

**PRA RULEBOOK: CRR FIRMS NON-CRR FIRMS: INDIVIDUAL ACCOUNTABILITY INSTRUMENT
[No 2015]**

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 59 (Approval for particular arrangements);
 - (2) section 60 (Applications for approval);
 - (3) [section 60A (Vetting of candidates by relevant authorised persons);]
 - (4) section 61 (Determination of applications);
 - (5) section 63E (certificates) ;
 - (6) section 63F (Issuing of certificates);
 - (7) section 64A (Rules of conduct);
 - (8) section 64C (requirement for relevant authorised persons to notify regulator of disciplinary action);
 - (9) section 137G (The PRA’s general rules);
 - (10) section 137T (General supplementary powers); and
 - (11) section 395 (the PRA’s procedures).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.
- C. The PRA makes this instrument in the exercise of the following powers and related provisions in the Financial Services (Banking Reform) Act 2013 (Transitional and Savings Provisions) Order 2015:
- (1) Article 2 (Requirement to give notice in relation to an approved person)
 - (2) Article 5 (Regulators’ power to impose requirements for an Article 2 notice);
 - (3) Article 6 (Revision of an article 2 notice)
 - (4) Article 7 (Application of section 63ZA to a continuing approval)
 - (5) Article 8 (Application of section 62A to a statement provided under article 2(3)(c))
 - (6) Article 13 (Regulators’ power to impose requirements for an Article 11 notice);
 - (7) Article 15 (Application of section 62A to a statement provided under article 11(d);
 - (8) Article 17 (Power for the regulators to specify equivalent functions);
 - (9) Article 19 (Power to impose penalties); and
 - (10) Article 20 (Rules and requirements imposed by a regulator under this Order).

Pre-conditions to making

- D. 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: Individual Accountability Instrument (No...) 2015

- E. The PRA makes the rules in Annexes A to C of this instrument.

Commencement

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

Citation

- G. This instrument may be cited as the PRA Rulebook: CRR Firms Non-CRR Firms: Individual Accountability Instrument (No) 2015.

By order of the Board of the Prudential Regulation Authority

[DATE]

Annex A

Amendments to the Certification Part

[Note: The near final rules in this Annex are dependent on the making of the Order under section 71A FSMA which it is intended would amend the definition of a relevant authorised person in FSMA and in the Transitional Order to include certain non-UK institutions including third country CRR firms.]

In this Annex new text is underlined and deleted text is struck through.

Part

CERTIFICATION

Chapter content

- 1. APPLICATION AND DEFINITIONS**
- 2. PERFORMANCE OF CERTIFICATION FUNCTIONS**

Links

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to every *firm* that is:

- (1) a *CRR firm*~~;~~¹ ~~or~~
- (2) a *credit union*~~;~~ or
- (3) a *third country CRR firm* in relation to the activities of its establishment in the *UK*.

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.

significant risk taker

means

- (1) any *employee* of a *CRR firm* who meets any of the criteria set out in Articles 3 to 5 of the *Material Risk Takers Regulation*¹~~;~~ ~~or~~

...

- (c) is responsible and accountable to the *management body* for the activities of the independent risk management function, compliance function or internal audit function~~;~~ ~~or~~

- (d) heads a function responsible for legal affairs, finance including taxation and budgeting, human resources, remuneration policy, information technology or economic analysis~~;~~ or

- (3) subject to Remuneration 3.2 to 3.3, any employee of a third country CRR firm who would have met any of the criteria set out in Articles 3 to 5 of the Material Risk Takers Regulation if it applied to him or her.

...

¹ As noted in PS16/15 at paragraph 3.33 the PRA intends to consult on an amendment to the definition of significant risk taker in the Certification Part of the Rulebook to align the scope of the Certification regime as closely as possible with the material risk taker population. As part of that consultation it is intended to consult on an amendment of subparagraph (3) of the significant risk taker definition.

Annex B

Amendments to the Notifications Part

In this Annex, new text is underlined and deleted text is struck through.

