PRA RULEBOOK: GOVERNANCE AND INTERNAL REQUIREMENTS INSTRUMENT 2025

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); and
(2) section 137T (General supplementary powers).

B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

PRA Rulebook: Governance and Internal Requirements Instrument 2025

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

Part	Annex
Glossary	A
Compliance and Internal Audit	B
General Organisational Requirements	C
Outsourcing	D
Record Keeping	E
Risk Control	F
Notifications	G

Commencement

D. This instrument comes into force on 23 October 2025.

Citation

E. This instrument may be cited as the PRA Rulebook: Governance and Internal Requirements Instrument 2025.

By order of the Prudential Regulation Committee
23 September 2025

Annex A

Amendments to the Glossary Part

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

…

listed activities

means an activity listed in Annex 1 to the *CRD*.

…

~~*MODR*~~

~~means the Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing *MIFID II* of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.~~

…

relevant services and activities

means *regulated activities*, *listed activities* or *ancillary services*.

…

Annex B

Amendments to the Compliance and Internal Audit Part

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

1 APPLICATION AND DEFINITIONS

…

1.2 In this Part, the following definitions shall apply: [Note: There are currently no Part specific definitions]

~~*Article 22 Compliance Requirements*~~

~~means the requirements and obligations set out in Article 22 (Compliance) of the *MODR*.~~

~~*Article 24 Audit Requirements*~~

~~means the requirements and obligations as set out in Article 24 (Internal Audit) of the *MODR*.~~

~~*other matters*~~

~~means, in relation to a requirement under the *MODR*, matters within the scope of 1.1 that are not within the scope of that requirement.~~

2 COMPLIANCE

…

2.1A A *firm* must, taking into account the nature, scale and complexity of its business, and the nature and range of *relevant services and activities* undertaken in the course of that business:

(1) establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the *firm* to comply with its obligations under the *regulatory system*, as well as the associated risks; and

(2) put in place adequate measures and procedures designed to minimise the risks detected as a result of compliance with 2.1A(1) and to enable the *PRA* to exercise their powers effectively under the *regulatory system*.

2.1B A *firm* must establish and maintain a permanent and effective compliance function which operates independently, and which is responsible for:

(1) monitoring on a permanent basis, and assessing on a regular basis, the adequacy and effectiveness of the measures, policies and procedures put in place in accordance with 2.1A, and the actions taken to address any deficiencies in the *firm's* compliance with its obligations;

(2) advising and assisting the *relevant persons* responsible for carrying out *relevant services and activities* to comply with the *firm's* obligations under the *regulatory system*; and

(3) reporting to the *management body*, on at least an annual basis, on the implementation and effectiveness of the overall control environment for *relevant services and activities*, on the risks that have been identified as well as remedies undertaken or to be undertaken.

2.1C A *firm* must ensure that:

(1) the compliance function is responsible for conducting an assessment on the basis of which it establishes a risk-based monitoring programme for the *firm* that takes into consideration all areas of the *firm's relevant services and activities*; and

(2) its compliance risk is comprehensively monitored by the compliance function, for which purposes the compliance function establishes a monitoring programme and priorities determined according to the compliance risk assessment referred to at 2.1C(1).

2.1D In order to enable the compliance function to discharge its responsibilities properly and independently, a *firm* must ensure that:

(1) the compliance function has the necessary authority, resources, expertise and access to all relevant information;

(2) a compliance officer is appointed by the *management body* and that compliance officer is responsible for the compliance function and for any compliance reporting required in relation to its obligations under the *regulatory system* and General Organisational Requirements 4.7;

(3) the compliance function reports directly to the *management body* on an ad-hoc basis where it detects a significant risk of failure by the *firm* to comply with its obligations under the *regulatory system*;

(4) the *relevant persons* involved in the compliance function are not involved in the performance of the services or activities which they monitor; and

(5) the method of determining the *remuneration* of the *relevant persons* involved in the compliance function does not compromise their objectivity and is not likely to do so.

2.1E

(1) A *firm* need not comply with the requirements in 2.1D(4) or (5) where:

(a) in view of the nature, scale and complexity of its business, and the nature and range of the *relevant services and activities*, compliance with the requirements under 2.1D(4) or (5) is not proportionate; and

(b) the *firm's* compliance function is, and continues to be, effective.

(2) Where a *firm* is relying on 2.1E(1), it must:

(a) be able to demonstrate to the *PRA* upon request that its compliance function continues to be effective; and

(b) assess on a regular basis whether the effectiveness of the compliance function has been, or is being, compromised by the reliance on 2.1E(1).

