

**PRA RULEBOOK: CRR FIRMS NON-CRR FIRMS: INDIVIDUAL ACCOUNTABILITY INSTRUMENT
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 60A (Vetting of candidates by relevant authorised persons);
 - (3) section 61 (Determination of applications);
 - (4) section 63E (Certification of employees by relevant authorised persons);
 - (5) section 63F (Issuing of certificates);
 - (6) section 137G (The PRA’s general rules); and
 - (7) 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.

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 2015

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

Commencement

- E. This instrument comes into force on 7 March 2016.

Citation

- F. This instrument may be cited as the PRA Rulebook: CRR Firms Non-CRR Firms: Individual Accountability Instrument 2015.

By order of the Board of the Prudential Regulation Authority

17 March 2015

Annex A

Amendments to the Glossary

In the Glossary Part of the PRA Rulebook, insert the following new definitions:

certificate

means a certificate issued under section 63F(1) of *FSMA* (Issuing of certificates).

certification function

has the meaning given in Certification 2.2 – 2.4.

certification employee

means an employee (within the meaning in section 63E(9) of *FSMA* (certification of employees by relevant authorised persons)) of a *firm* who has a valid *certificate* issued by that *firm*.

FCA controlled function

means a *controlled function* specified by the *FCA* under section 59 of *FSMA* (Approval for particular arrangements).

non-executive director

means a *director* of a *firm* who does not perform an executive function in relation to that *firm*.

PRA approved person

means a *person* approved by the *PRA* under section 59 of *FSMA* (Approval for particular arrangements) to perform a *PRA senior management function*.

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*.

relevant senior management function

has the meaning given in s64A(3) of *FSMA*.

senior insurance management function

means that aspect of any *key function* relating to the carrying on of a *regulated activity* by a *firm*, which is specified by the *PRA* in Insurance – Senior Insurance Management Functions 3 – 10 pursuant to section 59 of *FSMA*.

senior insurance management function holder

means any *person* who is responsible for discharging a *senior insurance management function*.

Annex B

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

Part

SENIOR MANAGEMENT FUNCTIONS

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- 6. CREDIT UNIONS**
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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*.

1.2 In this Part, the following definitions shall apply:

Chairman function

has the meaning given in 4.2.

Chairman of Audit Committee function

has the meaning given in 4.4.

Chairman of Remuneration Committee function

has the meaning given in 4.5.

Chairman of Risk Committee function

has the meaning given in 4.3.

Chief Executive function

has the meaning given in 3.2.

Chief Finance function

has the meaning given in 3.3.

Head of Internal Audit function

has the meaning given in 3.5

Chief Risk function

has the meaning given in 3.4.

Credit Union Senior Manager function

has the meaning given in 6.2.

FCA approval

means at any time an approval granted to and in effect for a *person* by the *FCA* under section 59 of *FSMA* (Approval for particular arrangements) for the performance of a *controlled function* specified by the *FCA*.

FCA governing function

means a *controlled function* specified by the *FCA* in SUP 10C.5 of the *FCA Handbook*.

FCA responsibilities

means any of the functions referred to in

- (1) SYSC 4.7.7R (Table of senior management responsibilities); and
- (2) SYSC 4 Annex 1G (The main business areas and management functions of a relevant authorised person),

of the *FCA Handbook*.

Group Entity Senior Manager function

has the meaning given in 5.2.

Head of Key Business Area function

has the meaning given in 3.6.

Senior Independent Director function

has the meaning given in 4.6.

1.3 This Part does not apply to a function performed by:

- (1) a *person* acting as an insolvency practitioner within the meaning of section 388 of the Insolvency Act 1986; or
- (2) a *person* acting as a nominee in relation to a voluntary arrangement under Parts I (Company Voluntary Arrangements) and VIII (Individual Voluntary Arrangements) of the Insolvency Act 1986; or
- (3) a *person* acting as an insolvency practitioner within the meaning of Article 3 of the Insolvency (Northern Ireland) Order 1989; or
- (4) a *person* acting as a nominee in relation to a voluntary arrangement under Parts II (Company Voluntary Arrangements) and VIII (Individual Voluntary arrangements) of the Insolvency (Northern Ireland) Order 1989.

