FINANCIAL CONDUCT AUTHORITY

Consultation Paper

CP26/37***

Senior Managers & Certification Regime Review: Phase 2

October 2026

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Chapter 1

Summary

1.1 We are consulting on a package of reforms to streamline and improve the Senior Managers & Certification Regime (SM&CR). These build on the first phase of reforms set out in Policy Statement PS26/6 and legislative changes proposed by the Government in the Financial Services and Markets (FSM) Bill 2026.

1.2 The changes proposed in the FSM Bill remove many prescriptive SM&CR requirements from legislation. They make regulators responsible for deciding how these requirements should apply in their rules.

1.3 Our reforms aim to maximise the benefit of these changes but depend on the outcome of the parliamentary process. We are consulting alongside the Bill so we can make changes to our own rules as soon as possible after Royal Assent.

1.4 The Government's Financial Services Growth and Competitiveness Strategy sets a shared ambition between the Government, the FCA and the Prudential Regulation Authority (PRA). This is to reduce the regulatory burden of the SM&CR by 50% and reduce the number of roles at banks and insurers that require approval by 40%, while maintaining robust individual accountability.

1.5 Our proposals combined with the PRA's will meet that ambition. The Cost Benefit Analysis (CBA) in Annex 2 provides further detail.

1.6 In developing our proposals, we were guided by the following principles:

- Maintaining robust individual accountability and conduct standards.
- Enabling effective regulation across our authorisation, supervision and enforcement functions.
- Moving to a simpler, outcomes-based regime.
- Being clear about who is regulator-approved and who is firm-assessed.

1.7 Table 1 summarises our main proposals, which are set out in more detail in Chapters 3 to 6.

Table 1: Summary of SM&CR Phase 2 proposals

Senior Managers Regime	***Fewer SMF approvals (Q1-Q5)*** • Make SMF5 and SMF10-15 roles notified. • Remove FCA-only SMF18 and SMF22, with associated responsibilities reallocated to other SMFs. • Clarify and narrow SMF7 definition for solo-regulated firms. • Make transitional arrangements for SMF applications and notifications around commencement.
	Time-limited and conditional approvals (Q6) • Allow dual-regulated firms, solo-regulated firms in dual-regulated groups and Enhanced firms to apply for time-limited or conditional approvals. We expect such requests to be quite rare.
	Raise Enhanced firm thresholds (Q7) • Reform the Significant SYSC firm threshold, and raise other thresholds, so fewer firms are classified as Enhanced.
	Temporary SMF cover: 12-week rule (Q8) • Extend the period for submitting an SMF application or notification under the rule from 12 to 18 weeks. • Replace the 'reasonably unforeseen' test with 'reasonable use'.
	Statements of Responsibilities (SoR) (Q9-Q10) • Remove the requirement to submit revised SoRs to us. Firms will still be required to maintain up-to-date internal SoRs. • Remove SoR requirements where one individual performs all SMF roles in a firm.
	Management Responsibilities Maps (MRM) (Q11) • Remove the requirement to submit revised MRMs to us. Firms will still be required to maintain up-to-date internal MRMs.
	Prescribed Responsibilities (PR) (Q12) • Remove 9 PRs. • Retain the following PRs: ◦ For Core and Enhanced firms: A (Senior Managers Regime), D (financial crime) and Z (CASS). ◦ For Enhanced firms only: J-3 (oversight of outsourced internal audit).
	SMF applications, forms and reporting (Q13-Q14) • Remove certain supporting document requirements for SMF applications and not require them for SMF notifications. • Remove Approved Persons forms from the Handbook and make minor amendments to them, making them easier and quicker to use and update.

Certification and the Directory	***Certification Regime (Q15)*** • Remove the Certification Regime and instead rely on other rules to achieve similar outcomes. • Extend relevant guidance on competence and suitability under SYSC 3.1.6R and SYSC 5.1.1R to insurers, managing agents and the Society of Lloyd's.
	Regulatory references for Certified Persons (Q16) • Remove regulatory reference requirements for previously certified persons.
	The Directory (Q17) • Retire the Directory and end associated reporting and attestation.
	Alternative approaches (Q18) • Seek views on which features should be retained if the Certification Regime, regulatory references or Directory are not removed.
Conduct Rules	***Conduct Rules training (Q19)*** • Replace the training requirements with an obligation to notify staff of the applicable Conduct Rules and consequences of a breach.
	Conduct Rule breach reporting (Q20-Q24) • For most non-SMF staff, raise the threshold for reporting breaches, so only disciplinary action that results in a final written warning or dismissal is reported. • Allow up to 14 months to report final outcomes for most non-SMF staff. • Streamline the reporting form and move it out of the Handbook. • Retain existing reporting requirements for SMFs. • Clarify that a COCON determination is not required where disciplinary action would not be reportable. • Make consequential changes to the regulatory reference template to reflect revised FCA and PRA reporting thresholds.
	Sole traders (Q25) • Bring sole traders into scope of COCON.
Implementation	***Implementation timeframe (Q26)*** • Publish final rules in H1 2027 and implement them around six months later, in H2 2027.

1.8 If the Certification Regime is removed, we would expect to make consequential changes to our Handbook to refer instead to the remaining elements of the regime. Pending the outcome of this consultation, we have used 'Senior Managers and Conduct Rules Regime' as a placeholder in the draft instrument.

Who this applies to

1.9 Our proposals will apply to all firms already in scope of the SM&CR, including third-country branches, as well as firms that are due to come into scope, such as cryptoasset firms. We refer to firms in scope of the SM&CR as 'SM&CR firms'.

1.10 Firms regulated by both the PRA and FCA (dual-regulated firms) should also review the PRA's CP14/26. This will help them understand all relevant proposals.

Outcomes we are seeking and measuring success

1.11 The SM&CR aims to reduce harm to consumers and strengthen market integrity. It does this by ensuring individuals are accountable to their employers and regulators and meet expected standards of conduct. Feedback to DP23/3 and CP25/21 suggests the SM&CR achieves these objectives.

1.12 Our proposals seek to continue delivering these outcomes while improving the efficiency of the regime and reducing regulatory and compliance burden. More streamlined and clearer requirements should improve compliance, support more consistent application across firms, improve consumer outcomes and strengthen market integrity.

1.13 A more efficient regime could also support competition between financial services firms, which benefits consumers and supports growth. We expect that reducing process requirements, while retaining important protections, will be particularly beneficial to smaller firms with less formalised compliance functions.

1.14 Our proposals further the FCA Strategy to be a smarter regulator and support growth. Alongside this, we are investing in technology to improve our forms and reporting processes. This will help us use our resources more efficiently and simplify firms' application and reporting processes.

1.15 A robust accountability regime supports outcomes-focused and future-proof regulation. It contributes to the UK financial sector's reputation for high standards. Our proposed changes will also make the regime more efficient. Combined, these support our secondary objective to foster the UK's international competitiveness and growth.

1.16 We set out the outcomes we seek and how we will measure success in Table 2. We welcome views on these as part of this consultation.

Table 2: Outcomes we seek and how we will measure success

Outcomes we seek	What would this achieve?	How will we measure success?
Firms continue to maintain high standards of individual accountability and conduct	We expect the regime to continue to reduce harm to consumers and strengthen market integrity by continuing to ensure individuals are accountable for their conduct and competence and supporting healthier firm cultures.	Consumers experience positive outcomes. Respondent feedback that the overall aims of the regime are well understood, with greater clarity around internal structures and responsibilities. Monitoring Supervisory and Enforcement action taken against firms under SM&CR.
Increased proportionality of SM&CR requirements	We expect the proposed changes to focus the regime on the elements that are most effective in protecting consumers and markets.	Views from respondents on the CBA in this CP. Reduction in SMF applications while retaining high standards of governance and accountability in SMF population. Reduced frequency of SoR submissions, particularly for dual-regulated and Enhanced SM&CR firms. Fewer firms in scope of the Enhanced Regime thresholds. Number of Conduct Rule breach reports relating to non-SMF employees.
Improved efficiency of SM&CR requirements	Reduced compliance burden and costs. We and firms can redirect resources to priority needs.	
Greater clarity on the application of SM&CR requirements	Higher levels of compliance in the areas of the SM&CR in which we provide updated or new rules and guidance.	Number of SM&CR related enquiries from firms on relevant areas. Views from firms, consumer groups and other relevant stakeholders.