2.2 [Deleted.]

2.2A ~~A *MiFID investment firm* must extend the arrangements required by the *Article 22 Compliance Requirements* so that they apply with respect to *other matters* on the following basis:~~

~~(1) references to "Directive 2014/56/EU" are references to "the *regulatory system*";~~

~~(2) references to "investment services and activities" and "investment services, activities" are references to financial services and activities;~~

~~(3) references to "relevant persons" are references to *relevant persons*; and~~

~~(4) references to "Article 25(2) of this Regulation" are references to General Organisational Requirements 4.1A.~~[Deleted]

2.2B ~~A *firm* that is not a *MiFID investment firm* must comply with *Article 22 Compliance Requirements* on the basis set out in 2.2A and as if references to "investment firm" refer to a *firm*.~~[Deleted]

…

3 INTERNAL AUDIT

3.1 [Deleted.]

3.1A ~~A *MiFID investment firm* must extend the arrangements required by the *Article 24 Audit Requirements* so they apply with respect to *other matters* on the following basis:~~

~~(1) references to "investment services and activities" are financial services and activities;~~

~~(2) references to "relevant persons" are references to *relevant persons*; and~~

~~(3) references to "Article 25(2)" are references to General Organisational Requirements 4.1A.~~[Deleted]

3.2 ~~A *firm* that is not a *MiFID investment firm* must comply with the *Article 24 Audit Requirements* on the basis set out in 3.1A and as if references to "investment firm" refer to a *firm*.~~[Deleted]

3.3 A *firm* must, where appropriate and proportionate in view of the nature, scale and complexity of its business and the nature and range of *relevant services and activities* undertaken in the course of its business, establish and maintain an internal audit function which is separate and independent from the other *functions* and activities of the *firm*.

3.4 A *firm* must ensure that its internal audit function is responsible for:

(1) establishing, implementing and maintaining an audit plan to examine and evaluate the adequacy and effectiveness of the *firm's* systems, internal control mechanisms and arrangements;

(2) issuing recommendations based on the result of work carried out in accordance with that audit plan and verify compliance with those recommendations; and

(3) reporting in relation to internal audit matters in accordance with General Organisational Requirements 4.7.

Annex C

Amendments to the General Organisational Requirements 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 a *CRR firm*~~,~~;

…

1.2 In this Part, the following definitions shall apply:

~~*Article 21 Organisational Requirements*~~

~~means requirements and obligations as set out in Article 21(1)(a),(c),(e),(f),(3),(4) (General Organisational Requirements) of the *MODR*.~~

~~*Article 25 Senior Management Requirements*~~

~~means requirements and obligations as set out in Article 25 (Responsibility of senior management) of the *MODR*.~~

~~*other matters*~~

~~means, in relation to a requirement under the *MODR*, matters within the scope of 1.1 that are not within the scope of that requirement.~~

…

2 GENERAL REQUIREMENTS

2.1 A *firm* must establish, implement and maintain~~have~~ robust governance arrangements and decision-making procedures, which include:

(1) a clear and documented organisational structure with well defined, transparent and consistent lines of responsibility~~,~~;

(2) a clear and documented decision-making procedure which specifies reporting lines and allocates *functions* and responsibilities;

(3) effective processes to identify, manage, monitor and report the risks it is or to which it might be exposed ~~to,~~; and

(4) adequate internal control mechanisms designed to secure compliance with decisions and procedures at all levels of the *firm*, including:

(a) sound administrative and accounting procedures; ~~and~~

(b) effective control and safeguard arrangements for information processing systems~~.~~;

(c) effective internal reporting and communication of information at all relevant levels of the *firm*; and

(d) adequate and orderly records of its business and internal organisation.

[Note: Art. 74(1) of the *CRD*, Art. 16(5) second paragraph of *MiFID II*]

2.1A A *firm* must comply with the following organisational requirements:

(1) ensure that *relevant persons* are aware of the procedures referred to in 2.1 which must be followed for the proper discharge of their responsibilities;

(2) employ personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them; and

(3) ensure that the performance of multiple *functions* by its *relevant persons* does not, and is not likely to, prevent those *persons* from discharging any particular *function* soundly, honestly, and professionally.

2.2 The arrangements, processes and mechanisms referred to in 2.1 and 2.1A must be comprehensive and proportionate to the nature, scale and complexity of the risks inherent in the *firm's* business model and of the nature and range of the *firm's* activities undertaken in the course of its business and must take into account the specific technical criteria described in 2.6, Skills, Knowledge and Expertise 3.2, Risk Control, and Remuneration.