2 GENERAL

2.1 Each of the functions in 3- 6 is a *controlled function*.

- 2.2 (1) A *firm* (other than a *credit union*) must ensure that one or more *person* performs each of the following *PRA senior management functions* on its behalf:
- (a) the *Chief Executive function*;
 - (b) the *Chief Finance function*; and
 - (c) the *Chairman function*.
- (2) If a vacancy arises in respect of one or more of the *PRA senior management functions* set out in (1), a *firm* must ensure that it appoints a *person* to fill that vacancy as soon as practicable.

2.3 To the extent that,

- (1) a *firm* appoints a *person* to perform a function which, but for this rule, would be a *PRA senior management function*;
 - (2) the appointment is solely to provide cover for a *PRA approved person* whose absence is:
 - (a) temporary; or
 - (b) reasonably unforeseen; and
 - (3) the appointment is for less than 12 weeks in a consecutive 12-month period,
- the description of that *PRA senior management function* does not relate to those activities of that *person*.

- 2.4
- (1) If a *person* has been approved to perform a *PRA senior management function* in relation to a *firm* and also performs a function which would, except for SUP10C.9.8R of the *FCA Handbook*, be an *FCA governing function* (such function, the *FCA activities*) performance of the *PRA senior management function* will include the performance of those *FCA activities*, provided the following conditions are met:
 - (a) the *PRA*'s approval to perform a *PRA senior management function* has been granted and continues in force;
 - (b) at the time of approval being granted by the *PRA*, that *person* was not subject to an *FCA approval* to perform that particular *FCA governing function*;
 - (c) the *firm* made the notification required by SUP10.9.8 R (4) of the *FCA Handbook*; and
 - (d) that *person* performs and is continuing to perform those *FCA activities*.
 - (2) If a *person* has been approved to perform a *PRA senior management function* in relation to a *firm* which includes performance of *FCA activities* in the circumstances set out in (1), and that *person*:
 - (a) ceases to perform the *PRA senior management function*;
 - (b) within three months of ceasing performance, is approved to perform a new *PRA senior management function*; and
 - (c) continues to perform the *FCA activities*,

performance of the new *PRA senior management function* will include the performance of those *FCA activities*, provided the conditions in (1) (a)-(d) are met.

- 2.5
- If a *PRA approved person* who has been performing a *PRA senior management function* which includes *FCA activities* in the circumstances set out in 2.4, ceases to perform a *PRA senior management function* but continues to perform the *FCA activities*, 2.4 will continue to apply in respect of the performance of the *FCA activities* until the earlier of:
- (1) approval by the *FCA* in respect of the performance by that person of those *FCA activities* as an *FCA governing function* in relation to the firm; or
 - (2) three *months* from the time that the *person* ceased to perform that *PRA senior management function*.

- 2.6 If a *PRA approved person*:
- (1) (other than in the circumstances set out in 2.4 or 2.5), performs one or more *FCA responsibilities* allocated under SYSC 4.7.5R of the *FCA Handbook*;
 - (2) ceases to perform any *PRA senior management function*; and
 - (3) that *person* does not have an *FCA approval* to perform an *FCA controlled function* in relation to that firm

the functions in (1) will continue to be part of the *PRA senior management function* which the *person* most recently performed for that *firm*) until the earlier of:

- (1) approval by the *FCA* in respect of the performance by that person of an *FCA controlled function* in relation to the *firm*; or
 - (2) three *months* from the time that the *person* ceased to perform that *PRA senior management function*.
- 2.7 (1) A *firm* must take all reasonable steps to ensure that before a *person*:
- (a) begins to perform a *PRA senior management function*; or
 - (b) begins to perform new or revised responsibilities in performance of a *PRA senior management function*
- that *person* is provided with all of the information and materials that the *person* may reasonably expect in order to perform that *PRA senior management function* or those new or revised responsibilities effectively and in accordance with the *regulatory system*.
- (2) A *firm* must have a policy about how it complies with (1) including the systems and controls it uses and must maintain adequate records of the steps taken to comply with (1).