Next steps

1.17 Please respond to the questions in this CP by 22 January 2027 using our electronic survey (see Chapter 7). We will review the feedback and publish final regulatory requirements in a Policy Statement (PS) expected in the first half of 2027.

Chapter 2

The wider context

Background of the SM&CR

2.1 The SM&CR is an individual accountability regime. It strengthens market integrity and helps reduce harm to consumers by making senior managers personally accountable for their areas of responsibility. It also sets standards of individual conduct that apply directly to staff. The Financial Services and Markets Act 2000 (FSMA) sets out the SM&CR framework, and we and the PRA make rules to implement it.

2.2 The SM&CR already applies proportionately to a wide range of firms, with diverse business models and corporate structures. Dual-regulated and solo-regulated Enhanced firms are typically subject to the most requirements. Solo-regulated Core and Limited Scope firms are subject to progressively fewer requirements.

2.3 The SM&CR has applied to the banking sector since 2016. It was then extended across the rest of the financial sector in stages. We began reviewing the SM&CR in December 2022, progressing as shown below.

Figure 1: SM&CR Review Timeline





2.4 In CP25/21, we invited views on reforms to explore in the second phase of the review, subject to legislative change. This consultation reflects that feedback, engagement with industry and feedback from the independent Statutory Panels.

2.5 Respondents strongly supported further reform of the SM&CR following legislative change, with particular support for:

- reducing the number of Senior Management Functions (SMFs) that require regulatory approval
- streamlining the SMF application process and SMF-related requirements
- changing the Certification Regime and Conduct Rules reporting.

2.6 Some respondents also stressed that firms value the regime. They cautioned against changes that would weaken it, as it was meeting its intended purpose.

2.7 We have worked closely with the PRA to develop a coordinated set of proposals for dual-regulated and solo-regulated firms. Where our proposals differ, we explain why we propose a different approach.

Rebalancing Risk

2.8 We recognise that achieving better outcomes may sometimes mean accepting a degree of additional risk, as set out in our Strategy.

2.9 Our proposals streamline or remove elements of the SM&CR that impose significant compliance and administrative costs, while retaining the core framework of Senior Manager accountability and Conduct Rules. As we set out in the consultation and CBA, although some risks would increase, important safeguards remain. We consider our proposals reduce requirements where the available evidence does not show the benefits of those requirements outweigh the costs.

Chapter 3

Senior Managers Regime

3.1 This chapter sets out proposed reforms to the Senior Managers Regime (SMR). We seek feedback on a package of reforms that aims to maintain high standards of individual accountability and conduct while making the regime more proportionate and easier to operate.

3.2 Our proposals will reduce the number of Senior Management Function (SMF) applications, streamline administrative processes, provide more flexibility when SMF vacancies arise and reduce the number of firms subject to the Enhanced regime.

3.3 These changes require accepting some risks may increase. For example, where we review fewer SMF applications, the risk of firms appointing individuals we would not have approved as SMFs may increase. Removing process requirements for Prescribed Responsibilities (PRs) and Statements of Responsibilities (SoRs) might increase the risk that firms do not allocate responsibilities clearly or keep them up to date.

3.4 We consider our proposals strike an appropriate balance between reducing burden and maintaining effectiveness. The SM&CR has been in force for several years and firms have become experienced in operating it and embedding individual accountability. We consider the regime now needs fewer prescriptive regulatory requirements to operate effectively. We welcome views on this.

3.5 Some of our proposals only affect dual-regulated and Enhanced SM&CR firms. These include our proposals below on reducing the number of SMF applications, the SMF7 Group Entity SMF, Management Responsibilities Maps (MRMs) and the thresholds for Enhanced firms. In addition, our proposals on time-limited and conditional approvals will apply to solo-regulated firms in groups that include dual-regulated firms, as well as to dual-regulated and Enhanced firms.

3.6 Our other proposals for changes to the SMR will affect all firms. These include the 12-week rule, SoRs, PRs at Core firms, and streamlining SMR processes. Core and Limited Scope firms may wish to focus on the sections relevant to them, from paragraph 3.73 onwards.

3.7 We have split the proposals into two sections. The first section sets out proposals for dual-regulated and solo-enhanced firms only. The second section sets out proposals which are more broadly applicable and potentially apply to all firm types.

Reducing the number of SMF applications

3.8 We have already significantly reduced the time it takes us to assess SMF applications. For example, in our most recently published data, 98.3% of applications were determined within 2 months, compared to 89.6% within 3 months (our previous metric) around the time of the announcement of the Edinburgh Reforms in 2022.

3.9 In addition, in July 2025, we committed to voluntarily meet the proposed future statutory determination deadline of 2 months for SMF applications and complete at least 50% of SMF approval applications within 35 days. We have already updated our processes to meet the new requirements ahead of their implementation and will continue to make operational improvements. Respondents to DP23/3 and CP25/21 identified the SMF approvals process as a significant source of burden, particularly where applications take longer to determine. Some respondents told us the regime requires too many SMF roles in Enhanced and dual-regulated firms, rather than focusing on the most senior individuals.

3.10 We already take a proportionate approach: dual-regulated and Enhanced firms have more SMFs than Core and Limited Scope firms. The proposals in the FSM Bill will mean we can stop requiring every Senior Manager to be pre-approved and allow firms to notify us of some appointments instead.

3.11 We have considered how to use this flexibility while maintaining a robust individual accountability regime. We propose to remove some of these additional roles that apply to Enhanced and dual-regulated firms and make other roles notified. We are not proposing changes to SMF roles in Core and Limited Scope firms.

SMF notification

3.12 We propose to make several SMF roles at dual-regulated and Enhanced firms subject to regulatory notification rather than approval. Under SMF notification, firms will appoint certain SMFs by sending a notification instead of applying for approval. This should significantly reduce the time needed to make these appointments since firms will not need to wait for our approval.

3.13 To maintain robust individual accountability among senior managers, we intend notified SMFs to be subject to the same requirements and expectations as approved SMFs. This means:

- Firms will still need to vet these individuals for the SMF roles and complete the same checks before appointing them. Responsibility for the firm's vetting of SMF candidates will remain with the holder of Prescribed Responsibility A.
- The Duty of Responsibility and Senior Manager Conduct Rules will continue to apply on an ongoing basis to notified SMFs, in the same way as they apply to approved SMFs.
- Notified SMFs will appear on the Financial Services (FS) Register. The FS Register will distinguish between functions requiring approval by the regulator and those normally assessed by firms.

Functions to be notified

3.14 Our assessment of which SMFs could become notified functions focused on where pre-approval remains a necessary regulatory control. We considered the risk each role poses to our objectives, stakeholder feedback, our experience of SMF applications and the benefits of alignment with the PRA's approach.

3.15 In dual-regulated and Enhanced firms, the SMF regime covers a range of functions. These include non-executive director roles and SMFs responsible for key oversight and assurance functions. We propose that these SMFs should become notified:

- SMF5 Head of Internal Audit
- SMF10 Chair of the Risk Committee
- SMF11 Chair of the Audit Committee
- SMF12 Chair of the Remuneration Committee
- SMF13 Chair of the Nomination Committee (FCA only at dual-regulated firms)
- SMF14 Senior Independent Director
- SMF15 Chair of the With-Profits Committee (FCA only at dual-regulated firms)

3.16 At dual-regulated firms, SMF13 and SMF15 are FCA functions and all others in the above list are PRA functions. There are additional PRA functions that the PRA has proposed to make notified – please refer to the PRA's CP14/26 for details.

3.17 We consider that making these roles notified presents a relatively low risk to our regulatory objectives. These roles are important to effective governance, oversight and assurance. However, they do not usually involve the same level of day-to-day executive control as the SMFs we propose to retain as approved functions.

3.18 While there is a risk that some individuals might be appointed who would not have been if regulatory approval had been required, important safeguards remain, as described above. This means firms and regulators can still hold them accountable for their actions. So, we consider notification to be a proportionate control for these roles.

3.19 We estimate these changes will reduce SMF applications from FCA solo-regulated Enhanced firms by about 15%.

3.20 We intend to keep our approach to notified SMFs under review, to see whether any changes are needed. If we find that firms are making unsuitable appointments or failing to undertake appropriate scrutiny, we may consult on reintroducing the need for pre-approval. If notification is working well, we may also conclude that it could be extended to other roles.

