

Appendix 1

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

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules);
 - (2) section 137T (General supplementary powers); and
 - (3) section 64A (Rules of conduct).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

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

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

Commencement

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

Citation

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

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

Annex A

Amendments to Glossary definitions

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

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Conduct Rules non-executive director

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

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

...

~~*notified non-executive director*~~

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

...

Material Risk Takers Regulation

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

Annex B

Amendments to the Conduct Rules Part

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

1 APPLICATIONS AND DEFINITIONS

1.1 (1) This Part applies to every function a *person* (P) performs in relation to a *firm* (A) that is:

- (a) a *CRR firm*;
- (b) a *credit union*; or
- (c) a *third country CRR firm* in relation to the activities of its establishment in the *UK*.

(2) This Part only applies if P:

- (a) is approved under section 59 of *FSMA* to perform a *senior management function* in relation to A;
- (b) is an *employee* of A that should have been so approved;
- (c) is an *employee* who is performing a function that would have been a controlled function but for Senior Management Functions 2.3; ~~or~~
- (d) performs a *certification function* in relation to A; or
- (e) is a *Conduct Rules non-executive director* of A.

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

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

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Annex C

Amendments to the Notifications Part

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

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11 CONDUCT RULES: NOTIFICATIONS

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

(1) persons performing certification functions; or

(2) Conduct Rules non-executive directors,

it must do so within seven business days of the point at which it determined the relevant requirement applied, by submitting Form L. A *firm* must not unreasonably delay its determination of whether or not the requirement applies.

Annex D

Amendments to the Allocation of Responsibilities Part

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

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4 PRESCRIBED RESPONSIBILITIES

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

...

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

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

(a) internal operations;

(b) systems; and

(c) technology,

of a firm.

...

6 PRESCRIBED RESPONSIBILITIES: UK BRANCHES

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

...

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

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

(a) internal operations;

(b) systems; and

(c) technology,

of a firm.

...

Annex E

Amendments to the Senior Management Functions Part

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

1 APPLICATIONS AND DEFINITIONS

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1.2 In this Part, the following definitions shall apply:

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Chief Operations function

has the meaning given in 3.8.

...

critical function

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

...

material business unit

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

...

3 EXECUTIVE

...

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

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

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

(1A) either:

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

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

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

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

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

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

or

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

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

(1) performs a *critical function*; or

(2) is a *material business unit*.

...

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

(1) internal operations;

(2) systems; and

(3) technology,

of a *firm*.

Annex F

Amendments to the Certification Part

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

1 APPLICATIONS AND DEFINITIONS

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1.2 In this Part, the following definitions shall apply:

...

~~Material Risk Takers Regulation~~

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

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Annex G

Amendments to the Remuneration Part

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

2 APPLICATIONS AND DEFINITIONS

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1.3 In this Part, the following definitions shall apply:

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~~Material Risk Takers Regulation~~

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

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