3 EXECUTIVE

- 3.1 This Chapter does not apply to a *credit union*.
- 3.2 The *Chief Executive function* (SMF1) is the function of having responsibility, under the immediate authority of the *governing body*, alone or jointly with others, for carrying out the management of the conduct of the whole of the business (or relevant activities) of a *firm*.
- 3.3 The *Chief Finance function* (SMF2) is the function of having responsibility for management of the financial resources of a *firm* and reporting directly to the *governing body* of the *firm* in relation to its financial affairs.
- 3.4 The *Chief Risk function* (SMF4) is the function of having responsibility for overall management of the risk controls of a *firm*, including the setting and managing of its risk exposures, and reporting directly to the *governing body* of the *firm* in relation to its risk management arrangements.

- 3.5 The *Head of Internal Audit function* (SMF5) is the function of having responsibility for management of the internal audit function of a *firm* and for reporting directly to the *governing body* of the *firm* on the internal audit function.
- 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*, 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
 - (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*.
- 3.7 For the purposes of 3.6, the gross total assets of the business area or division of the *firm* and the percentage of the gross revenue of the *firm* or *group* shall be determined on the basis of either:
- (1) the assets and revenues for the business area or division, and the *firm* or *group*, as the case may be, for the *firm's* financial year immediately preceding that in which the *person* is allocated with the specified responsibilities; or
 - (2) if the threshold amount is not met for that period, on the basis of the annual average amount calculated across a rolling period of five years (calculated by reference to the *firm's* annual accounting date). Where the *firm* or the business area or division has been in existence for less than five years, the calculation will be made on the basis of the annual average amount for the period during which the *firm* or that business line or division has existed (calculated by reference to the *firm's* annual accounting date).

4 OVERSIGHT

- 4.1 This Chapter does not apply to a *credit union*.
- 4.2 The *Chairman function* (SMF9) is the function of having responsibility for chairing, and overseeing the performance of the role of, the *governing body* of a *firm*.
- 4.3 The *Chairman of Risk Committee function* (SMF10) is the function of having responsibility for chairing, and overseeing the performance of any committee responsible for the oversight of the risk management systems, policies and procedures of a *firm* specified in SYSC 7.1 of the *PRA Handbook*, including where applicable to the *firm*, a committee established in accordance with SYSC 7.1.18R of the *PRA Handbook*.
- 4.4 The *Chairman of Audit Committee function* (SMF11) is the function of having responsibility for chairing, and overseeing the performance of any committee responsible for the internal audit system of a *firm* specified in SYSC 6.2 of the *PRA Handbook*.
- 4.5 The *Chairman of Remuneration Committee function* (SMF12) is the function of having responsibility for chairing, and overseeing the performance of any committee responsible for

the oversight of the design and the implementation of the remuneration policies of a *firm*, including where applicable to the firm, a committee established in accordance with SYSC 19A.3.12R of the *PRA Handbook*.

- 4.6 The *Senior Independent Director function* (SMF14) is the function of performing the role of a senior independent *director*, and having particular responsibility for leading the assessment of the performance of the *person* performing the *Chairman function*.

5 GROUP ENTITIES

- 5.1 This Chapter does not apply to a *credit union*.
- 5.2 The *Group Entity Senior Manager function* (SMF7) is the function of having a significant influence on the management or conduct of one or more aspects of the affairs of a *firm* in relation to its *regulated activities* (other than in the course of the performance of another *PRA senior management function*) and which is performed by a *person* employed by, or an officer of:
- (1) a *parent undertaking* or *holding company* of a *firm*; or
 - (2) another *undertaking* which is a member of the *firm's group*.