[Note: Art. 74(2) of the *CRD*]

2.2A ~~A *MiFID investment firm* must extend the arrangements required by the *Article 21 Organisational Requirements*, so they apply with respect to *other matters* on the following basis:~~

~~(1) references to "investment services and activities" are references to financial services and activities;~~

~~(2) references to "relevant persons" are references to *relevant persons*; and~~

~~(3) references to "Article 25(2)" are references to General Organisational Requirements 4.2.~~[Deleted]

2.2B ~~A *firm* that is not a *MiFID investment firm* must comply with the *Article 21 Organisational Requirements*, on the basis set out in 2.2A and as if references to "investment firm" refer to a *firm*.~~[Deleted]

2.3 [Deleted~~.~~]

2.4 A *firm* must establish, implement and maintain systems and procedures that are adequate to safeguard the security, integrity and confidentiality of information, taking into account the nature of the information in question. Without prejudice to the ability of ~~a *competent authority*~~ the *PRA* to require access to communications in accordance with applicable law, a *firm* must have sound security mechanisms in place to guarantee the security and authentication of the means of transfer of information, minimise the risk of data corruption and unauthorised access and to prevent information leakage maintaining the confidentiality of the data at all times.

[Note: Art. 16(5) of the *MiFID II*]

…

2.6 A *firm* must establish, implement and maintain contingency and business continuity plans to ensure the *firm's* ability to operate on an ongoing basis and limit losses ~~on~~in the event of severe business disruption.

[Note: Art. 85(2) of the *CRD*]

2.6A A *firm* must establish, implement and maintain an adequate business continuity policy aimed at ensuring, in the case of an interruption to its systems and procedures, the preservation of essential data and *functions*, and the maintenance of *relevant services and activities*, or, where that is not possible, the timely recovery of such data and *functions* and the timely resumption of such services and activities.

2.7 [Deleted~~.~~]

2.7A A *firm* must establish, implement and maintain accounting policies and procedures and ensure that, upon the request of the *PRA*, it is able to deliver in a timely manner to the *PRA* financial reports which reflect a true and fair view of its financial position and which comply with all applicable accounting standards and rules.

…

4 RESPONSIBILITY OF SENIOR PERSONNEL

4.1 [Deleted~~.~~]

4.1A ~~A *MiFID investment firm* must extend the arrangements required by the *Article 25 Senior Management Requirements* so they apply with respect to the *other matters* on the following basis:~~

~~(1) references to "Directive 2014/56/EU" are references to "the *regulatory system*"; and~~

~~(2) references to "Articles 22, 23 and 24" are references to Compliance and Internal Audit and Risk Control.~~[Deleted]

4.1B ~~A firm that is not a *MiFID investment firm* must comply with the *Article 25 Senior Management Requirements* on the basis set out in 4.1A and as if references to "investment firm" refer to a *firm*.~~[Deleted]

4.2 [Deleted~~.~~]

4.3 A *firm* must ensure that, when allocating *functions* internally, *senior management* and, where applicable, the *governing body,* are responsible for ensuring that the *firm* complies with its obligations under the *regulatory system*.

4.4 A *firm* must ensure that *senior management* and, where applicable, the *governing body,* assess and periodically review the effectiveness of the policies, arrangements and procedures put in place to comply with the *firm's* obligations under the *regulatory system* and take appropriate measures to address any deficiencies.

4.5 In its allocation of significant *functions* among senior managers, a *firm* must clearly establish who is responsible for overseeing and maintaining the *firm's* organisational requirements.

4.6 A *firm* must keep its records of the allocation of significant *functions* up-to-date.

4.7 A *firm* must ensure that its *senior management* receive on a frequent basis, and at least annually, written reports on the matters covered by the Compliance and Internal Audit and Risk Control Parts. Such written reports must indicate whether the appropriate remedial measures have been taken in the event of any deficiencies.

4.8 A *firm* must ensure that, for the purposes of 4.3 and 4.4, the *governing body* receives written reports on the matters covered by the Compliance, Internal Audit and Risk Control Parts on a regular basis.