3.21 Given the current profile of operational risks in financial services, particularly those stemming from frontier AI systems and cyber risks, we propose to retain the Chief Operations Function (SMF24) as pre-approved since holders of this function will often have responsibility for activities most exposed to these risks. However, alongside the PRA, we intend to review whether this approach remains necessary 2 years following implementation of the Phase 2 reforms.

Question 1: **Do you agree with our proposals on which Senior Management Functions would be notified?**

The notification process

3.22 We propose a simple and streamlined notification process, aligned with the PRA. This will allow firms to appoint relevant SMFs quickly and efficiently, while minimising process and burden.

3.23 Before submitting a notification, firms will need to assess whether an individual is fit and proper to perform the role. This would include, where required, obtaining regulatory references, conducting criminal records checks, confirming the candidate has the right to work in the UK, and preparing a SoR.

3.24 Once firms have completed vetting and the fitness and propriety (F&P) assessment, they will submit notifications via the My FCA portal. We intend to only carry out automated checks to confirm the form is complete and the individual is not prohibited.

3.25 Firms will be able to submit a notification up to 3 months in advance of an individual taking up a role. This helps support orderly transition planning.

3.26 For immediate appointments, the notification will become effective on the date we acknowledge receipt. The SMF will be added to the FS Register shortly after submission.

3.27 If the firm submits the notification in advance, it will become effective on the specified start date. The SMF will be added to the FS Register on the effective date. A firm that has submitted an advance notification can withdraw it before the effective date.

3.28 We are still considering how notification will be made and will provide more detail in due course. We intend to request less information than currently required in the existing Short Form A for SMF applications. We would ask for the candidate's details, confirmation that a F&P assessment has been completed according to the requirements, and a SoR and MRM (for firms that require them). We do not intend to require any other supporting documents.

Figure 2: Notification Process



Requiring pre-approval for notified functions in exceptional cases

3.29 Under the FSM Bill the regulators could, in certain circumstances, require a firm to seek approval for a function that would otherwise be subject to notification. We expect to use this power rarely, and only where we have specific concerns about a firm. We may use this power for all notified SMFs at a firm. It will apply only to future appointments to those functions. It will not affect existing notified SMF appointments, even if the notification has been submitted but the individual has not yet started the role.

3.30 We would use our existing s.55L FSMA powers to impose this requirement. The usual statutory safeguards would continue to apply.

3.31 To give firms greater certainty about how we may use this power, we propose to give examples. These include cases where:

- We have serious concerns about a firm's governance.
- We have serious concerns about a firm's ability or willingness to assess the fitness and propriety of notified SMFs.
- A role covered by a notified SMF is of particular importance to the firm's safety and soundness, based on the circumstances of the firm.

Question 2: **Do you agree with our proposals for the SMF notification process and for using the power to require pre-approval for notified functions in exceptional cases?**

Transitional arrangements for SMF applications and notifications

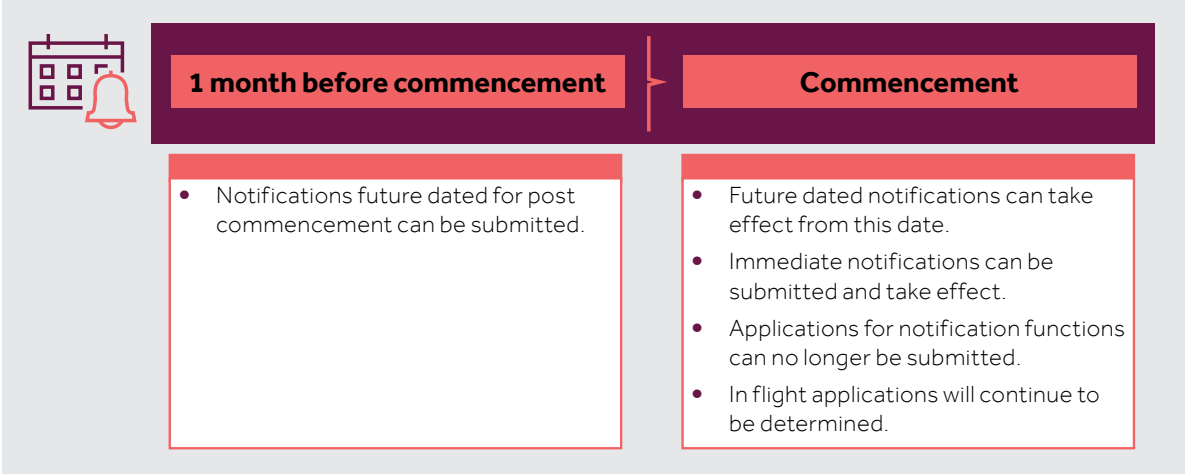
3.32 We propose transitional arrangements for the start of the notified SMF regime. Our aim is to minimise applications submitted close to commencement for roles that will become notified functions.

3.33 Firms can continue to submit SMF applications until the new rules come into force. This includes for roles that will become notified functions.

3.34 Where an appointment will take effect after the new rules on SMF notification come into force, firms could submit notifications up to 1 month before commencement. We encourage firms to do this as it will help avoid unnecessary work for firms and us.

3.35 If a firm submitted an application for a role which will become notified, and the application is still being assessed at commencement, we will continue to determine it. This will allow us to act on any adverse findings arising from our assessment.

Figure 3: Early Commencement Timeline



Question 3: **Do you agree with our proposals on transitional arrangements for SMF applications and notifications around commencement?**

Removing some SMF roles – SMF18 and SMF22

3.36 We propose to remove FCA-only functions SMF18 (Other Overall Responsibility) and SMF22 (Local Responsibility).

3.37 We have seen these functions used extensively. This can result in many individuals being approved as Senior Managers, including in roles that were not intended to be SMFs. Currently, SMF18 accounts for 19% of applications at solo-regulated Enhanced firms, while SMF22 accounts for 24% of applications at dual-regulated branches. This can make the regime more burdensome to operate and dilute the SMR's focus on the most senior individuals.

3.38 Removing these roles will require firms to reallocate their PRs and overall and local responsibilities to other SMFs. For firms that make extensive use of SMF18 and SMF22, this may require changes to how responsibilities are allocated and documented, even if the affected individuals' roles do not change substantively.

3.39 To help firms make these changes, we propose to amend SYSC 26 and COCON so firms can make greater use of delegation, layered management structures and governance and reporting frameworks. This should allow firms to demonstrate accountability in a more proportionate way.

3.40 Many respondents to DP23/3 and CP25/21 considered these functions should not be SMFs. However, some respondents did find them useful, for example, where they helped firms identify individuals with clear responsibility for particular business areas or UK branch activities not directly covered by another SMF.

3.41 We considered retaining SMF18 and SMF22 and making them notified functions instead of removing them. However, we propose to remove these roles because we consider the SM&CR can function well without them as SMFs. If, based on feedback to this consultation, we decide to retain them as notified functions, we will not make the proposed changes to SYSC 26 and COCON.

Question 4: **Do you agree with our proposals to remove the SMF18 and SMF22 functions and make consequential changes to responsibilities? Do you consider we should make them notified SMFs instead?**

SMF7 – Group Entity Senior Manager

3.42 The SMF7 Group Entity Senior Manager Function currently applies to individuals in a group who exercise significant influence over the activities of an SM&CR firm.

3.43 Firms told us they found it difficult to decide whether some non-executive directors and group executives exercised significant influence over an SM&CR firm. As a result, some firms have taken a cautious approach to SMF7 applications, potentially including more individuals than required.

3.44 We propose to clarify and narrow the scope of the SMF7 function at solo-regulated firms, by changing the definition to only include individuals who perform specified group or sub-group functions.

3.45 To meet the definition of an SMF7, an individual will need to satisfy both limbs of the test: i) they must exercise significant influence over the SM&CR firm's activities and ii) perform one of the specified functions.

3.46 The functions we propose to include in the SMF7 definition broadly mirror the functions we intend to retain as approved functions in Enhanced firms:

- Chief Executive
- Chief Finance
- Chief Risk
- Chief Operations
- Chair of the governing body
- Compliance Oversight
- Money Laundering Reporting Officer

3.47 So, as an example, if a firm assesses that its group Chief Finance Officer does not exercise significant influence over the activities of the SM&CR firm, that individual will not meet the revised SMF7 definition. This is despite the presence of the Chief Finance function in the second limb.