6 CREDIT UNIONS

- 6.1 This Chapter applies only to a *credit union*.
- 6.2 The *Credit Union Senior Manager function* (SMF8) is the function of having responsibility for the conduct of, and/or chairing the committee of management of a *credit union*.
- 6.3
- (1) A *credit union* must ensure that at least one *person* performs the *Credit Union Senior Manager function* on its behalf.
 - (2) If a vacancy arises in respect of the *Credit Union Senior Manager function*, a *credit union* must ensure that it appoints a *person* to fill that vacancy as soon as practicable.

7 COMBINATION OF SENIOR MANAGEMENT FUNCTIONS

- 7.1 Except as otherwise provided in this Chapter, a *person* may perform more than one *PRA senior management function* on behalf of a *firm*.
- 7.2 A *firm* must ensure that a *person* who performs the *Chairman function* on its behalf does not simultaneously perform the *Chief Executive function* within the same *firm*.

[Note: Art. 88(1)(e) of CRD]

Annex C

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

Part

ALLOCATION OF RESPONSIBILITIES

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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*.

1.2 In this Part, the following definitions shall apply:

ancillary services

means any of the services listed in Section B of Annex I to *MiFID*.

certification rules

means the rules set out in Certification of Employees.

Chairman function

has the meaning given in Senior Management Functions 4.2.

Chief Risk function

has the meaning given in Senior Management Functions 3.4.

compliance oversight function

means an *FCA controlled function* specified in SUP 10C.6.1R of the *FCA Handbook*.

Credit Union Senior Manager function

has the meaning given in Senior Management Functions 6.2.

FCA approved person

means a *person* approved to perform an *FCA controlled function* by the *FCA* under section 59 of *FSMA*.

FCA Chairman of nomination committee function

means an *FCA controlled function* specified in SUP 10C.5.2R of the *FCA Handbook*.

FCA designated senior management function

means an *FCA controlled function* specified in SUP 10C.4.3R of the *FCA Handbook*.

FCA significant responsibility senior management function

means the *FCA controlled function* specified in SUP10C.7.1R of the *FCA Handbook*.

FCA business functions

means any of the functions set out in SUP10C Annex 1R of the *FCA Handbook*.

FCA responsibilities

means any of the functions set out in

- (1) SYSC 4.7.7R (Table of FCA Prescribed senior management responsibilities); and
- (2) SYSC 4 Annex 1G (The main business activities and functions of a relevant authorised person),

of the *FCA Handbook*.

Group Entity Senior Manager function

has the meaning given in Senior Management Functions 5.2.

management responsibilities map

has the meaning given in 6.

oversight PRA senior management function

means a *PRA senior management function* set out in Senior Management Functions 4.

prescribed responsibility

means one of the responsibilities in 4.1 and 4.2.

proprietary trading

means

- (a) the *regulated activity* of *dealing in investments as principal* as specified in Article 14 of the *Regulated Activities Order* (Dealing in investments as principal), disregarding the exclusion in Article 15 of the *Regulated Activities Order* (Absence of holding out etc.); and
- (b) *ancillary activities* and (in relation to *MiFID business*) *ancillary services* carried out in relation to the *regulated activity*.

recovery plan

has the meaning given in Recovery Plans 1.2.

resolution pack

has the meaning given in Resolution Pack 1.2.

ring-fencing requirement

means any requirement imposed on a *ring-fenced body* by or under *FSMA*, as a consequence of it being a *ring-fenced body*, including any *ring-fencing rule* or under s142G of *FSMA*.

ring-fenced body prescribed responsibility

means the responsibility in 4.2(4).

senior management regime

means the requirements of the *regulatory system* which apply to *relevant authorised persons* insofar as they relate to *approved persons performing PRA senior management functions* and *FCA designated senior management functions*, including those set out in Senior Management Functions and Allocation of Responsibilities.