Part

NOTIFICATIONS

Chapter content

1. APPLICATION AND DEFINITIONS
2. GENERAL NOTIFICATION REQUIREMENTS
3. LLOYD'S OF LONDON
4. NOTIFIED PERSONS
5. CORE INFORMATION REQUIREMENTS
6. INACCURATE, FALSE OR MISLEADING INFORMATION
7. FORM AND METHOD OF NOTIFICATION
8. SPECIFIC NOTIFICATIONS
9. FINANCIAL CONGLOMERATE NOTIFICATIONS
10. FORMS
11. CONDUCT RULES: NOTIFICATIONS

Links

1 APPLICATION AND DEFINITIONS

1.2 *disciplinary action*

_____ has the meaning given in section 64C of *FSMA*.

conduct rules

means the rules in Conduct Rules 2 and 3.

...

11 CONDUCT RULES: NOTIFICATIONS

11.1 This Chapter applies to every *firm* that is:

(a) a *CRR firm*;

(b) a *credit union*; or

(c) ~~[not yet in force]~~ a *third country CRR firm* in relation to the activities of its establishment in the *UK*.

11.2 If a *firm* knows or suspects that a *person* has failed to comply with any *conduct rules* it must notify the *PRA*.

11.3 If a *firm* is required to notify the *PRA* in compliance with 11.2 based on a suspicion, it must notify the *PRA* of any subsequent determination it makes in relation to that matter.

11.4 If a *firm* is required to notify the *PRA* in compliance with 11.2 to 11.3 based on a determination, it must notify the *PRA* of any different determination it subsequently makes in relation to that matter.

11.5 If a *firm* takes *disciplinary action* against a *person* relating to any action, failure to act, or circumstance that amounts to a breach of any conduct rule it must notify the *PRA*.

11.6 If a *firm* is required to notify the *PRA* under 11.2 to 11.5 in respect of *persons* performing *certification functions*, 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.

11.7 If a *firm* is required to notify the *PRA* under 11.2 – 11.5 in respect of a *person* performing a *senior management function*, it must do so within seven *business days* of the point at which it determined the relevant requirement applied, by submitting:

(1) if the circumstances set out in Senior Managers Regime – Applications and Notifications 5.2 apply, Form C;

(2) and in all other cases, Form D.

A *firm* must not unreasonably delay its determination of whether or not the requirement applies.

11.8 If a *firm* becomes aware of information which would reasonably be material to the assessment of the fitness and propriety of a *PRA approved person*, or a *person* in respect of whom an application for approval to perform a *PRA senior management function* has been made, it

Appendix 2: Near final rules

must inform the *PRA* on Form D, or (if it is more practical to do so and with the prior agreement of the *PRA*) by fax or e-mail, as soon as practicable.

11.9 A *firm* other than a *credit union* must submit:

- (1) Form C and Form D using the *ONA system*; and
- (2) Form L using the *PRA* email address specified in Form L.

11.10 A *credit union* must submit:

- (1) Form C and Form D using the *ONA system* or in the manner set out in Notifications 7;
- (2) Form L using the *PRA* email address specified in Form L.

11.11 If, under any rule in this Chapter:

- (1) a *firm* is required to make a notification; and
- (2) the information technology systems used by the *PRA* fail and online submission is unavailable for 24 hours or more,

until such time as facilities for online submission are restored a *firm* must submit the specified form in the way set out in Notifications 7.

11.12 (1) Form C may be found [here](#).

(2) Form D may be found [here](#).

(3) Form L may be found [here](#).²

² A link to this form will be provided in the final made rules.

Annex

In this Annex, the text is all new and is not underlined.

