement under the new governance arrangements. Therefore, the PRA is proposing to re-

1 Life insurance companies, and incorporated friendly societies (other than flat rate benefits business friendly societies).

cast SUP 4 in respect of NDF actuaries under the Non-Solvency II Firms – Actuarial Requirements Part of the PRA Rulebook with effect from 1 January 2016.

3.2 In addition, the PRA proposes to insert into the Non-Solvency II Firms - Senior Management Functions Part of the PRA Rulebook with effect from 7 March 2016 an actuarial function and a with-profits actuary function, SIMF20 and SIMF21 respectively, for these NDFs. These two functions would correspond to the actuarial function holder (CF12) and the with-profits actuary (CF12A) roles respectively under SUP 4 in the PRA Handbook.

3.3 Individuals that hold these functions would be expected to seek pre-approval from the PRA to ensure they are 'fit and proper' and would be subject to the PRA's conduct rules. However, the PRA proposes that individuals who are currently approved for CF12 or CF12A would be grandfathered into SIMF20 and SIMF21 respectively, if they are continuing to perform the same role (see Chapter 4 for details of all the grandfathering arrangements).

3.4 The PRA expects firms to take reasonable steps to ensure that the actuary it appoints does not perform any other function on behalf of the firm that could give rise to a conflict of interest and that the actuary has the required skill, experience and qualifications to perform his or her functions.

3.5 There are relatively few NDFs for which this ongoing requirement will apply. The proposal recasts an existing requirement and therefore the costs of implementation should be minimal.

4 Transitional arrangements for NDFs

4.1 The transitional arrangements described in this chapter will be delivered for all NDFs through a combination of HM Treasury's Statutory Instrument 2015: the Financial Services (Banking Reform) Act 2013 (Transitional and Savings Provisions) (Amendment) Order 2015 and the proposed PRA transitional provisions in the Non-Solvency II Sector of the Rulebook at Non-Solvency II Firms – Senior Insurance Managers Regime – Transitional Provisions.

4.2 HM Treasury has announced that the date of the changes to FSMA brought about by the relevant parts of the Act is 7 March 2016.

4.3 The PRA and the FCA (the regulators) propose that individuals currently approved to perform a CF, and who will be moving from a current PRA CF to an equivalent PRA SIMF or from a current PRA CF to an FCA Significant Influence Function (SIF) should be grandfathered. See Table 1 for details.

4.4 This means that an individual who has been authorised under the current APR and who is not substantively changing their role will not need to apply for an approval for the appropriate SIMF or FCA SIF/CF provided that a notification is submitted to the appropriate regulator by the deadline of 8 February 2016[1] setting out which SIMFs and/or FCA SIF/CFs will be performed by the individual.

4.5 The regulators intend that those persons to be grandfathered will comprise approved persons to whom all of the following conditions apply:

- the person is performing the corresponding role under the existing regime immediately prior to the commencement date;

1 As set out in the Treasury's Statutory Instrument No. 492 – Part 2.

- that function, or part thereof, will become a PRA SIMF or FCA SIF/CF under the reformed regime at the commencement date; and

- the person has complied with the notification requirements proposed in this CP.

4.6 To allow for grandfathering to take place, firms will need to submit a notification to the regulators. A grandfathering notification form has been designed for this purpose (see Appendix 5 for the form for NDFs in the streamlined regime described in CP12/15 and PS21/15; and Appendix 5 for the form for NDFs in the regime described in Chapter 2 of this CP). The notification should describe how the firm's existing approvals should transition to the new regime. The deadline for such notifications is 8 February 2016. The PRA will require all grandfathered individuals in a SIMF to fulfil the requirements of the SIMR from commencement on 7 March 2016.

4.7 As indicated at paragraph 2.6 above, some individuals at firms may be performing a combination of functions in relation to regulated activities that could be regarded as needing separate approval from both the PRA and the FCA under the new regime. Following discussion between the regulators, the PRA proposes to include a rule to the effect that, where an individual is approved by the PRA for a SIMF , then subject to appropriate conditions (including notification to the regulators), any FCA governing functions (FCA CF1, CF2, CF3, CF5, CF6) would be absorbed within the PRA function. This overlap provision would apply for the relevant individuals who are grandfathered to an equivalent PRA function while continuing to perform an FCA governing function

4.8 For individuals who are performing PRA CFs that map across to the new set of SIMF/SIF functions (see Table 1), but who are not notified to the regulators as grandfathering to one of these functions, there will be no grandfathering. The approval will lapse and, if necessary, a new application seeking approval will have to be submitted.

4.9 If an existing approved person moves between functions at the point of transition between regimes, this will require a new application and approval.

Applications made before commencement: grandfathering process

4.10 A firm may continue to apply for approval for individuals under the current APR between the date the rules are made and the point when the SIMR comes into force on the commencement date of 7 March 2016.