small CRR firm

means a *CRR firm* which has gross total assets of £250 million or less, determined on the basis of the annual average amount calculated across a rolling period of five years (calculated by reference to the *firm's* annual accounting date). Where the *firm* has been in existence for less than five years, the calculation will be made on the basis of the annual average amount for the period during which the *firm* has been in existence (calculated by reference to the *firm's* annual accounting date).

small firm prescribed responsibility

has the meaning given in 5.2.

statement of responsibilities

means a statement of the affairs of a *relevant authorised person* for which it is intended that a *person* who performs (or is subject to an application to perform) a *PRA senior management function* is (or will be) responsible.

1.3 This Part does not apply to a function performed by:

- (1) a *person* acting as an insolvency practitioner within the meaning of section 388 of the Insolvency Act 1986; or
- (2) a *person* acting as a nominee in relation to a voluntary arrangement under Parts I (Company Voluntary Arrangements) and VIII (Individual Voluntary Arrangements) of the Insolvency Act 1986; or
- (3) a *person* acting as an insolvency practitioner within the meaning of Article 3 of the Insolvency (Northern Ireland) Order 1989; or
- (4) a *person* acting as a nominee in relation to a voluntary arrangement under Parts II (Company Voluntary Arrangements) and VIII (Individual Voluntary arrangements) of the Insolvency (Northern Ireland) Order 1989.

2 STATEMENT OF RESPONSIBILITIES

- 2.1 A *firm* must ensure that any application it makes for the approval of a *person* to perform a *PRA senior management function* is accompanied by a *statement of responsibilities*.
- 2.2 A *firm* must ensure that the *statement of responsibilities* accompanying an application for approval to perform a *PRA senior management function* in relation to it includes any *prescribed responsibilities*, *small firm prescribed responsibilities*, *FCA responsibilities* and other responsibilities allocated to, and which are to form part of the responsibilities of, that *person*.
- 2.3 A *firm* must ensure that any responsibilities allocated to, and that form part of the responsibilities of, a *person* who performs a *PRA senior management function* in relation to it are consistent with the scope of that *PRA senior management function* and of any *prescribed*

responsibilities, small firm prescribed responsibilities, FCA responsibilities and other responsibilities allocated to that person.

3 ALLOCATION OF RESPONSIBILITIES

- 3.1 (1) A *firm* (other than a *small CRR firm* or a *credit union*) must allocate each of the *prescribed responsibilities* set out in 4.1 (other than 4.1(13) to (19)) to one or more *persons* who perform:
- (a) a *PRA senior management function*; or
 - (b) subject to 3.5(1), an *FCA designated senior management function*
- on behalf of the *firm*.
- (2) If the circumstances set out in a *prescribed responsibility* in 4.2 (1), (2), or (3) apply to a *firm* (other than a *small CRR firm* or a *credit union*), the *firm* must allocate the *prescribed responsibility* to one or more *persons* who perform:
- (a) a *PRA senior management function*; or
 - (b) subject to 3.5(1), an *FCA designated senior management functions*
- on behalf of the *firm*.
- 3.2 (1) A *firm* (other than a *small CRR firm* or a *credit union*) must allocate each of the *prescribed responsibilities* in 4.1(13) to (19) to one or more *persons* who perform:
- (a) an *oversight PRA senior management function*; or
 - (c) the *FCA Chairman of nomination committee function*
- on behalf of the *firm*.
- 3.3 (1) A *small CRR firm* must allocate each of the *small firm prescribed responsibilities* to one or more *persons* who perform:
- (a) a *PRA senior management function*; or
 - (b) subject to 3.5(2), an *FCA designated senior management function*
- on behalf of the *small CRR firm*.
- (2) A *credit union* must allocate each of the *small firm prescribed responsibilities* to one or more *persons* who perform:
- (a) the *Credit Union Senior Manager function*; or
 - (b) subject to 3.5(2), an *FCA designated senior management function*
- on behalf of the *credit union*.
- 3.4 A *firm* which is a *ring-fenced body* must ensure that the *ring-fenced body prescribed responsibility* is allocated to each *person* who:
- (1) performs a *PRA senior management function* or an *FCA designated senior management function*; and

- (2) is responsible for managing any area of the *ring-fenced body's* business that is subject to a *ring-fencing requirement*

on behalf of the *firm*.