3.48 Firms will need to judge whether existing SMF7s meet the new definition. Firms should assess their current SMF7 population and, if needed, withdraw any individuals who no longer meet the new proposed definition so that they stop holding SMF7 when the rule changes.

3.49 We estimate this will reduce the solo-regulated SMF7 population by about 40%.

3.50 We consider this is consistent with the core principles guiding our review (paragraph 1.6). The proposed change would focus the SMF7 function and maintain robust individual accountability where group-level influence is most relevant, while making the regime clearer and more proportionate.

3.51 This would broadly align with the PRA's proposals to restrict the definition of the approved SMF7. However, the PRA proposes to retain individuals who meet the first limb as notified SMFs, creating the new notification-only SMF7a designation. We do not propose to create a similar SMF – individuals who meet only the first limb will not be SMFs at solo-regulated firms. This is to maintain consistency with our proposals to remove SMF18 and SMF22.

Question 5: **Do you agree with our proposals on SMF7?**

Time-limited and conditional approvals

3.52 Currently, the regulators can approve an SMF application with conditions or time limits. We can use these powers where necessary to advance our statutory objectives. For example, we may use them where approval is linked to remedial action, or where a firm needs to appoint an individual on an interim basis.

3.53 The existing legislation requires us to issue a decision notice when we apply a condition, adding additional burden and increasing the time taken to approve the individual. Currently, firms cannot apply for a conditional approval. This means that even if a firm informally requests a conditional approval, we must follow the decision notice process to apply it.

3.54 Time-limited or conditional approvals, whether imposed by us or requested informally by firms, are relatively rare and generally occur in larger firms.

3.55 The proposed legislative changes will allow firms to apply for time-limited or conditional approval, where we provide for it. Statutory notices would not be needed where the firm has requested the condition.

3.56 We believe this change may benefit some firms in limited circumstances. We propose to allow dual-regulated firms, solo-regulated firms in dual-regulated groups and Enhanced firms to apply for time-limited or conditional SMF approval. We do not propose to extend this to other firms because we have seen no evidence of demand from them.

3.57 We intend to integrate requests for time-limited or conditional approval into SMF application processes.

Question 6: **Do you agree with our proposals on time-limited and conditional approvals?**

Enhanced firm thresholds

3.58 In Phase 1, we raised certain financial thresholds for becoming an Enhanced SM&CR firm. We updated the existing thresholds to account for inflation since they were first set. We also created a mechanism for updating the thresholds periodically so they will keep pace with inflation.

3.59 For Phase 2, we have reassessed these thresholds. The Enhanced regime is intended to apply where a firm's scale, complexity or potential risk to our objectives justifies the additional requirements.

3.60 Following this reassessment, we propose to raise some thresholds further. We also propose to change the threshold for some MiFID wholesale markets firms, which is currently based on Significant SYSC.

3.61 We consider the proposed increased thresholds better target the right firms and avoid applying Enhanced requirements where the incremental risk does not justify creating additional burdens.

3.62 The proposed revised thresholds are set out in the table below:

Table 3: Proposed Enhanced firm thresholds

Type of firm	Current threshold (as updated in Phase 1)	Proposed threshold
Consumer credit lenders	£130m revenue	£200m revenue
Asset managers	£65bn AUM	£100bn AUM
Intermediaries	£45m revenue	£75m revenue
Wholesale markets	Significant SYSC	£750m assets

3.63 For consumer credit firms, asset managers and intermediaries, the thresholds will be raised by around 50%.

3.64 For wholesale market firms, we propose to replace the existing Significant SYSC threshold with a simpler, asset-based threshold of £750m in assets, calculated as a 3-year rolling average. This would also be around 50% higher than the existing balance sheet assets element of the Significant SYSC definition, currently £530m. This threshold will be updated periodically in line with inflation.

3.65 There are some other requirements that depend on the Significant SYSC threshold. We do not propose to change the Significant SYSC definition itself, and these other requirements will still depend on the existing definition.

3.66 We do not propose to alter the remaining Enhanced firm thresholds, for mortgages or client assets. The mortgage threshold would remain at 10,000 mortgages outstanding, and the client asset threshold would remain as CASS Large. We consider these thresholds continue to provide an appropriate indicator of the complexity of firms in these sectors.

3.67 Firms that are no longer Enhanced will remain subject to the SM&CR requirements for Core firms, including Senior Manager accountability and the Conduct Rules.

3.68 The PRA is also exploring the indexation of thresholds across banking, insurance and credit unions, with certain thresholds increasing automatically over time. Some of these thresholds are relevant to the SM&CR. See CP13/26 – Updating regulatory thresholds: An autopilot approach.

Requiring firms to comply with the Enhanced regime

3.69 It is not always possible to find a simple financial threshold that adequately reflects the risk or market impact of all firms in a sector. There may be instances where a firm does not exceed a threshold, but its size, complexity or market impact means the Enhanced regime should apply.

3.70 The SM&CR allows firms to voluntarily opt up to Enhanced. We also already have guidance (SYSC 23 Annex 1 2.2) that says we may require a Core or Limited Scope firm to comply with the requirements of the Enhanced regime.

3.71 We are proposing to supplement this guidance. This includes consideration of the size, complexity or market impact of firms, and where firms would meet the thresholds on a group basis. This is particularly relevant to wholesale markets firms, where a single financial threshold may not capture every firm whose activities could have significant market impact.

3.72 We consider this guidance would help ensure the Enhanced regime continues to apply on a risk basis, while keeping the thresholds simple and predictable. We do not expect to use this guidance often.

Question 7: **Do you agree with our proposals for changes to the Enhanced tier thresholds?**

Temporary SMF cover – the 12-week rule

3.73 The existing 12-week rule allows firms to appoint an individual to cover for a Senior Manager without regulatory approval where the absence is temporary or reasonably unforeseen, and the appointment is for less than 12 consecutive weeks. We made changes in Phase 1 to allow firms that use the rule up to 12 weeks to submit an SMF application rather than to get it approved.

3.74 Respondents to the CP welcomed this change. However, some said the period should be longer to give firms more flexibility when managing temporary gaps. Respondents also said it could be difficult and complex to determine whether an absence was reasonably unforeseen, which could lead to confusion and inconsistent use of the rule. They suggested it would be more efficient to allow firms to use the rule more widely.

3.75 We propose to extend the period for firms to submit an SMF application or SMF notification from 12 to 18 weeks. We consider it important for effective regulatory controls that individuals only perform a Senior Manager role without our approval or notification where necessary and for a limited period. Extending the period from 12 to 18 weeks could allow an individual that might not be suitable for permanent appointment to perform an SMF role for longer. However, the impact is mitigated by the planned reduction in the statutory deadline for determining SMF applications from 3 to 2 months. This means the length of time an individual can perform an SMF role before approval takes effect will remain similar.

3.76 We are also proposing to remove the requirement that the rule can only be used where the absence of the SMF is 'reasonably unforeseen' (SUP 10C.3A.6R(2)(b)). This proposal relates to FCA solo-regulated firms and FCA functions in dual-regulated firms only.

3.77 We consider the 'reasonably unforeseen' test can be difficult to apply in practice and may discourage appropriate use of the rule. We propose to replace it with rules on 'reasonable use', based on the guidance introduced in Phase 1 (SUP 10C.3A.15G-17G). This is intended to be clearer and more consistent for firms, while maintaining appropriate safeguards. We also propose guidance that, where an absent SMF's responsibilities are reallocated, firms should ensure there is clear accountability for those responsibilities, including where the allocation is temporary.

3.78 The PRA proposes to retain the 'reasonably unforeseen' requirement for dual-regulated firms. As a result, the FCA's proposed 'reasonable use' standard would apply only to FCA functions in dual-regulated firms, while PRA rules continue to apply to other functions. This would mean different temporary cover arrangements applying within the same dual-regulated firm, which could add complexity.

3.79 An alternative approach would be to remove the 'reasonably unforeseen' requirement only for SMF roles in FCA solo-regulated firms, while retaining it for all SMF roles in dual-regulated firms to align with the PRA. This would avoid the need for dual-regulated firms to apply different standards to different SMF roles. We welcome views on whether this approach would be preferable to our proposal.