…

7 GROUP ARRANGEMENTS

7.1 Where an *Article 109 undertaking* is a member of a *consolidation group* or a *sub-consolidation group*, the *Article 109 undertaking* must ensure that the governance arrangements, risk management processes and internal control mechanisms at the level of the *consolidation group* or *sub-consolidation group* of which it is a member comply with the obligations set out in 2.1, 2.1A, 2.2, 2.6, 2.6A, Chapter 5 and Chapter 6 of this Part and 2.3 to 2.5 in the Related Party Transaction Risk Part on a *consolidated basis* or a *sub-consolidated basis*.

…

Annex D

Amendments to the Outsourcing Part

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

1 APPLICATION AND DEFINITIONS

…

1.2 In this Part, the following definitions shall apply:

~~*Articles 30, 31 Outsourcing Requirements*~~

~~means requirements and obligations as set out in Articles 30 and 31(Outsourcing) of the *MODR*.~~

authorisation

means ~~*authorisation*~~ authorisation as an *authorised person* for the purposes of *FSMA*.

~~*control*~~

~~means control as defined in Article 1 of the Seventh Council Directive 83/349/EEC (The Seventh Company Law Directive).~~

critical or important operational function

means an operational *function* where a defect or failure in its performance would materially impair the compliance of a *firm* on a continuous and satisfactory basis with:

(1) the conditions and obligations of its *permission*;

(2) any of its other obligations under the *regulatory system*;

(3) its financial performance; or

(4) the performance, soundness or the continuity of its *relevant services and activities*.

The following *functions* will not be considered to be a *critical or important operational function* for the purposes of this Part:

(5) the provision to the *firm* of advisory services;

(6) any other services which do not form part of the *relevant services and activities* of the *firm*, including:

(a) the provision of legal advice to the *firm*;

(b) the training of the *firm's* personnel;

(c) billing services; and

(d) the security of the *firm's* premises and personnel; and

(7) the purchase of standardised services, including market information services and the provision of price feeds.

~~*listed activities*~~

~~means an activity listed in Annex 1 to the *CRD*.~~

~~*other matters*~~

~~means, in relation to a requirement under the *MODR*, matters within the scope of 1.1 that are not within the scope of that requirement.~~

~~*relevant services and activities*~~

~~means *regulated activities*, *listed activities* or *ancillary services*.~~

2 OUTSOURCING

2.1 …

2.1A ~~A *MiFID investment firm* must extend the arrangements and meet the requirements of the *Articles 30, 31 Outsourcing Requirements*, so they apply with respect to *other matters* on the following basis:~~

~~(1) references to "authorisation" under *MiFID II* are references to authorisation under section 31(2) of the *Act;*~~

~~(2) references to "obligations" implemented pursuant to *MiFID II* are references to a firm's obligations under the *regulatory system*;~~

~~(3) references to "investment services and activities" are references to *relevant services and activities*;~~

~~(4) references to "client" includes anyone who is a *client*; and~~

~~(5) references to "competent authority" are references to the *PRA* or the *FCA* acting other than in the capacity of a *competent authority* for the purposes of *MiFID II* or *CRR*.~~[Deleted]

2.1B ~~A *firm* that is not a *MiFID investment firm* must comply with the *Articles 30, 31 Outsourcing Requirements* on the basis set out in 2.1A and as if references to "investment firm" refer to a *firm*.~~[Deleted]

2.1C A *firm outsourcing critical or important operational functions* will remain fully responsible for discharging all of its obligations under the *regulatory system* and must ensure that:

(1) the *outsourcing* does not result in the delegation by *senior management* of its responsibility;

(2) the relationship and obligations of the *firm* towards its *clients* under the terms of the *regulatory system* are not altered;

(3) the conditions with which the *firm* must comply in order to maintain its *authorisation* are not undermined; and

(4) none of the other conditions subject to which the *firm's authorisation* was granted is removed or modified.

2.1D A *firm* must exercise due skill, care and diligence when entering into, managing or terminating any arrangement for the *outsourcing* of a *critical or important operational function* and must take the necessary steps to ensure that:

(1) the service provider has the ability, capacity, sufficient resources and appropriate organisational structure to support the performance of the *outsourced functions* reliably and professionally, and any authorisation required by law to perform the *outsourced functions*;

(2) the service provider carries out the *outsourced* services effectively and in compliance with applicable law and regulatory requirements, and to this end the *firm* has established methods and procedures for assessing the standard of performance of the service provider and for reviewing on an ongoing basis the services provided by the service provider;

(3) the service provider properly oversees the carrying out of the *outsourced functions*, and adequately manages the risks associated with the *outsourcing*;

