

**PRA RULEBOOK: CRR FIRMS NON-CRR FIRMS: INDIVIDUAL ACCOUNTABILITY INSTRUMENT
(NO 3) 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 61 (Determination of applications);
 - (4) section 63F (Issuing of certificates);
 - (5) section 64A (Rules of conduct);
 - (6) section 137G (The PRA's general rules);
 - (7) section 137T (General supplementary powers); and
 - (8) 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.

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 3) 2015

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

Commencement

- E. This instrument comes into force as follows:

Annex	Comes into force
Annex A	1 September 2015
Annexes B to F	7 March 2016
Annex G	7 March 2017

Citation

- F. This instrument may be cited as the PRA Rulebook: CRR Firms Non-CRR Firms: Individual Accountability Instrument (No 3) 2015.

By order of the Board of the Prudential Regulation Authority

31 July 2015

Annex A

Amendments to the Certification Part

In this Annex deleted text is struck through.

Part

CERTIFICATION

Chapter content

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

Links

...

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. [Not in force]~~

...

Annex B

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

Part

SENIOR MANAGEMENT FUNCTIONS

Chapter content

1. APPLICATION AND DEFINITIONS
2. GENERAL
3. EXECUTIVE
4. OVERSIGHT
5. GROUP ENTITIES
6. CREDIT UNIONS
7. UK BRANCH OF OVERSEAS FIRM
- ~~7.~~ 8. COMBINATION OF SENIOR MANAGEMENT FUNCTIONS

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:

...

FCA responsibilities

means any of

- (1) the functions ~~referred to~~ set out in SYSC 4.7.7R (Table of senior management responsibilities) of the *FCA Handbook*; ~~and~~
- (2) the responsibilities allocated under SYSC 4.7.8R of the *FCA Handbook*;
- (3) the functions set out in SYSC 4.8.9 R (Table: the FCA prescribed senior management responsibilities for third country relevant authorised persons) of the *FCA Handbook*; and
- (4) the responsibilities allocated under SYSC 4.8.10 R of the *FCA Handbook*.

...

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

...

- (4) a *person* acting as a nominee in relation to a voluntary arrangement under Part II (~~45~~ (Company Voluntary Arrangements) of the Insolvency (Northern Ireland) Order 1989.

2 GENERAL

2.1 Each of the functions in ~~3–6~~ to 7 is a *controlled function*.

2.2 (1) A *firm* (other than a *credit union* or a *third country CRR firm*) 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*.

...

- 2.4 (1) If a *person* has been approved to perform a *PRA senior management function* in relation to a *firm* and also performs *FCA activities* a function which would, except for SUP10C.9.8R of the *FCA Handbook*, be an *FCA governing function*, performance of the *PRA senior management function* will include the performance of those *FCA activities*, provided the following conditions are met:

.....

- 2.5 If a *PRA approved person* who has been performing a *PRA senior management function* which includes performance of *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:

...

3 EXECUTIVE

....

- 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* (other than a *third country CRR firm*).

....

- 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* (other than a *third country CRR firm*), where:

...

4 OVERSIGHT

- 4.1 This Chapter does not apply to a *credit union* or a *third country CRR firm*.

....

7 UK BRANCH OF OVERSEAS FIRM

- 7.1 This Chapter applies only to a *third country CRR firm* in relation to the activities of its establishment in the *UK*.

- 7.2 The *Head of Overseas Branch function* (SMF 19) is the function of having responsibility alone or jointly with others, for the conduct of all activities of the *UK* establishment of a *third country firm* which are subject to the *UK regulatory system*.

- 7.3 (1) A *third country CRR firm* must ensure that at least one *person* performs the *Head of Overseas Branch function* on its behalf.
- (2) If a vacancy arises in respect of the *Head of Overseas Branch function*, a *third country CRR firm* must ensure that it appoints a *person* to fill that vacancy as soon as practicable.

8.7 COMBINATION OF SENIOR MANAGEMENT FUNCTIONS

- 87.1 Except as otherwise provided in this Chapter, a *person* may perform more than one *PRA senior management function* on behalf of a *firm*.
- 87.2 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, new text is underlined and deleted text is struck through.