Question 8: **Do you agree with our proposed changes to the 12-week rule? Should the revised standard apply to FCA SMFs in both solo-regulated and dual-regulated firms, or only to those in FCA solo-regulated firms?**

Statements of Responsibilities (SoR)

3.80 Respondents to DP23/3 and CP25/21 said that SoRs are important and useful tools for clearly allocating responsibilities to Senior Managers and supporting individual accountability. However, they also said the way SoRs operate in practice is administratively burdensome. They highlighted reporting requirements as a particular issue. They said that SoRs need to be updated relatively often, especially where there is a long list of PRs.

3.81 Under existing legislation, all SMFs must have a SoR and submit it to the regulators when applying for an SMF role and whenever they make significant changes to it.

3.82 In Phase 1 we made changes to reduce SoR reporting. We allowed firms to notify us of changes to SoRs up to 6 months after a change is made rather than immediately.

3.83 The proposed legislative changes remove the statutory requirement to provide SoRs, which allows us to make further reforms.

Removing the requirement to report changes of responsibility

3.84 We propose to remove the requirement for firms to submit updated SoRs whenever responsibilities change. This would remove the Form J reporting requirement, which firms have identified as a significant source of burden.

3.85 Firms will still need to submit a SoR with an SMF application or notification (unless the individual is not required to have a SoR as a single SMF). They will also need to keep SoRs up to date internally and retain records of superseded SoRs.

3.86 This means firms can provide a current or past SoR to us on request where we need to understand an individual's area of responsibility. This maintains the fundamental SM&CR principle that individuals' responsibilities are clear and documented, while reducing the burden of routinely submitting updated SoRs to us.

3.87 We propose a 6-year retention period for SoRs for most firms. The PRA has proposed a 10-year retention period for some dual-regulated firms. We would apply the same retention period to these firms for consistency with the PRA.

Question 9: **Do you agree with our proposal to remove the requirement to report significant changes in responsibility?**

Not requiring a SoR where there is a single individual performing SMF roles at the firm

3.88 Respondents told us that SoRs provide limited value at smaller, less complex firms where responsibilities are divided between very few individuals. Our regulatory experience supports this view.

3.89 We propose to remove the SoR requirement for firms where only one individual performs SMF roles. This will benefit approximately 18,800 firms.

3.90 This means that a firm will not need a SoR where only one individual performs SMF roles, even if that individual performs more than one SMF role. For example, where the same individual performs SMF3, SMF16 and SMF17. If the firm later has more than one individual performing SMF roles, all SMFs at the firm will need a SoR, including the SMF who did not previously have one.

3.91 To provide further clarity, we propose to add guidance to SYSC 24A.8.5G to explain how the single-SMF SoR exclusion applies in the context of SMF applications and notifications.

Question 10: **Do you agree with our proposal to disapply SoRs from firms with a single individual performing SMFs?**

Management Responsibilities Maps (MRM)

3.92 The MRM requirements apply to dual-regulated firms and Enhanced solo-regulated firms. We propose to make targeted changes that align with the PRA's approach.

3.93 Consistent with our proposal to remove SoRs where only one individual performs SMF roles, we also propose removing the MRM requirement for those firms. An MRM is of limited value where all SMR responsibilities sit with one individual. This proposal would benefit a small number of dual-regulated firms and solo-regulated Enhanced firms, without introducing significant risks.

3.94 We also propose to remove the requirement to routinely provide MRM updates to the regulators. However, firms will still need to keep MRMs up to date internally and provide copies to us on request. This means we can continue to access a current or past MRM where we need to understand how responsibilities are allocated across a firm's senior management. We also propose a 6-year retention period for MRMs, or 10 years for some dual-regulated firms to align with PRA proposals.

3.95 We propose to make other consequential amendments and move some material from rules to guidance, to better align our MRM requirements with the PRA's approach (see SYSC 25).

3.96 Firms have also told us that it is unclear whether an MRM submitted as part of an SMF application should show the firm's current governance arrangements or those that would apply if the appointment were approved. We propose to clarify that it should show the firm's intended governance arrangements following the appointment. This would give firms a clearer requirement and make it easier for regulators to assess the application.

Question 11: **Do you agree with our proposals on MRMs?**

Prescribed Responsibilities (PR)

3.97 PRs are specified responsibilities that must be allocated to SMFs. Their aim is to ensure that responsibility for specified areas is clearly allocated to a Senior Manager. Enhanced firms have a longer list of PRs than Core firms while Limited Scope firms have no PRs.

3.98 While PRs help ensure important responsibilities are clearly allocated, we recognise concerns that the current list of PRs may be more extensive than necessary to achieve that objective.

3.99 We propose to remove 9 PRs and retain only the following:

For all Core and Enhanced firms:

- A – Responsibility for the Senior Managers Regime
- D – Responsibility for financial crime
- Z – Responsibility for CASS

For Enhanced firms only:

- J-3 – Responsibility for oversight of outsourced internal audit.

3.100 We consider it important to retain these 4 because they support core elements of the SM&CR and areas of particular importance to our objectives.

3.101 Although PR A already includes responsibility for vetting SMF candidates, we propose to amend its wording to clarify the duties the holder of this PR has regarding the vetting of SMF candidates, SMF notifications and SMF applications.

3.102 Our proposal to remove certain PRs does not remove the underlying requirements. It only removes the PR mechanism for separately recording responsibility for that area.

3.103 Firms will still need to maintain SoRs where required and accurately record SMF responsibilities. We do not generally expect firms to reproduce responsibilities previously covered by removed PRs as overall, local or other responsibilities. Firms should only do this where it is not clear from the nature of the SMF role that the individual has that responsibility. For example, a firm will not need to convert an SMF11's responsibility for oversight of the internal audit function into another responsibility in the SoR.

3.104 We recognise that these changes to PRs will require some firms to update their SoRs and MRMs. We propose that Core firms will not need to update SoRs solely because of the proposed PR changes. They could instead make those updates when they next make a separate change to a SoR.

3.105 Enhanced and dual-regulated firms will have a wider range of SoR changes to consider due to our proposals to remove functions and amend overall responsibilities. These are likely to involve a more significant reallocation of responsibilities across individuals at the firm. They would therefore need to make the necessary changes to SoRs and MRMs at commencement.

3.106 The PRA also proposes to remove some PRs but will retain a longer list. This means some PRs that are currently both FCA and PRA PRs for dual-regulated firms will become PRA-only PRs.

Question 12: **Do you agree with our proposals on Prescribed Responsibilities and transitional arrangements for SoRs?**

Streamlining SMF application requirements and changing forms

3.107 Respondents identified friction in the SMF approvals process as a source of burden. They said that forms were long and cumbersome, our systems should be improved, and some of the information we require is not central to our assessment of a candidate's fitness and propriety.

3.108 In Phase 1 we made changes to streamline the SMR application process. In Phase 2, and in alignment with the PRA, we propose further improvements to the application and notification process. We want to reduce unnecessary friction while ensuring we receive sufficient information to assess candidates effectively.

3.109 We propose to remove the following supporting document requirements for SMF applications and notifications which we consider are not material to our assessment of fitness and propriety:

- The requirement for certain firms to provide a summary of the handover document with an SMF application. The underlying requirement to ensure effective handovers will remain where it applies.
- The requirement for certain firms to include MiFID annexes in Approved Persons forms. We explain this proposal in more detail below.

3.110 In addition, we propose to remove the Approved Persons forms in SUP 10C from the Handbook. Some of these forms have already been moved to our website, and we propose to move the remaining forms there as well. We would also remove related references, rules and guidance from the Handbook, except where rules are needed to give effect to legislation. This would make the forms easier and quicker to update, while bringing information about the forms and how to use them together in one place. This should help firms better understand our requirements.

3.111 Alongside the proposals we are consulting on, we also plan to make minor changes to the Approved Persons forms. These include removing or simplifying some questions and removing some required attachments, for example, the organisational chart.

Question 13: Do you agree with our proposals on SMF application requirements and forms?

Other reporting changes

MiFID firms report of changes to the management body

3.112 Currently, MiFID investment firms and MiFID optional exemption firms are required to report details of their management body and changes to it under the *MiFID authorisation and management body change notification ITS* (Implementing Technical Standards). Firms report either through the standalone notification form in SUP 15.16 or by submitting MiFID annexes as part of an Approved Person application. Similarly, firms applying for authorisation must complete 2 forms that duplicate information collected elsewhere in the application process.