Part

SENIOR MANAGERS REGIME – APPLICATIONS AND NOTIFICATIONS

Chapter content

1. APPLICATION AND DEFINITIONS
2. APPLICATION TO PERFORM A PRA SENIOR MANAGEMENT FUNCTION
3. APPLICATION TO VARY A CONDITIONAL APPROVAL
4. WITHDRAWAL OF A SENIOR MANAGEMENT APPROVAL APPLICATION OR AN APPLICATION TO VARY A CONDITIONAL APPROVAL
5. CEASING TO PERFORM A PRA SENIOR MANAGEMENT FUNCTION
6. CHANGE IN DETAILS OR RESPONSIBILITIES RELATING TO PRA APPROVED PERSON
7. PROCEDURE FOR MAKING APPLICATIONS AND NOTIFICATIONS
8. FORMS

Links

Annex C

Senior Managers Regime – Applications and Notifications Part

...

2 APPLICATION TO PERFORM A PRA SENIOR MANAGEMENT FUNCTION

....

2.7

(2) ~~Except in the case of an application made by a *third country CRR firm*, a A statement of responsibilities must be in the form set out:~~

~~(a) for a *third country CRR firm*, in the form set out [here](#);³ and~~

~~(b) for all other *firms*, in the form set out [here](#).~~

...

³ A link to this form will be provided in the final made rules.

Annex D

Amendments to the Senior Managers Regime - Transitional Provisions Part

[Note: The near final rules in this Annex are dependent on the making of the Order under section 71A FSMA which it is intended would amend the definition of a relevant authorised person in FSMA and in the Transitional Order to include non-UK institutions.]

In this Annex, new text is underlined and deleted text is struck through.

Part

SENIOR MANAGERS REGIME -TRANSITIONAL PROVISIONS

Chapter content

1. APPLICATION AND DEFINITIONS
2. GENERAL
3. GRANDFATHERING NOTIFICATION REQUIREMENTS
4. PROCEDURE FOR MAKING GRANDFATHERING NOTIFICATIONS
5. UPDATING A GRANDFATHERING NOTIFICATION
6. TABLE OF FUNCTIONS FOR GRANDFATHERING
7. APPLICATIONS TO TAKE EFFECT FROM THE COMMENCEMENT DATE
8. FORMS

Links

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to every *firm* that is:

- (1) a *CRR firm*; ~~or~~
- (2) a *credit union*; ~~or~~
- (3) a *third country CRR firm* in relation to the activities of its establishment in the *UK*.

1.2 In this Part, the following definitions shall apply:

candidate

means a *person* in respect of whom a *firm* has made a *pending application*.

commencement date

means 7 March 2016.

continued approval

means approval to perform a *PRA senior management function* under section 59 of FSMA, granted pursuant to a *grandfathering notification*.

equivalent function

means a *PRA senior management function* or *FCA-designated senior management function* that is specified in 6 as equivalent for the purposes of articles 2(3)(b) and 11(c) of the *Transitional Order*, to a *pre-implementation controlled function*.

FCA controlled function

means a *controlled function* specified by the *FCA* under section 59 of *FSMA*.

FCA-designated senior management function

means any of the functions specified in column 3 (FCA-designated senior management functions) of the table set out in 6.

grandfathering notification

means a notice required to be sent to the *PRA* under article 2(1) or 11(b) of the *Transitional Order*, including any update to such a notice.

management responsibilities map

has the meaning given in Allocation of Responsibilities 6.

pending application

means an application for approval under section 60 of *FSMA* which:

- (1) has been received by the *FCA* or *PRA* from the *firm* on or before the *commencement date*, and
- (2) has not been determined or withdrawn.

PRA senior management function

means a function specified as a *controlled function* in Senior Management Functions 2 in relation to the carrying on of a *regulated activity* by a *firm*.

pre-implementation controlled function

means any of the *controlled functions* listed in column 1 of the table in 6.

statement of responsibilities

means a statement pursuant to article 2(3)(c) or 11(d) of the *Transitional Order* setting out the aspects of the affairs of the *firm* which it is intended that each relevant *person* will be responsible for managing in performing the notified functions.

Transitional Order

means the Financial Services (Banking Reform) Act 2013 (Transitional and Savings Provisions) Order 2015 (SI 2015/492).