Part

ALLOCATION OF RESPONSIBILITIES

Chapter content

1. APPLICATION AND DEFINITIONS
2. STATEMENT OF RESPONSIBILITIES
3. ALLOCATION OF RESPONSIBILITIES
4. PRESCRIBED RESPONSIBILITIES
5. PRESCRIBED RESPONSIBILITIES: SMALL FIRMS
6. PRESCRIBED RESPONSIBILITIES: UK BRANCHES
- ~~7.~~ RECORDS
- ~~8.~~ CHAIRMAN'S OFFICE

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:

...

FCA other local responsibility senior management function

means the *controlled function* specified in SUP 10C.8.1R of the *FCA Handbook*.

...

FCA responsibilities

means any of:

- (1) ~~any of the *responsibilities-functions* set out in SYSC 4.7.7R (Table of *FCA Prescribed senior management responsibilities*) of the *FCA Handbook* ; and~~
- (2) the *any responsibilities responsibility* allocated under SYSC 4.7.8R of the *FCA Handbook*;
- (3) the *functions* set out in SYSC 4.8.9R (Table: the *FCA prescribed senior management responsibilities for third country relevant authorised persons*) of the *FCA Handbook*); and
- (4) the *responsibilities* allocated under SYSC 4.8.10R of the *FCA Handbook*.

....

statement of responsibilities

means a statement of the affairs of a *relevant authorised person* or a *third country CRR firm* 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.

UK branch prescribed responsibility

means one of the *responsibilities* in 6.2.

2 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, UK branch 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, UK branch 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 or a third country CRR firm*) 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 3.65(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 or a third country CRR firm*), the *firm* must allocate the *prescribed responsibility* to one or more *persons* who perform:
- (a) a *PRA senior management function*; or
 - (b) subject to 3.65(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 or a third country CRR firm*) 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 3.65(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 3.65(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, subject to 3.65(1), 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 obligation*

on behalf of the *firm*.

3.5 A *third country CRR firm* must allocate each of the *UK branch prescribed responsibilities* to one or more *persons* who perform:

- (1) a *PRA senior management function*; or
- (2) subject to 3.6(3), an *FCA designated senior management function*

on behalf of the *third country CRR firm*.

~~3.63-5~~ (1) A *firm* must not allocate a *prescribed responsibility* to a *person* who performs an *FCA other overall 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 other overall responsibility senior management function*.

(3) A *third country CRR firm* must not allocate a *prescribed responsibility* to a *person* who performs an *FCA other local responsibility senior management function*.

...

5 PRESCRIBED RESPONSIBILITIES: SMALL FIRMS

...

5.2 Each of the responsibilities set out in this rule is a *small firm responsibility*:

...

- (5) responsibility for managing the firm's financial resources; and

...

6 PRESCRIBED RESPONSIBILITIES: UK BRANCHES

6.1 This chapter applies only to a *third country CRR firm* in relation to the activities of its establishment in the *UK*.

6.2 Each of the responsibilities set out in this rule is a *UK branch prescribed responsibility*.

- (1) responsibility for the *firm's* performance of its obligations under the *senior management regime*, including implementation and oversight;
- (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 management of the *firm's* risk management processes in the UK;
- (5) responsibility for the *firm's* compliance with the *UK regulatory system* applicable to the *firm*;
- (6) responsibility for the escalation of correspondence from the *PRA, FCA* and other *regulators* in respect of the *firm* to the *governing body* and or the *management body* of the *firm*, or ,where appropriate , of the *parent undertaking* or *holding company* of the *firm's group*;
- (7) responsibility for management of the *firm's* systems and controls in the UK;
- (8) responsibility for the allocation of all *UK branch prescribed responsibilities* in accordance with 3.5;
- (9) responsibility for management of the *firm's* liquidity or, where a liquidity waiver is in place, the submission of information to the *PRA* on the *firm's* liquidity position;
- (10) responsibility for the production and integrity of the *firm's* financial information and its regulatory reporting in respect of its *regulated activities*.

76 RECORDS

- 76.1 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:
-
- 76.2 A *management responsibilities map* must in particular include:
- ...
- (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*~~ or *UK branch 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) including, in the case of a *third country CRR firm*, the equivalent body (or its committees) responsible for the management of the *third country CRR firm's* business and activities in the *UK*;
-
- 76.3 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.

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

...

87 CHAIRMAN'S OFFICE

87.1 A *firm* (other than a *third country CRR 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, new text is underlined and deleted text is struck through.

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

1 APPLICATION AND DEFINITIONS

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

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

...

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 statement of responsibilities must be in the form set out [here](#).

....