3.113 These reporting requirements derived from EU legislation, so can now be changed. We propose to remove them for solo-regulated firms, both as part of an SMF or new firm authorisation application, and under SUP 15. We consider the forms submitted alongside applications duplicate existing FSMA and SMR requirements and are unnecessary for determining applications. In the case of non-SMF changes to the

management body, the form provides information about non-SMF directors that we are not proposing to routinely collect elsewhere (see Directory section, below). Removing the requirement would involve exercising our power to revoke the ITS referred to above.

3.114 Revoking the ITS will also have the effect of removing several duplicative EU-derived obligations on us, which are covered by other requirements and processes:

- Designating a contact point for handling information relating to applications for authorisation as one of these firms.
- Acknowledging receipt of applications within a specified period.
- Requesting additional information from applicants when required.
- Communicating our decision to grant or refuse the application within a specified period.

Notified Persons

3.115 Overseas firms are required to report details of persons performing certain positions. This requirement is set out in SUP15.4 and operationalised under Form F 'Changes to Notified Persons'. We propose to remove this requirement and decommission Form F as it largely duplicates other SMR requirements.

Question 14: **Do you agree with our proposals to revoke the MiFID authorisation and management body change notification ITS; remove the MiFID management body reporting requirements; and to remove the Notified Persons reporting requirement?**

Chapter 4

Certification and the Directory

4.1 This chapter sets out our proposals to remove the Certification Regime and the Directory. We also invite feedback on potential alternative approaches.

The Certification Regime

4.2 The Certification Regime aims to support good conduct and ensure the fitness and propriety of individuals below the Senior Manager level. The regime is currently set out in legislation, and regulators are required to designate certain roles as certification functions.

4.3 For staff in certification functions, firms are currently required to:

- Assess fitness and propriety when they hire an individual (legislative requirement).
- Reassess and certify fitness and propriety annually after that (legislative requirement).
- Obtain regulatory references (FCA requirement).
- Report up-to-date information for publication in the Directory of certified persons and other Directory persons (FCA requirement).

4.4 However, the Certification Regime is unusual internationally. Most territories that have introduced regimes similar to the SM&CR have not introduced an equivalent Certification Regime.

4.5 The reforms set out in the FSM Bill would remove the Certification Regime from legislation. This allows us to remove corresponding requirements from our rules and consider a more proportionate approach.

4.6 Feedback to CP25/21, the Treasury's Call for Evidence and wider stakeholder engagement suggest that the Certification Regime is a significant source of firm burden. Many respondents said certification creates administrative burdens beyond their usual employment practices, without clear evidence it enhances individual accountability or consumer protection.

4.7 Respondents said the regime captures a wide range of roles and requires firms to operate often duplicative processes. These involve tracking around 139,000 individuals performing approximately 261,000 functions.

4.8 Respondents also said that identifying whether a person is performing a certification function can be complex and burdensome. They said issuing certificates and recertifying individuals annually is particularly burdensome and offers limited benefit.

Our proposal

4.9 We propose to remove the Certification Regime completely.

4.10 Removing the regime will reduce the formal regulatory requirements for firms to identify, assess, certify and report on individuals performing those roles. We recognise this might increase risks to a limited extent. For example, individuals performing currently certified functions would no longer be subject to the same level of structured fitness and propriety assessment as a Senior Manager. Additionally, firms might place less emphasis on documenting those assessments.

4.11 However, we consider the Certification Regime no longer provides sufficient additional regulatory benefit, relative to its cost, to justify its continued operation as a standalone regime. The objectives of certification can be achieved more proportionately through other existing requirements on employee competence and suitability operated through a firm's own processes. Many of these requirements are very similar to those under the Certification Regime, as set out below.

4.12 We propose to rely on these existing requirements instead of the more rigid and labour-intensive certification requirements. We consider this retains the core protections needed for consumers and markets, while significantly reducing regulatory costs and administrative burden. It also allows firms and us to focus resources on areas more directly linked to consumer outcomes and market integrity.

Fitness & Propriety (F&P) assessment and the ongoing competence and suitability of individuals

4.13 Firms will remain responsible for ensuring individuals in relevant roles are competent, suitable and meet appropriate standards of conduct. This is central to our view that existing requirements can address the risks targeted by the Certification Regime in a more proportionate way.

4.14 The sections below explain the existing requirements that would continue to support firms' assessment of fitness, propriety, competence and conduct.

4.15 The competent employee rules in SYSC 3.1.6R and SYSC 5.1.1R already require firms to employ personnel with the skills, knowledge and expertise necessary to carry out the responsibilities allocated to them.

4.16 Under these rules, most firms are expected to assess an individual's honesty and competence upon appointment and whenever there is reason to reassess their suitability. We consider this a more proportionate and efficient approach that will deliver similar outcomes to the Certification Regime, without requiring firms to formally assess and certify fitness and propriety on an annual basis.

4.17 This guidance already applies to most SM&CR firms, but does not apply to insurers, managing agents or the Society of Lloyd's. We propose to extend it to these firms to ensure consistency and avoid lowering standards for individuals performing equivalent roles.

4.18 The Conduct Rules will continue to apply to individuals currently performing certification roles. In addition, firms will continue to assess competence through standard employer practices, including performance management, employment checks and referencing.

4.19 Firms will also remain subject to relevant existing qualification requirements, especially for retail investment and mortgage advisers, in TC 2.1, TC App 1 and TC App 4, as well as other Training and Competence (TC) provisions, contained within TC 1, 2 and 3 and TC App 1 and 3.

4.20 Requirements relating to the Statement of Professional Standing (SPS) will continue to apply to relevant individuals. SPSs must be renewed annually after a person is appointed as a retail investment adviser, independent financial adviser or wealth manager. These will continue to ensure appropriate standards of competence are maintained in these important consumer-facing roles.

4.21 Firms are also expected to make sure their employees are adequately trained and have the necessary skills, knowledge and expertise to support the delivery of good outcomes for retail customers under the Consumer Duty.

4.22 Taken together, these requirements mean firms will remain responsible for making sure relevant individuals are competent, suitable and aware of the standards expected of them. We consider this maintains appropriate protections for consumers and markets, while allowing firms to deliver those outcomes through existing obligations and more proportionate internal processes.

Question 15: Do you agree with our proposal to remove the Certification Regime?

Removal of regulatory references for Certified Persons

4.23 Regulatory references can help firms identify potential conduct and suitability concerns when recruiting staff. They are intended to support better hiring decisions by allowing firms to obtain relevant information from a candidate's previous employer(s).

4.24 However, firms said the information obtained for certified persons is rarely of additional value to other checks they can already perform. They said that obtaining them is a lengthy and resource-intensive process which causes delays in recruitment. It also creates operational challenges for firms when applied to the large population of certification staff, often in roles with shorter notice periods.

4.25 While regulatory references do sometimes provide value, we consider their benefits are outweighed by their costs and operational burden. So we propose to no longer require firms to obtain regulatory references for individuals who were previously certified.

4.26 Firms will remain responsible for assessing each candidate's competence and suitability for a role. They can use employment references or other checks as part of that assessment.

4.27 Regulatory references will still be required for individuals applying for SMF roles, whether approved or notified.

Question 16: Do you agree with our proposals on regulatory references for previously certified persons?

The Directory

4.28 The Directory of certified and assessed persons contains information on individuals within the certified population, sole traders and appointed representatives undertaking roles requiring qualification, and non-SMF directors.

4.29 The information in the Directory is provided by firms, who need to keep it up to date on an ongoing basis and annually attest to its accuracy. Submissions must include information on an individual's name, role, activities undertaken and, for customer facing roles, details about customer engagement method, workplace location and any memberships of professional bodies.

4.30 The Directory was introduced to provide transparency and confidence in the market. It makes information about certain individuals working in financial services publicly available. This can help consumers and other users identify individuals associated with regulated firms, and check whether some individuals hold relevant professional memberships or customer-facing roles.