- 3.5 (1) A *firm* must not allocate a *prescribed responsibility* to a *person* who performs an *FCA significant responsibility senior management function*.
- (2) A *small CRR firm* or a *credit union* must not allocate a *small firm prescribed responsibility* to a *person* who performs an *FCA significant responsibility senior management function*.

4 PRESCRIBED RESPONSIBILITIES

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

- (1) responsibility for the *firm's* performance of its obligations under the *senior management regime*;
- (2) responsibility for the *firm's* performance of its obligations under the *certification rules*;
- (3) responsibility for compliance with the *firm's* obligations in relation to its *management responsibilities map*;
- (4) responsibility for the allocation of all *prescribed responsibilities* in accordance with 3.1;
- (5) responsibility for monitoring effective implementation of policies and procedures for the induction, training and professional development of *senior management*, other than members of the *governing body*;
- (6) responsibility for overseeing the adoption of the *firm's* culture in the day-to-day management of the *firm*;
- (7) responsibility for managing the allocation and maintenance of the *firm's* capital, funding and liquidity;
- (8) responsibility for the *firm's* treasury management functions;
- (9) responsibility for the production and integrity of the *firm's* financial information and its regulatory reporting under the *regulatory system*;
- (10) responsibility for developing and maintaining the *firm's recovery plan* and *resolution pack* and for overseeing the internal processes regarding their governance;
- (11) responsibility for managing the *firm's* internal stress-tests and ensuring the accuracy and timeliness of information provided to the *PRA* and other regulatory bodies for the purposes of stress- testing;
- (12) responsibility for the development and maintenance of the *firm's* business model by the *governing body*;
- (13) responsibility for leading the development and monitoring effective implementation of policies and procedures for the induction, training and professional development of all members of the *firm's governing body*;

- (14) responsibility for leading the development of the *firm's* culture by the *governing body* as a whole;
- (15) responsibility for safeguarding the independence of, and overseeing the performance of, the internal audit function, including the performance of a *person* approved to perform the *Head of Internal Audit function* on behalf of the *firm*, in accordance with SYSC 6.2 (Internal audit) of the *PRA Handbook*;
- (16) responsibility for safeguarding the independence of, and overseeing the performance of, the compliance function, including the performance of a *person* approved by the *FCA* to perform the *compliance oversight function* on behalf of the *firm*, in accordance with SYSC 6.1 (Compliance) of the *PRA Handbook*;
- (17) responsibility for safeguarding the independence of, and overseeing of the performance of, the risk function, including the performance of a *person* approved to perform the *Chief Risk function* on behalf of the *firm*, in accordance with SYSC 7.1.21R and SYSC 7.1.22R (Risk control) of the *PRA Handbook*;
- (18) responsibility for developing and overseeing the firm's remuneration policies and practices in accordance with SYSC 19A (Remuneration Code) of the *PRA Handbook*;
- (19) responsibility for the independence, autonomy and effectiveness of the *firm's* policies and procedures on whistleblowing, including the procedures for protection of staff who raise concerns from detrimental treatment.