4.11 One possible outcome of such an application is that the application is approved before the new regime begins. Where this is the case the individual will need to be grandfathered in accordance with the approach set out above. This also applies to applications made before the rule-making date and approved before the commencement date. Firms will be required to notify the regulators of any new or pending applications for approval on the grandfathering form. Such applications for approval before the commencement date will be determined in accordance with the regulators' existing 'fit and proper' requirements.

In-flight applications

4.12 Another potential outcome of a new application made in the run-up to commencement is that the application for approval is not determined until after the commencement date. Such applications are referred to here as 'in-flight applications'. The proposed approach to in-flight applications is that they will be treated as if they had been made for the equivalent SIMF under the new regime. The proposed mapping of old to new functions to be used for in-flight applications is set out in Table 1. This approach will mean that firms will be required to update the application to make clear which SIMF/SIF will be performed.

4.13 It is proposed that the statutory time period for determining applications will continue to run for any in-flight applications: the clock will not restart at the commencement date. However, as with current applications for approval, the clock will stop while the PRA or the FCA is waiting to receive any additional information that has been requested to determine the application under the new regime.

4.14 There may be cases where the firm does not know if an application will be determined by the PRA or the FCA before the commencement date. This will mean that the firm does not know if the application will be subject to grandfathering or treated as an in-flight application. The PRA and the FCA propose that firms should make a combined application and grandfathering notification that will cover both eventualities. The application will be submitted using the relevant approved person form (typically Form A or E) with a notification included in the grandfathering notification form.

4.15 For a period before the commencement of the new regime, the regulators propose to make the new forms available to permit a firm to apply for the new functions on the basis that any decision on those applications can take effect no earlier than the commencement date. These applications will be assessed as having been made under the new regime and they must meet its requirements.

4.16 The statutory clock will not start on such an application until after the regime begins on the commencement date.

5 New forms

5.1 This chapter sets out the proposed new forms and explains how they will be used, and proposes updates to existing forms.

NDFs with assets of £25 million or less

5.2 An NDF in this category will need to submit the relevant Form A or E, along with a Scope of Responsibilities form, in order to apply for approval for an individual to perform a PRA SIMF or FCA SIF/CF.

5.3 The new Forms A and E for this purpose are based on the current forms for insurers, and the proposed modifications to these forms are shown at Appendix 5 of this CP. These new forms will be available from 1 January 2016.

5.4 In CP12/15 the PRA proposed that firms be required to submit a document with all SIMF approval applications setting out the intended scope of the candidates' responsibilities. These would include any allocation to the individual of those prescribed responsibilities that have to be allocated to a suitable approved person by 7 March 2017 (see Chapter 2 of PS21/15).The PRA believes that such documents will be a helpful way of enhancing individual accountability in firms. The proposed scope of responsibilities form to accompany applications for a PRA SIMF or FCA SIF/CF can be found at Appendix 5 of this CP.

5.5 For individuals who are grandfathered across from a PRA CF to a new PRA SIMF or FCA SIF/CF, the PRA proposes that firms should submit a Scope of Responsibilities form, as shown at Appendix 5 of this CP, by 7 March 2017.

5.6 In addition, the PRA proposed in CP12/15 and confirmed in PS21/15, the introduction of a rule, which will take effect from 7 March 2017, requiring firms to have and maintain up-to-date records of the significant responsibilities allocated to each senior manager. The PRA expects that these records will be short and simple documents, and that the Scope of Responsibilities form in Appendix 5 of this CP may be a suitable template for these records.

NDFs with assets of more than £25 million

5.7 An NDF in this category will need to submit the relevant Form A or E, along with a Scope of Responsibilities form, in order to apply for approval for an individual to perform a PRA SIMF or FCA SIF/CF.

5.8 The new Forms A and E for this purpose are based on the current forms for insurers, and the proposed modifications to these forms are shown at Appendix 5 of this CP. These new forms will be available from 1 January 2016.

5.9 For individuals who are grandfathered across from a PRA CF to a new PRA SIMF or FCA SIF/CF, the PRA proposes that firms should submit a Scope of Responsibilities form, as shown at Appendix 5 of this CP, by 7 September 2016.

5.10 In addition, firms will have to complete a separate, new notification form for all key function holders who take up their posts after 7 March 2016 and will not be in either a PRA SIMF or an FCA SIF/CF so that the PRA can assess the 'fit and proper' status of these key function holders. It is proposed that the form to be used should be 'Notification of the appointment of a NED or key function holder', which was presented in Appendix 5 of CP7/15. The PRA expects that it will normally receive this form as soon as the firm knows that the relevant individual has accepted the terms of their appointment to their post.

5.11 Key function holders who are in post on 7 March 2016 and who are not in, and are not applying to be in, either a PRA SIMF or an FCA SIF/CF will also be required to complete the new form and to send it to the PRA by 7 September 2016.