8 FORMS

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

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

(3) Form B ~~C~~ may be found [here](#).

(4) Form C ~~D~~ may be found [here](#).

(5) Form D ~~E~~ may be found [here](#).

(6) Form E ~~F~~ may be found [here](#).

(7) Form I ~~J~~ may be found [here](#).

(8) Form J ~~L~~ may be found [here](#).

Annex E

Amendments to the Fitness and Propriety Part

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

Part

FITNESS AND PROPRIETY

Chapter content

- 1. APPLICATION AND DEFINITIONS**
- 2. FITNESS AND PROPRIETY ASSESSMENTS BY FIRMS**
- 3. CONDUCT STANDARDS**
- 4. NOTIFIED NON-EXECUTIVE DIRECTORS – NOTIFICATIONS**
- 5. [REGULATORY REFERENCES - not yet in force]**
- 6. FITNESS AND PROPRIETY TRANSITIONAL PROVISIONS**

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*.

...

...

2 FITNESS AND PROPRIETY ASSESSMENTS BY FIRMS

...

2.4 A *firm* other than a *third country CRR firm* must ensure that each member of its *management body* is at all times fit and proper.

[Article 91(1) CRD IV]

2.5 A *third country CRR firm* must ensure that each person who performs a *PRA senior management function* in relation to its *UK* establishment is at all times fit and proper.

2.56 In deciding whether a *person* is fit and proper, a *firm* must be satisfied that the *person*:

...

2.67 Before deciding whether a *person* is fit and proper, a *firm* must take reasonable steps to obtain appropriate references covering at least the past 5 years from that *person's* current and previous employers, and from organisations at which that *person* served as, or is currently, a non-executive director.

2.78 In deciding whether a *person* (P) is fit and proper in connection with a *senior management application* or on appointment as a *notified non-executive director* or *credit union non-executive director*, a *firm* must:

...

2.89 If a *firm* engages a *person* for a continuous period of time it is only required to comply with 2.67 and 2.78 the first time it determines that *person* is fit and proper in relation to a *senior management function*, *non-executive director function* or *certification function*.

...

4 NOTIFIED NON-EXECUTIVE DIRECTORS - NOTIFICATIONS

...

4.23 If the notification referred to in 4.2 is in respect of a *person* who, on becoming a *notified non-executive director*, ceases to perform a *PRA senior management function* or an *FCA designated senior management function*, the *firm* is not required to provide information needed to assess the fitness and propriety of that *person* unless there has been a change in the information provided in respect of that *person* regarding fitness and propriety provided to the *PRA* or the *FCA* at the time the application for the approval for performance of the *PRA senior management function* or the *FCA designated senior management function* was made.

4.34 If a *firm* becomes aware of information which would reasonably be material to the assessment of a current or former *notified non-executive director's* fitness and propriety under this Part, it must inform the *PRA* in writing as soon as practicable.

4.45 Where a *firm* replaces an *notified non-executive director* because the *firm* considers that *person* no longer fulfils the requirements of 2.4, the *firm* must notify the *PRA* as soon as reasonably practicable.

4.56 Where a *notified non-executive director* assumes a new role with the *firm* or ceases to be a *director* of the firm, the *firm* must notify the *PRA* in writing as soon as reasonably practicable.

...

6 FITNESS AND PROPRIETY TRANSITIONAL PROVISIONS

6.1 The requirement to obtain regulatory references in accordance with 2.67 does not apply to a *firm* in respect of any *person* to the extent that:

...

6.2 The requirement to obtain regulatory references in accordance with 2.67 does not apply to a *firm* in respect of any *person* who has *continued approval*.

6.3 The requirements of 2.3, 2.67, 2.78 and 4.2 do not apply to a *director* who, in relation to the *firm*:

...

Annex F

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

Part

CONDUCT RULES

Chapter content

1. APPLICATION AND DEFINITIONS
2. INDIVIDUAL CONDUCT RULES
3. SENIOR MANAGER CONDUCT RULES

Links

1 APPLICATION AND DEFINITIONS

1.1 (1) This Part applies to every function a *person* (P) performs in relation to a *firm* (A) 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*.

...

Annex G

Amendments to the Certification Part

In this Annex new text is underlined.

Part

CERTIFICATION

Chapter content

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

Links

...

2 PERFORMANCE OF CERTIFICATION FUNCTIONS

2.1 ~~[Not in force]~~ 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.

...