4.2 Each of the responsibilities set out in this rule is a *prescribed responsibility* in the circumstances specified:

- (1) if the firm carries out *proprietary trading*, responsibility for the *firm's proprietary trading* activities;
- (2) if the *firm* does not have a *person* who performs the *Chief Risk function*, responsibility for the compliance of the firm's risk management systems, policies and procedures with the requirements of SYSC 7.1.2R to SYSC 7.1.5R of the *PRA Handbook*;
- (3) if the *firm* outsources its internal audit function, responsibility for taking reasonable steps to ensure that every *person* involved in the performance of that function is independent from the *persons* who perform external audit, including:
 - (a) supervision and management of the work of outsourced internal auditors; and
 - (b) management of potential conflicts of interest between the provision of external audit and internal audit services;
- (4) if the *firm* is a *ring-fenced body*, responsibility for ensuring that those aspects of the *firm's* affairs for which a person is responsible for managing are in compliance with the *ring-fencing requirements*.

5 PRESCRIBED RESPONSIBILITIES: SMALL FIRMS

5.1 This Chapter applies only to

- (1) a small *CRR firm*; and
- (2) a *credit union*.

- 5.2 Each of the responsibilities listed in this rule is a *small firm prescribed responsibility*:
- (1) each of the *prescribed responsibilities* in 4.1(1) – (3);
 - (2) responsibility for allocation of all *small firm prescribed responsibilities* in accordance with 3.3(1) or (2), as the case may be;
 - (3) responsibility for implementing and managing the *firm's* risk management policies and procedures;
 - (4) responsibility for managing the systems and controls of the *firm*;
 - (5) responsibility for managing the *firm's* financial resources; and
 - (6) responsibility for ensuring the *governing body* is informed of its legal and regulatory obligations.

6 RECORDS

- 6.1 A *firm* must at all times have a comprehensive and up-to-date single document (a *management responsibilities map*) that describes the *firm's* management and governance arrangements including:
- (1) details of the reporting lines and the lines of responsibility; and
 - (2) reasonable details about the *persons* who are part of these arrangements;
 - (3) the responsibilities of those *persons*.
- 6.2 A *management responsibilities map* must in particular include:
- (1) the names of all the *firm's approved persons* (including *FCA approved persons*), *senior management* and the responsibilities held by each, including all *FCA business functions* and *FCA responsibilities*;
 - (2) if any *PRA senior management functions* or *FCA designated senior management functions* are performed by more than one *person*, or any *prescribed responsibilities* or *small firm prescribed responsibilities*, as the case may be, are allocated to more than one *person*, details of how the performance or discharge of the responsibilities is to be carried out by those *persons*;
 - (3) matters reserved to the *management body* (including the terms of reference of its committees);
 - (4) where the *firm* is a member of a *group*;
 - (a) how the *firm's* management and governance arrangements fit together with those of its *group* and the extent to which the *firm's* management and governance arrangements are provided by or shared with other members of its *group*; and
 - (b) details of the reporting lines and the lines of responsibility (if any) to *persons* who are *employees* or officers of other *group* members or to committees or other bodies of the *group* or of other *group* members; and

(5) details of how the matters set out in (1) to (4) fit into the *firm's* management and governance arrangements as a whole.

6.3 If the content of a *statement of responsibilities* is modified or revised, a *firm* must send a copy of that revised *statement of responsibilities* to the *PRA* as soon as possible.

6.4 A *firm* must retain a copy of each version of:

(1) its *management responsibilities map*; and

(2) the *statement of responsibilities* for each person who performs or has performed a *PRA senior management function* for the *firm*

for a period of ten years from the date on which the *management responsibilities map* or the *statement of responsibilities*, as the case may be, is superseded by a more up-to-date version.

7 CHAIRMAN'S OFFICE

7.1 A *firm* must ensure that the office of the *Chairman function* has resources that are adequate as to both quality and quantity to enable it to fulfil its role within the *firm*.

Annex D

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

Part

CERTIFICATION

Chapter content

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

Links

Material Risk Takers Regulation

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*.

1.2 In this Part, the following definitions shall apply:

employee

in relation to a *firm*, includes any *person* within the description set out in section 63E(9) of *FSMA*.

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*; or
- (2) any *employee* of a *credit union* who:
 - (a) is a member of the *governing body*;
 - (b) is a member of the *senior management*;
 - (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.