(4) appropriate action is taken where it appears that the service provider may not be carrying out the *functions* effectively or in compliance with applicable laws and regulatory requirements;

(5) the *firm* effectively oversees the *outsourced functions* or services, and manages the risks associated with the *outsourcing*, and to this end the *firm* retains the necessary expertise and resources to oversee the *outsourced functions* effectively and manage those risks;

(6) the service provider has disclosed to the *firm* any development that may have a material impact on its ability to carry out the *outsourced functions* effectively and in compliance with applicable laws and regulatory requirements;

(7) the *firm* is able to terminate the arrangement for *outsourcing* where necessary, and with immediate effect when this is in the interests of its *clients*, and without detriment to the continuity and quality of its provision of services to *clients*;

(8) the service provider cooperates with the *PRA* and any other *competent authority* in connection with the *outsourced functions*;

(9) the *firm*, its auditors and the *PRA* and any other *competent authority* have effective access to data related to the *outsourced functions*, as well as to the relevant business premises of the service provider, where necessary for the purpose of effective oversight in accordance with this rule and the *PRA* and any other *competent authority* are able to exercise those rights of access;

(10) the service provider protects any confidential information relating to the *firm* and its *clients*;

(11) the *firm* and the service provider establish, implement and maintain a contingency plan for disaster recovery and periodic testing of backup facilities, where that is necessary having regard to the *function*, service or activity that has been *outsourced*; and

(12) the continuity and quality of the *outsourced functions* or services are maintained in the event of termination of the *outsourcing* either by the *firm* transferring the *outsourced function* or service to another third party or by performing them itself.

2.1E A *firm outsourcing critical or important operational functions* must ensure that:

(1) the respective rights and obligations of the *firm* and of the service provider are clearly allocated and set out in a written agreement;

(2) the *firm* preserves its instruction and termination rights, its rights of information, and its right to inspections and access to books and premises; and

(3) the written agreement with the service provider only permits sub-*outsourcing* by the service provider with the prior written consent of the *firm*.

2.1F Where a *firm outsourcing critical or important operational functions* and the service provider are members of the same *group*, the *firm* may, for the purposes of complying with this Part take into account the extent to which the *firm* controls the service provider or has the ability to influence its actions.

2.1G A *firm* must be able to, upon request by the *PRA*, make available to the *PRA* all information necessary to enable the *PRA* to supervise the compliance of the performance of the *outsourced function*, service or activity with the requirements of the *regulatory system*.

…

Annex E

Amendments to the Record Keeping Part

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

1 APPLICATION AND DEFINITIONS

…

1.2 In this Part, the following definitions shall apply:

~~*Article 72 Record Keeping Requirements*~~

~~means requirements and obligations as set out in Article 72 (Record Keeping) of the *MODR*.~~

organisational records

means the records set out in Table 1 of 2.5.

~~*other matters*~~

~~means, in relation to a requirement under the *MODR*, matters within the scope of 1.1 that are not within the scope of that requirement.~~

2 RECORD KEEPING

…

2.1A ~~A *MiFID investment firm* must extend the arrangements required by the *Article 72 Record Keeping Requirements* so they apply with respect to *other matters* on the following basis:~~

~~(1) references to "competent authority" are references to the *PRA* or the *FCA* acting other than in the capacity of a competent authority for the purposes of *MiFID II* or *CRR*; and~~

~~(2) references to "Directive 2014/65/EU, Regulation (EU) No 600/2014, Directive 2014/57/EU and Regulation (EU) No 596/2014 and their respective implementing measures" are references to "the *regulatory system*".~~[Deleted]

2.1B ~~A *firm* that is not a *MiFID investment firm* must comply with the *Article 72 Record Keeping Requirements* on the basis set out in 2.1A and as if references to "investment firm" refer to a *firm*.~~[Deleted]

…

2.4 A *firm* must retain the records kept by it under this Part in a medium that allows the information to be stored in a way which is accessible for future reference by the *PRA*, and in such a form and manner that the following conditions are met:

(1) the *PRA* is able upon request to access the records readily and to reconstitute each key stage of the processing of each transaction;

(2) it is possible for any corrections or other amendments, and the contents of the records prior to such corrections or amendments, to be easily ascertained;

(3) it is not possible for the records otherwise to be manipulated or altered;

(4) it allows the use of information technology, or any other efficient exploitation, when the analysis of the data cannot be easily carried out due to the volume and the nature of the data; and

(5) the *firm's* arrangements comply with the record keeping requirements in this Part irrespective of the technology used.

