

1: Updates to SS5/21 – International banks: The PRA's approach to branch and subsidiary supervision

4. The Information, co-operation, and controls necessary for effective supervision

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Accountability of Senior Management Functions (SMFs)

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4.19 Subsidiaries and branches should ensure that they have an appropriate number of SMFs according to their size, complexity, and governance structure, in line with the principles outlined in SS28/15 'Strengthening individual accountability in banking'.³⁴ This includes the identification of individuals who hold a Group Entity Senior Manager function (SMF7 or SMF7a) role. A description of the nature of the function and examples are included in SS28/15. Firms will need to apply the relevant criteria to establish whether a given role falls within SMF 7 or SMF 7a. However, for international Banks with UK subsidiaries or branches we would typically expect roles to fall within SMF7a, meaning they will be notified to the PRA. Firms should particularly ensure that Management Responsibilities Maps and Statements of Responsibilities (SoR) are up to date and that responsibilities are allocated in accordance with the Allocation of Responsibilities Part of the PRA Rulebook and SS28/15.³⁵

4.20 Where applicable, the PRA expects firms to allocate the responsibility for overseeing the firm's booking arrangements to an SMF and record this appropriately in their SoR. Where individuals in the parent or in group entities exercise significant influence over the management or conduct of one or more aspects of the firm's UK regulated activities, it may be appropriate for them to be approved or notified as a Group Entity Senior Manager (SMF7 or SMF7a).

4.21 [Deleted].

4.22 In the case of a firm that has a UK systemic wholesale branch which is part of a group based overseas, and an individual in a related group entity has significant influence over the branch's booking arrangements, that individual should seek approval as SMF7 or the firm should notify the PRA of their appointment as SMF7a as appropriate (see Box 3).

35 ~~[Deleted]. Statements of Responsibilities are those required by section 60 (2A) of FSMA:~~
~~<https://www.legislation.gov.uk/ukpga/2000/8/section/60>.~~

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5. Integration and independence

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a) Governance

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5.6 Where the PRA has concerns about the effectiveness of supervision over UK branches owing to their relationship with their head office, other UK branches, or UK subsidiaries, or any wider group, additional governance requirements may be considered. For example, to ensure appropriate governance at the UK branch level, the PRA may require the firm to ~~apply~~ ~~for~~ have additional SMFs (such as Chief Risk Officer (CRO), Chief Finance Officer (CFO), Chief Operating Officer (COO), or a group executive under SMF7), or to create a local management committee (or equivalent) for the branch.

6. Additional considerations for the supervision and authorisation of branches

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Box 3: The PRA's expectations of systemic wholesale branches

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Where an individual based in the head office of the firm, or in another undertaking which is a member of the firm's group, has significant influence over the branch's booking arrangements, then that individual should seek approval or the firm should notify the PRA of their appointment as Group Entity Senior Manager function (SMF7 or SMF7a). This includes where there is a group executive responsible for firm-wide systems or operations upon which the branch relies (for example, in custody, which is often run as a globally integrated activity). However, where other persons provide the appropriate connectivity with the authorised entity or group, the PRA may judge that this may not be necessary (for example, where the branch manager is on the firm's executive committee).

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