

**PRA RULEBOOK: CRR FIRMS, NON CRR FIRMS: INDIVIDUAL ACCOUNTABILITY
INSTRUMENT (No. 4) 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); and
- (10) section 137T (General supplementary powers).

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).

B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) 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: Individual Accountability Instrument (No. 4) 2015

D. The PRA makes the rules in Annexes of this instrument

Commencement

- E. Annexes A, B, C and D to this instrument come into force on 7 March 2016.
- G. Annex E comes into force on 16 December 2015.

Citation

This instrument may be cited as the PRA Rulebook: CRR Firms, Non-CRR Firms: Individual Accountability Instrument (No. 4) 2015.

By order of the Board of the Prudential Regulation Authority

10 December 2015

Annex A

Amendments to the Certification Part

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

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:

...

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*; ~~or~~
- (2) any *employee* of a *credit union* who:
 - ...
 - (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* as if it applied to him or her.

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Annex B

Amendments to the Notifications Part

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

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11 CONDUCT RULES: NOTIFICATIONS

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

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

...

Annex C

Senior Managers Regime – Applications and Notifications Part

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

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 ~~here~~:~~

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

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

...

8 FORMS

8.1 (1) Form A (long form) may be found [here](#).

(2) Form A (shortened form) may be found [here](#).

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Annex D

Amendments to Form E

Amend Form E as follows. Underlining indicates new text and striking through indicates deleted text.

Form E: Internal transfer of an approved person (for firms and individuals subject to the senior management regime)

...

The *FCA* and *PRA* have produced notes which will assist both the applicant and the candidate in answering the questions in this form. Please read these notes, which are available on the *FCA* and *PRA*'s website at <http://fshandbook.info/FS/html/FCA/SUP/10A/C/Annex3D8>

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FCA Handbook Reference: SUP 10C Annex 34D

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Website www.bankofengland.co.uk/PRA
Registered as a Limited Company in England and Wales No 07854923. Registered Office: 8 Lothbury Road, London, EC2R 7HH

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4.02

...

| Function | Description of a Senior <u>management</u> function | Tick applicable) (if applicable) | Effective Date |
|---------------|--|----------------------------------|----------------|
| ... | ... | | |
| <u>SMF19</u> | <u>Head of Overseas Branch</u> | | |
| | | | |
| <u>SMF 21</u> | <u>EEA Branch Senior Manager function</u> | | |
| <u>SMF22</u> | <u>Other local responsibility function</u> | | |

...

5.00

...

- Provide a copy of the candidate's:-
 - ~~statement of responsibilities~~ Statement of Responsibilities with this form
 - Roles description
 - Curriculum Vitae (C.V)
 - Organisational chart
- Provide a copy of the firm's management responsibilities map (SYSC 4.5 and SYSC 4.6, where applicable, and Allocation of Responsibilities in the PRA Rulebook)
- A firm UK and Third Country Relevant Authorised Persons should include a summary of any handover certificate and a reasonable summary of any other handover material (as referred to in SYSC 4.9.4R to SYSC 4.9.9G and SUP10C.10.13G and Senior Management Functions Chapter 2 in the PRA Rulebook.

...

Declaration of *Candidate*

Knowingly or recklessly giving the *FCA* and/or *PRA* information which is false or misleading in a material particular may be a criminal offence (section 398 of the Financial Services and Markets Act 2000). It should not be assumed that information is known to the *FCA* and/or *PRA* merely because it is in the public domain or has previously been disclosed to the *FCA* and/or *PRA* or another regulatory body. ~~If there is any doubt about the relevance of information, it should be included.~~

In addition to other regulatory responsibilities, firms, senior managers and other approved persons have a responsibility to disclose to the *FCA* and/or *PRA* matters of which it would reasonably expect to be notified. Failure to notify the *FCA* and/or *PRA* of such information may lead to the *FCA* and/or *PRA* taking disciplinary or other action against the firm and/or individuals.

The *candidate* confirms that the attached Statement of Responsibilities accurately reflects the aspects of the affairs of the firm which it is intended that the *candidate* will be responsible for managing. The *candidate* confirms that they have accepted all the responsibilities set out in this Statement of Responsibilities.

For the purposes of complying with the Data Protection Act 1998, the personal information provided in this Form will be used by the *FCA* and/or *PRA* to discharge ~~the~~ their statutory functions under the Financial Services and Markets Act 2000 and other relevant legislation, and will not be disclosed for any other purpose without the permission of the applicant *candidate*.

With reference to the above, the *FCA* and/or *PRA* may seek to verify the information given in this Form including answers pertaining to fitness and propriety. This may include a credit reference check. In signing the form below:

a) I authorise the *FCA* and/or *PRA* to make such enquiries and seek such further information as it thinks appropriate in the course of verifying the information given in this Form. *Candidates* may be required to apply for a criminal records search to be made as to whether any criminal records are held in relation to them and to obtain a certificate (where such certificate can be obtained) and to disclose the result of that search to the *firm* submitting this application.

b) I confirm that the information in this Form is accurate and complete to the best of my knowledge and belief and that I have read the notes to this Form.

c) I confirm that I understand the regulatory responsibilities of my proposed role as set out in the rules of conduct in the *FCA*'s Conduct Rules (COCON) and/or *PRA* Conduct Rules (as applicable).

d) I confirm that the Statement of Responsibilities submitted with this form accurately reflects the aspects of the affairs of the *firm* which it is intended that I will be responsible for managing. I confirm that I have accepted all the responsibilities set out in this Statement of Responsibilities.

Tick here to confirm you have read and understood this declaration:

6.01 Candidate's full name†

6.02 Signature



Date



Declaration of *Firm*

Annex E

Amendments to the Senior Managers Regime - Transitional Provisions Part

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

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*.

...

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 <u>and UK branches of third country CRR firms</u> | | |
| 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 | Chair of the Nominations Committee (SMF13) |

| Column 1 | Column 2 | Column 3 |
|--|--|--|
| | (SMF14) | |
| Chief executive (CF3) | Chief executive (SMF1) | |
| Systems and Controls (CF28) | Chief Finance function (SMF2) Chief Risk function (SMF4) Head of Internal Audit (SMF5) <u>Group Entity Senior Manager (SMF7)</u> | |
| Significant management (CF29) | Head of Key Business Area (SMF6) Group Entity Senior Manager (SMF7) | <u>Other overall responsibility function (SMF18)</u> |
| 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>Group Entity Senior Manager (SMF7)</u> | <u>Other local responsibility function (SMF22)</u> |
| <u>Significant management (CF29)</u> | <u>Group Entity Senior Manager (SMF7)</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*.

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7 APPLICATIONS TO TAKE EFFECT FROM THE COMMENCEMENT DATE

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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).

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8 FORMS

8.1 The forms referred to in 7.2 (a) are:

- (a) Form A (long form) which may be found [here](#);
- (b) Form A (shortened form) which may be found [here](#); and
- (c) Form E which may be found [here](#).

8.24 Form K may be found [here](#).

8.32 A form of *statement of responsibilities* :

- (a) for a *third country CRR firm*, may be found [here](#); and

(b) _____ for all other firms, may be found [here](#).