4.31 However, our experience of operating the Directory – together with feedback from industry – has identified several risks and limitations, including:

- Although we do not approve or assess the competence of individuals listed in the Directory, or verify the information submitted by firms, some users believe that we do.
- It does not include any contact details for the individuals listed or mechanism for users to verify their identity.
- It focuses on individuals rather than firms, which can limit its usefulness for consumers seeking financial services and may cause uncertainty about who they should contact. Consumers may legitimately engage with individuals at firms other than the certified individuals listed in the Directory.
- Consumer protections, including Financial Ombudsman Service and Financial Services Compensation Scheme rights, apply at the level of authorised firms, and are not affected by individuals or the accuracy of their Directory information.
- Firms incur ongoing costs in maintaining and updating Directory information.

4.32 When the Directory was introduced, financial services consumers were intended to be one of its primary users. However, we have recently launched the FCA Firm Checker, designed specifically for consumers. The FCA Firm Checker enables users to check whether a firm is authorised or registered and whether it has the relevant permissions to provide particular financial services.

4.33 Where concerns arise about an individual acting on behalf of a firm, the FCA Firm Checker provides firm contact details so those concerns can be raised directly with the firm. We consider this to be a more effective tool than the Directory for supporting informed decision-making and helping consumers identify potential scams.

4.34 Removing the Directory means certain information on individuals will no longer be available in an FCA-maintained public source. However, we consider this is proportionate in view of the Directory's limitations, the ongoing cost to firms and the FCA Firm Checker tool.

4.35 We propose to retire the Directory and remove the requirement for firms to provide information on Directory Persons. Users will continue to have access to relevant information about firms and SMF holders through the FCA Register.

Question 17: **Do you agree with our proposal to remove the Directory?**

Alternatives we considered and invite views on

4.36 As set out above, we recognise that the Certification Regime, regulatory references and the Directory provide some benefits. They can support firms' assessment of fitness and propriety, provide information to firms and consumers, and contribute to transparency and accountability.

4.37 We acknowledge that removing the Certification Regime represents a significant change to the current framework and could introduce risks. While we consider the impact of its removal is manageable for the reasons set out above, we invite views on alternative approaches that would retain beneficial elements of the regime.

4.38 For example:

- Keeping some or all requirements of the Certification Regime, for a subset of the 8 certification functions.
- Retaining some requirements to obtain and provide regulatory references for individuals in particular roles.
- Maintaining elements of the Directory.

4.39 We invite respondents to provide their views on this, including any evidence of the value of retention, and to provide estimates of the costs and benefits where possible.

4.40 We would also welcome views on any unintended consequences that may arise from our proposals, and on whether alternative approaches could achieve similar outcomes while preserving more of the benefits of the current regime.

4.41 If we decide to keep or amend existing parts of the Certification Regime or the Directory, we do not intend to reconsult.

Question 18: **If, following feedback, we decide not to completely remove the Certification Regime, regulatory references and the Directory, which features do you think we should retain? Please provide a rationale and evidence where possible.**

Chapter 5

Conduct Rules

5.1 This chapter sets out proposed reforms to the Conduct Rules. These seek to maintain strong conduct standards across relevant individuals while making the regime more proportionate and easier to operate.

Importance of the Conduct Rules

5.2 The Conduct Rules are a core component of the SM&CR. They apply to all SM&CR firms and to almost everyone working in those firms, except ancillary staff. In total, this covers around 900,000 individuals.

5.3 The Conduct Rules set minimum standards of behaviour and help promote accountability across all levels of seniority. The legislation underpinning the regime requires firms to train relevant staff on the rules and notify us of certain breaches.

5.4 The Conduct Rules are an important part of the regime, and we are not changing the rules themselves. However, proposed legislative changes will allow us to simplify training and breach reporting requirements and bring currently out-of-scope sole traders within the rules.

Conduct Rules training requirements

5.5 The legislation currently requires firms to take 'all reasonable steps' to ensure relevant staff understand the Conduct Rules and how they apply to their roles. While this supported the implementation of a new conduct regime, it has also generated significant operational and compliance costs.

5.6 Our CBA and wider stakeholder engagement indicate firms often meet the current requirements through detailed, role-specific training programmes that can create significant ongoing costs. Now that the regime is well established, we consider the current approach is unnecessarily prescriptive and firms may be able to achieve similar outcomes in less burdensome ways.

5.7 We do not propose to replicate the existing statutory training duty that is being removed from legislation. Instead, we propose a more proportionate and outcomes-focused requirement that firms ensure all those subject to the Conduct Rules are notified of:

- The Conduct Rules that apply to them.
- The consequences of breaching those rules.

5.8 Firms would not have to provide Conduct Rules training but could choose the most appropriate way to comply with the rule. For example, they could integrate Conduct Rules requirements into wider induction, compliance or conduct communications and processes.

5.9 Removing the training requirement will result in significant savings. But we recognise it might also increase the risk of staff not being as fully informed about the Conduct Rules, reducing the deterrent effect of the regime. However, we think this risk is small and our changes would achieve an appropriate balance between making sure staff are properly informed and giving firms greater flexibility to meet their obligations in a cost-effective way.

Question 19: Do you agree with our proposed changes to Conduct Rules training requirements?

Conduct Rule breach reporting

5.10 The existing legislation requires firms to notify us when they take disciplinary action for misconduct that amounts to a breach of the Conduct Rules. FSMA defines 'disciplinary action' as a formal written warning, suspension, dismissal or the reduction or recovery of remuneration. The legislative changes will allow us to amend the definition of disciplinary action and make other changes to the reporting regime.

5.11 Conduct Rule breach reports provide important information about misconduct in firms. They support individual accountability and help firms identify and respond to behaviour that falls below expected standards. They help deter misconduct by making it clear it may be reported to the regulators. They also give regulators information about the suitability of SMF applicants, potential patterns of misconduct, firm culture and weaknesses in systems and controls. This can help us identify cases where supervisory, authorisations or enforcement action may be required.

5.12 However, respondents to CP23/20, CP25/18 and CP25/21 told us identifying and reporting Conduct Rule breaches can be resource-intensive and costly, often requiring input from multiple teams and external advisers. Currently, firms may also need to carry out detailed assessments for minor incidents of limited regulatory significance that provide little supervisory value.

5.13 We propose to make breach reporting more proportionate by targeting more serious misconduct. We also want to give firms more flexibility and streamline the reporting form. These changes will reduce firm burden and ensure we only receive information about breaches of regulatory significance.

Proposed approach to breach reporting

5.14 Regulatory reporting requirements vary according to the seriousness of the breach, the seniority of the individual's role and whether the firm is solo- or dual-regulated. For most non-SMF staff, the primary reporting route is the annual REP008 regulatory return. We set out below our proposed approach to breach reporting for:

a. non-SMFs only subject to Individual Conduct Rules
b. non-SMFs also subject to Senior Manager Conduct Rules
c. SMFs subject to all Conduct Rules.

5.15 Additional reporting requirements apply in dual-regulated firms, as set out in the PRA's CP14/26.

Non-SMFs only subject to Individual Conduct Rules

5.16 This category includes almost everyone working in financial services, apart from SMFs and others subject to the Senior Manager Conduct Rules. We propose to make changes to which breaches must be reported, the information to be reported about those breaches and the timing of reporting. Together, these changes will significantly reduce burden across the entire SM&CR firm population.

Raising the reporting threshold

5.17 Our review of past breach reports indicates the current reporting threshold often captures lower-level misconduct of limited relevance to our regulatory objectives. We propose to raise the reporting threshold to final written warning or dismissal for all staff who are not subject to the Senior Manager Conduct Rules. This will reduce the burden associated with breach determination and reporting by around 30%.

5.18 We recognise this could have an impact on supervisory oversight. However, we consider this risk is small and sufficiently mitigated by other notification requirements. Further, we do not intend to change the reporting threshold for individuals in the most senior roles.

Improving the breach reporting form

5.19 We intend to move the breach reporting form out of the Handbook so we can update its requirements more easily, consistent with our approach to other SM&CR forms. This will give us more flexibility to improve the way information is reported to us and make breach reporting simpler and less burdensome for firms. We will make parallel updates to SMF breach reporting processes where required.

5.20 We are considering ways to streamline reporting, such as converting free text into structured questions and including a question on non-financial misconduct. These changes would support wider regulatory processes and make the form easier for firms to complete.

5.21 We propose to discontinue the rarely used option of hard-copy reporting, currently only permitted for credit unions. This will improve operational efficiency while ensuring alternative formats remain available to meet accessibility needs.