2 GENERAL

- 2.1 The *PRA* directs that a *firm* must make a *grandfathering notification* using Form K before 8 February 2016.
- 2.2 The *PRA* directs that the notice required by article 6(1) of the *Transitional Order* must be provided to the *PRA* using Form K.
- 2.3 The *PRA* directs that the notice required by article 11(b) of the *Transitional Order* in respect of a *candidate* for whom *continued approval* is sought must be provided to the *PRA* in Form K as part of a *grandfathering notification*.

3 GRANDFATHERING NOTIFICATION REQUIREMENTS

- 3.1 A *firm* must ensure that the *grandfathering notification* sets out, in respect of each *approved person* or *candidate*:
- (1) each of the *pre-implementation controlled functions* for which the *person* is approved, or (in the case of a *candidate*) has a *pending application*, in relation to the *firm*;
 - (2) each *PRA senior management function* to be performed by the *person* on and after the *commencement date* in relation to the *firm*; and
 - (3) each *FCA-designated senior management function* (if any) to be performed by the *person* on and after the *commencement date* in relation to the *firm*.
- 3.2 The *PRA* directs that a *firm* must not specify in a *grandfathering notification* a *PRA senior management function* or an *FCA-designated senior management function* for a *person* which is not an *equivalent function* in the table in 6 or the table in FCA SUP TP 6.2.7 in relation to:
- (1) (for an *approved person*) any *pre-implementation controlled functions* for which the *person* has approval in relation to the *firm*; or
 - (2) (for a *candidate*) any *pre-implementation controlled functions* in respect of which there is a *pending application*.

- 3.3 The *PRA* directs that:
- (1) a *statement of responsibilities* must be submitted with the *grandfathering notification* in respect of each *approved person* or *candidate* for whom *continued approval* is sought; and
 - (2) the *firm* must submit a *management responsibilities map*, showing the role of each *approved person* or *candidate* as at the *commencement date*, including the *person(s)* subject to the *grandfathering notification*.
- 3.4 The *PRA* directs that a *firm* must list in the *grandfathering notification* each *approved person* or *candidate* who, on the *commencement date*, will be acting in the capacity of a *non-executive director* but who will not be performing a *PRA senior management function* or *FCA designated senior management function*.

4 PROCEDURE FOR MAKING GRANDFATHERING NOTIFICATIONS

- 4.1 The *PRA* directs that, save as required by 4.2:
- (1) A *firm* other than a *credit union* must make any applications, notifications or submissions, including updates, required by this Part using the *ONA system*; and
 - (2) a *credit union* must make any applications, notifications or submissions, including updates, required by this Part:
 - (a) using the *ONA system*; or
 - (b) in the manner set out in Notifications 7.
- 4.2 If, under any direction or rule in this Chapter,
- (1) a *firm* is required to make an application, notification or submission online; and
 - (2) the information technology systems used by the *PRA* fail, and online submission is unavailable for 24 hours or more,
- until such time as facilities for online submission are restored a *firm* may submit the specified form in accordance with Notifications 7 (Form and method of notification).

5 UPDATING A GRANDFATHERING NOTIFICATION

- 5.1 The *PRA* directs that if, before the *commencement date*, there has been a significant change to the matters covered by any *statement of responsibilities* or the *management responsibilities map* provided pursuant to 3.3, the *firm* must provide a revised version to the *PRA* in accordance with the procedure in 4.

6 TABLE OF EQUIVALENT FUNCTIONS FOR GRANDFATHERING

- 6.1 The *PRA senior management functions* set out in column 2 of the table are specified as *equivalent functions*, in each case in relation to the *pre-implementation controlled functions* set out in the corresponding row of column 1 of the table below.
- 6.2 The *FCA functions* set out in column 3 of the table are specified as *equivalent functions*, in each case, in relation to the *pre-implementation controlled functions* set out in the corresponding row of column 1 of the table below.