2.5 A *firm* must keep at least the *organisational records* as appropriate to the nature of its activities. The list of *organisational records* is without prejudice to any other record-keeping obligations arising from the *regulatory system*.

Table 1: Organisational Records

Description	**Content**
The *firm's* business and internal organisation	Records as provided for under 2.1(3)(d) of the General Organisational Requirements Part.
Compliance Reports	Each compliance report to the *senior management* under 2.1B(3) of the Compliance and Internal Audit Part and 4.7 of the General Organisational Requirements Part.
Risk management reports	Each risk management report to *senior management* under 4.7 of the General Organisational Requirements Part.
Internal audit reports	Each internal audit report to *senior management* under 4.7 of the General Organisational Requirements Part.

2.6 A *firm* must keep written records of any policies and procedures which it is required to maintain pursuant to the requirements of the *regulatory system* relating to its *MiFID business*.

Annex F

Amendments to the Risk Control Part

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

1 APPLICATION AND DEFINITIONS

…

1.2 In this Part, the following definitions shall apply: [Note: There are currently no Part specific definitions]

~~*Article 23 Risk Control Requirements*~~

~~means requirements and obligations as set out in Article 23 (Risk Management) of the *MODR*.~~

~~*other matters*~~

~~means, in relation to a requirement under the *MODR*, matters within the scope of 1.1 that are not within the scope of that requirement.~~

2 RISK CONTROL

…

2.2A ~~A *MiFID investment firm* must extend the arrangements required by the *Article 23 Risk Control Requirements* so they apply with respect to *other matters* on the following basis:~~

~~(1) references to "relevant persons" are references to *relevant persons*;~~

~~(2) references to "investment services and activities" are references to *regulated activities*;~~

~~(3) references to policies and procedures includes the policies and procedures set out in this Part; and~~

~~(4) references to provision of reports and advice to senior management includes the provision of report and advice to *senior personnel* in accordance with General Organisational Requirements 4.1A.~~[Deleted]

2.2B ~~A *firm* that is not a *MiFID investment firm* must comply with the *Article 23 Risk Control Requirements* on the basis set out in 2.2A and as if references to "investment firm" refer to a *firm*.~~[Deleted]

2.2C In relation to its risk management, a *firm* must:

(1) establish, implement and maintain adequate risk management policies and procedures which identify the risks relating to the *firm's* activities, processes and systems, and where appropriate, set the level of risk tolerated by the *firm*;

(2) adopt effective arrangements, processes and mechanisms to manage the risks relating to the *firm's* activities, processes and systems, in light of that level of risk tolerance; and

(3) monitor the following:

(a) the adequacy and effectiveness of the *firm's* risk management policies and procedures;

(b) the level of compliance by the *firm* and its *relevant persons* with the arrangements, processes and mechanisms adopted in accordance with 2.2C(2); and

(c) the adequacy and effectiveness of measures taken to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms, including failures by the *relevant persons* to comply with such arrangements, processes and mechanisms or follow such policies and procedures.

2.2D A *firm* must, where appropriate and proportionate in view of the nature, scale and complexity of its business and the nature and range of the *relevant services and activities* undertaken in the course of that business, establish and maintain a risk management function that operates independently and carries out the following tasks:

(1) implementation of the policy and procedures referred to in 2.2C(1); and

(2) provision of reports and advice to *senior management* in accordance with General Organisational Requirements 4.7.

2.2E Where a *firm* does not establish a risk management function, on the basis that it is not appropriate or proportionate in view of the nature, scale and complexity of its business, and the nature and range of the *relevant services and activities* undertaken in the course of that business, in accordance with 2.2D, the *firm* must be able to demonstrate upon request to the *PRA* that the policies and procedures which it is has adopted in accordance with 2.2C(1) satisfy the requirements in 2.2C(1) to (3).

…

Annex G

Amendments to the Notifications Part

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

1 APPLICATION AND DEFINITIONS

…

1.2 In this Part, the following definitions shall apply:

…

~~*MiFID Regulation*~~

~~means Commission Regulation (EC) 1287/2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for *investment firms* and defined terms for the purposes of that Directive.~~

…

…

2 GENERAL NOTIFICATION REQUIREMENTS

…

2.4

(1) A *firm* must notify the *PRA* of:

…

(d) ~~a breach of a directly applicable provision in the *MiFID Regulation*~~[deleted];

…

(f) a breach of any requirement in regulation ~~4C(3) (or any successor provision) of the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2007~~6 of the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2017; or

…

…