1.3 This Part does not apply to a function performed by:

- (1) a *person* acting as an insolvency practitioner within the meaning of section 388 of the *Insolvency Act 1986*;
- (2) a *person* acting as a nominee in relation to a voluntary arrangement under Part I (*Company Voluntary Arrangements*) of the *Insolvency Act 1986*;
- (3) a *person* acting as an insolvency practitioner within the meaning of Article 3 of the *Insolvency (Northern Ireland) Order 1989*; or

- (4) a *person* acting as a nominee in relation to a voluntary arrangement under Part II (Company Voluntary Arrangements) of the Insolvency (Northern Ireland) Order 1989.

2 PERFORMANCE OF CERTIFICATION FUNCTIONS

- 2.1 A *firm* must take reasonable care to ensure that none of its *employees* performs a *certification function* under an arrangement entered into by the *firm* in relation to the carrying on by the *firm* of a *regulated activity*, unless the *employee* has a valid *certificate* issued by the *firm*.
- 2.2 For the purposes of this Part, any function that is performed by a *significant risk taker* for a *firm* is a *certification function* to the extent that the function requires the *significant risk taker* to be involved in one or more aspects of the *firm's* affairs, so far as relating to a *regulated activity* carried on by the *firm*.
- 2.3 However, a *significant risk taker* does not perform a *certification function* for a *firm* under 2.2 if the *significant risk taker* is performing any *controlled function* for that *firm*.
- 2.4 To the extent that:
- (1) a *firm* appoints a *person* to perform a function which, but for this rule, would be a *certification function*;
 - (2) the appointment solely is to provide cover for a *certification employee* whose absence is reasonably unforeseen; and
 - (3) the appointment is for less than four weeks;
- such a *person* does not perform a *certification function*.

Annex E

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

Part

FITNESS AND PROPRIETY

Chapter content

- 1. APPLICATION AND DEFINITIONS**
- 2. FITNESS AND PROPRIETY ASSESSMENTS BY FIRMS**

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*.
- 1.2 The matters referred to in 2 are relevant to the *PRA*'s determination of whether a *person* to whom a *senior management application* relates is fit and proper.
- 1.3 In this Part, the following definitions shall apply:
- senior management application*

means an application for the *PRA*'s approval under section 59 of *FSMA*.

2 FITNESS AND PROPRIETY ASSESSMENTS BY FIRMS

- 2.1
- (1) A *firm* must not make a *senior management application* in relation to a *person* unless it is satisfied that *person* is fit and proper to perform the *PRA senior management function* to which the application relates.
 - (2) A *firm* must not issue a *certificate* in relation to a *person*, unless it is satisfied that *person* is fit and proper to perform the *certification function* to which the *certificate* relates.
 - (3) In deciding whether a *person* is fit and proper, a *firm* must be satisfied the *person*:
 - (a) has the personal characteristics (including being of good repute and integrity);
 - (b) possesses the level of competence, knowledge and experience;
 - (c) has the qualifications; and
 - (d) has undergone or is undergoing all training,
required to enable such *person* to perform his or her function effectively and in accordance with any relevant regulatory requirements, including those under the *regulatory system*, and to enable sound and prudent management of the *firm*.
 - (4) Before deciding whether a *person* is fit and proper, a *firm* must take reasonable steps to obtain appropriate references from that *person*'s previous employers covering at least the past five years.
 - (5) In deciding whether a *person* (P) is fit and proper in connection with a *senior management application*, a *firm* must:
 - (a) obtain P's consent for the *firm* to request the fullest information in relation to P that it is lawfully able to request under the Police Act 1997 (Certificates of Criminal records, etc) and related subordinated legislation of the *UK* or any part of the *UK*;
 - (b) if P has lived or worked outside the *UK* for a material time in the previous five years, obtain P's consent for the *firm* to request the fullest information in

relation to P that it is lawfully able to request under equivalent overseas legislation; and

(c) request, and have regard to, such information.