Column 1	Column 2	Column 3
Pre-implementation PRA or FCA Controlled Function	PRA Senior Management Function	FCA-designated Senior Management Function
All firms apart from credit unions and UK branches of third country CRR firms		
Director (CF1) Partner (CF4) Director of unincorporated association (CF5)...	Chief Finance function (SMF2) Chief Risk function (SMF4) Head of Internal Audit (SMF5) Head of Key Business Area (SMF6) Group Entity Senior Manager (SMF7)	Executive Director (SMF3)
Non-executive director (CF2)	Group Entity Senior Manager (SMF7) Chairman (SMF9) Chair of the Risk Committee (SMF10) Chair of the Audit Committee (SMF11) Chair of the Remuneration Committee (SMF12) Senior independent director (SMF14)	Chair of the Nominations Committee (SMF13)
Chief executive (CF3)	Chief executive (SMF1)	
Systems and Controls (CF28)	Chief Finance function (SMF2) Chief Risk function (SMF4) Head of Internal Audit (SMF5)	
Significant management (CF29)	Head of Key Business Area (SMF6) Group Entity Senior Manager (SMF7)	<u>Other overall responsibility function</u> (SMF18)

Appendix 2: Near final rules

Column 1	Column 2	Column 3
Credit unions		
PRA or FCA Controlled Function	PRA Senior Management Function	FCA-designated Senior Management Function
Director (CF1)	Credit Union Senior Manager (SMF8)	Executive Director (SMF3)
Non-executive director (CF2)	Credit Union Senior Manager (SMF8)	Chair of the Nominations Committee (SMF13)
Chief executive (CF3)	Credit Union Senior Manager (SMF8)	
<u>UK Branches of Third country CRR firms</u>		
<u>PRA or FCA Controlled Function</u>	<u>PRA Senior Management Function</u>	<u>FCA Function</u>
<u>Director (CF1)</u>	<u>Chief Finance function (SMF2)</u> <u>Chief Risk function (SMF4)</u> <u>Head of Internal Audit (SMF5)</u> <u>Group Entity Senior Manager (SMF7)</u> <u>Head of Overseas Branch (SMF19)</u>	<u>Executive Director function (SMF 3)</u>
<u>Non-executive director (CF2)</u>	<u>Group Entity Senior Manager (SMF7)</u>	
<u>Chief executive (CF3)</u>	<u>Head of Overseas Branch (SMF19)</u>	
<u>Systems and Controls (CF28)</u>	<u>Chief Finance function (SMF2)</u> <u>Chief Risk function (SMF4)</u> <u>Head of Internal Audit (SMF5)</u>	<u>Other local responsibility function (SMF22)</u>
<u>Significant management (CF29)</u>	<u>Head of Overseas Branch (SMF19)</u>	<u>Other local responsibility function (SMF22)</u>

- 6.3 The PRA directs that a *firm* must not specify in the *grandfathering notification* that any *person* shall perform any combination of *PRA senior management functions* which is prohibited by any other provision of the *PRA Rulebook* or the *FCA Handbook*.

7 APPLICATIONS TO TAKE EFFECT FROM THE COMMENCEMENT DATE

- 7.1 The *PRA* directs that a *firm* must not submit any application pursuant to Senior Managers Regime – Applications and Notifications 2, for a *person* to perform a *PRA senior management function*, before 1 January 2016.
- 7.2 The *PRA* directs that any application to perform a *PRA senior management function* which is made between 1 January 2016 and the day before the *commencement date* must:
- (a) be made on the correct form as directed by Senior Managers Regime – Applications and Notifications 2 (as if those provisions were in force); and
 - (b) be submitted as directed by Senior Managers Regime – Applications and Notifications 7 (as if those provisions were in force).
- 7.3 An application to perform a *PRA senior management function* which is made between 1 January 2016 and the day before the *commencement date* is made on the basis that it is treated as being made on the *commencement date*.

8 FORMS

- 8.1 Form K may be found [here](#)