5.12 The PRA will apply a suitably proportionate approach to the 'fit and proper' assessments of key function holders. The approach will take into account the relevant skills and experience of each individual, as well as the nature, scale and complexity of the business that is being managed.

6 Retention of records

6.1 There is a requirement in SYSC 2 of the PRA Handbook that firms should retain a record for six years (from the date on which it was superseded by a more up-to-date record) of the apportionment of significant responsibilities to those persons performing controlled functions.

6.2 The PRA proposes that these existing records should continue to be maintained by NDFs for a similar six year period. In addition, the PRA is proposing that there should be a similar requirement in respect of the retention of records showing the allocation of significant responsibilities to senior persons at NDFs. These senior persons would comprise all PRA SIMFs, and FCA CFs in a 'relevant senior management function', as defined in the Rulebook Glossary, along with the key function holders at large NDFs.

6.3 As this will be, in effect, a continuation of current requirements, this is not expected to result in any significant costs for firms.

Table 1 – Equivalent functions for NDFs

Column 1	Column 2	Column 3
NDFs with assets of £25 million or less		
PRA or FCA CF	**PRA SIMF**	**FCA Function**
Director (CF1)	Small Insurer Senior Management function (SIMF25)	FCA Director function (CF1)
Non-executive director (CF2)	Small Insurer Senior Management function (SIMF25)	
Chief executive (CF3)	Small Insurer Senior Management function (SIMF25)	FCA Chief executive function (CF3)
Director of unincorporated association (CF5)	Small Insurer Senior Management function (SIMF25)	FCA Director of unincorporated association function (CF5)
Small friendly society (CF6)	Small Insurer Senior Management function (SIMF25)	FCA Small friendly society function (CF6)
Actuary (CF12)	Chief Actuary function (SIMF20)	
With-Profits Actuary (CF12A)	With-Profits Actuary function (SIMF21)	
Systems and Controls (CF28)	Small Insurer Senior Management function (SIMF25)	
NDFs with assets of more than £25 million		
PRA or FCA CF	**PRA SIMF**	**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) 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 (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 (CF2b) (see Note)
Chief executive (CF3)	Chief Executive function (SIMF1)	

Table 1 – Equivalent functions for NDFs (continued)

Column 1	Column 2	Column 3
NDFs with assets of more than £25 million		
PRA or FCA CF	**PRA SIMF**	**FCA Function**
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 (SIMF 20) 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 function (CF5) (See Note) Chair of the Nomination Committee function (CF2a) Chair of the with-Profits committee (CF2b) (See Note)
Small friendly society (CF6)	Chief Finance function (SIMF2) Chief Risk function (SIMF4) Head of Internal Audit function (SIMF5) Group Entity Senior Insurance Manager function (SIMF7) Chief Actuary function (SIMF 20) 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 function (CF6) (see Note) Chair of the Nomination Committee function (CF2a) Chair of the with-Profits committee (CF2b) (See Note)
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 function Manager (SIMF7) Chief Actuary function (SIMF20) (general insurance firms only) Chief Underwriting Officer function (SIMF22)	

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

Appendices

1	**Set of proposed Conduct Standards for Senior Insurance Managers**
2	**PRA Rulebook: Non-Solvency II Firms: Senior Insurance Managers Regime – technical rules and actuarial function available at www.bankofengland.co.uk/pra/Pages/publications/cp/2015/cp2615.aspx**
3	**PRA Rulebook: Non-Solvency II Firms: Large Non-Solvency II Firms: Senior Insurance Managers Regime available at www.bankofengland.co.uk/pra/Pages/publications/cp/2015/cp2615.aspx**
4	**PRA Rulebook: Non-Solvency II Firms: Large Non-Solvency II Firms: Senior Insurance Managers Regime – technical rules available at www.bankofengland.co.uk/pra/Pages/publications/cp/2015/cp2615.aspx**
5	**Proposed Forms for implementing the SIMR available at www.bankofengland.co.uk/pra/Pages/publications/cp/2015/cp2615.aspx**

Appendix 1 – Set of proposed Conduct Standards for Senior Insurance Managers

1.1 You must act with integrity.

1.2 You must act with due skill, care and diligence.

1.3 You must be open and co-operative with the FCA, the PRA and other regulators.

1.4 You must take reasonable steps to ensure that the business of the *firm* for which you are responsible is controlled effectively.

1.5 You must take reasonable steps to ensure that the business of the *firm* for which you are responsible complies with the relevant requirements and standards of the *regulatory system*.

1.6 You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate *person* and that you oversee the discharge of the delegated responsibility effectively.

1.7 You must disclose appropriately any information of which the *FCA* or the *PRA* would reasonably expect to have notice.

1.8 When exercising your responsibilities, you must pay due regard to the interests of current and potential future *policyholders* in ensuring the provision by the *firm* of an appropriate degree of protection for their insured benefits.