Changing breach reporting timing

5.22 We propose to give firms more flexibility over the timing of breach reporting. This will allow them to align regulatory reporting with internal processes and reduce the need to submit updates.

5.23 We propose to replace annual reporting with a requirement to notify us of a Conduct Rule breach within 14 months of imposing disciplinary action. Firms will report only the final disciplinary outcome after any appeal. This will reduce firm burden and increase the accuracy of our records.

5.24 Firms could continue to report on an annual, consolidated basis if they wished, or more often. The 14-month deadline allows them to maintain a 12-month reporting cycle with an additional 2 months to resolve appeals and report final outcomes.

Non-SMFs also subject to Senior Manager Conduct Rules

5.25 This category of senior conduct rules staff currently comprises individuals providing temporary cover for SMFs, others acting as SMFs without prior approval and non-executive directors. Those performing an SMF function are subject to Senior Manager Conduct Rules SC1 to SC4 as well as the Individual Conduct Rules. Non-executive directors are subject to Senior Manager Conduct Rule SC4 and Individual Conduct Rules.

5.26 There will be no change to the types of breaches that must be reported for this category of staff. We will continue to apply the current FSMA definition of disciplinary action. However, we propose to streamline the way breaches are reported.

5.27 Currently, firms must report breaches of some rules by these individuals immediately, while breaches of other rules are reported annually. We consider this distinction unnecessarily complex and operationally burdensome, particularly where it means a firm must report the same breach twice.

5.28 We propose requiring firms to report all breaches within 7 business days and removing the annual reporting requirement. We expect the operational impact of this change to be minimal, given the low number of breach reports we receive concerning such individuals. However, it would simplify firms' reporting obligations and give us earlier visibility of misconduct by senior individuals.

SMFs subject to all Conduct Rules

5.29 There will be no change to breach reporting for SMFs. We will continue to apply the current FSMA definition of disciplinary action and firms will report breaches in the same way they do now (SUP 10C).

5.30 Table 4 summarises the proposed reporting requirements under FCA rules for each category of staff. We are broadly aligned with the PRA except where it proposes reporting on additional types of disciplinary action for staff in certain key roles (see PRA CP14/26). We invite feedback to both regulators on our overall approach.

Table 4: Proposed Conduct Rule breach reporting requirements

Staff group	Reportable disciplinary action	Breach of any FCA Conduct Rule
Non-SMFs only subject to Individual Conduct Rules	Disciplinary threshold raised to: • Final written warning • Dismissal	Report final disciplinary outcome within 14 months
Non-SMFs also subject to Senior Manager Conduct Rules	• Formal written warning • Suspension • Dismissal • Reduction or recovery of remuneration	Report initial disciplinary outcome within 7 business days
SMFs subject to all Conduct Rules	• Formal written warning • Suspension • Dismissal • Reduction or recovery of remuneration	Report initial disciplinary outcome within 7 business days

5.31 There will be no change to existing notification requirements under Principle 11, SUP 15 or SUP 10C. Firms must still notify us promptly of any matters of regulatory significance, including suspected or actual significant breaches of the Conduct Rules.

Non-reportable Conduct Rule breaches

5.32 During our review, stakeholders highlighted that firms may undertake detailed Conduct Rule assessments and retain records, even for minor misconduct that will not be reported to us. They said these were driven by concerns about potential supervisory challenge and regulatory reference requests.

5.33 We propose new guidance clarifying that firms are not expected to determine whether misconduct amounts to a breach of COCON unless it results in disciplinary action that would be reportable to the regulator(s). This would apply only to notification requirements under SUP 15.11.

5.34 We consider this will provide greater certainty about our requirements, reduce unnecessary compliance burden and empower firms to manage lower-level conduct issues through internal processes.

Question 20: Do you agree with our proposal to raise the breach reporting threshold for non-SMFs only subject to Individual Conduct Rules?

Question 21: **Do you agree with our proposals to improve the breach reporting form?**

Question 22: **Do you agree with our proposals to change breach reporting timelines for non-SMFs?**

Question 23: **Do you agree with our proposed guidance on non-reportable Conduct Rule breaches?**

Consequential changes to the regulatory reference template

5.35 We propose to update the regulatory reference template to reflect changes to both regulators' Conduct Rule breach reporting thresholds. This will support a consistent approach to reporting, record-keeping and disclosure.

5.36 Firms should disclose past breaches if disciplinary action met the reporting threshold that would currently apply to the role. This means not disclosing a first written warning unless the individual was in an SMF or similar role at the time.

5.37 Firms will, however, continue to disclose any other information relevant to a hiring firm's assessment of an individual's fitness and propriety.

Question 24: **Do you agree with our proposed consequential changes to the regulatory reference template?**

Bringing sole traders into scope of COCON

5.38 Changes proposed in the FSM Bill will enable us to ensure more consistent minimum standards across financial services by bringing sole traders into scope of COCON. Currently, employees of a sole trader may be subject to the Conduct Rules while the proprietor is not. Sole traders are instead subject to the Principles for Businesses (PRIN 2.1.1R), which set broadly similar standards for firms.

5.39 The proposed changes to FSMA will create a more consistent individual conduct framework, rather than introduce new standards of behaviour. Sole traders would be subject to both Senior Manager and Individual Conduct Rules, in addition to the Principles for Businesses, reinforcing the standards we expect of regulated firms.

Question 25: **Do you agree with our proposal to bring sole traders into scope of COCON?**

Chapter 6

Implementation

6.1 We want to implement these proposals quickly so firms can realise the benefits as soon as possible. Although the changes are aimed at simplifying and streamlining the regime, they will require firms to make changes to processes and will need some time to implement.

6.2 We considered whether some of the proposed changes, such as those relating to the Certification Regime, could be implemented sooner than others. However, these changes depend on both the outcome of this consultation and the parliamentary process. So we will avoid taking any steps to repeal the regime before reaching a final policy position.

6.3 We intend to publish our finalised rules in H1 2027 and propose to implement the changes about 6 months later in H2 2027. We consider this should give firms and us sufficient time to make the necessary operational changes. We invite views on this.

Question 26: **Do you agree that implementation in H2 2027 would provide an appropriate implementation period following publication of the Policy Statement?**

Chapter 7

How to respond

We are asking for comments on this Consultation Paper (CP) by **22 January 2027**.

Please submit your response using our online survey, which you can access on our website.

If you have accessibility or other needs that mean you cannot use the survey, please contact us or use our accessibility service.

To read how we will use your response and how it will be disclosed, visit: Consultation responses: your confidentiality and personal data.

Further information about the FCA's use of personal data can be found on the FCA website at: https://www.fca.org.uk/privacy.

Responses to this CP may be shared with the Bank of England and the Prudential Regulation Authority (PRA). This may include your name, contact details (including, if provided, details of the organisation you work for), and opinions or details offered in the response itself. The response will be used to inform the FCA's and PRA's work as regulators, and the Bank of England as central bank, both in the public interest and in the exercise of official authority. We may use your details to contact you to clarify any aspects of your response.

Further information about how the PRA uses personal data, including their legal basis for doing so, can be found at: https://www.prarulebook.co.uk/privacy.

Further information about how the Bank of England uses personal data, including their legal basis for doing so, can be found at: https://www.bankofengland.co.uk/legal/privacy.

When responding, please let us know whether you consent to your name and response being made available to the public.

Please be sure to let us know in what capacity you are responding. If you are responding from an organisation, we will assume that the respondent is the organisation and will publish that name, unless you indicate that you are responding in an individual capacity (in which case, we will publish your name).

Annex 1

Questions in this paper

Question 1: Do you agree with our proposals on which Senior Management Functions would be notified?

Question 2: Do you agree with our proposals for the SMF notification process and for using the power to require pre-approval for notified functions in exceptional cases?

Question 3: Do you agree with our proposals on transitional arrangements for SMF applications and notifications around commencement?

Question 4: Do you agree with our proposals to remove the SMF18 and SMF22 functions and make consequential changes to responsibilities? Do you consider we should make them notified SMFs instead?

Question 5: Do you agree with our proposals on SMF7?

Question 6: Do you agree with our proposals on time-limited and conditional approvals?

Question 7: Do you agree with our proposals for changes to the Enhanced tier thresholds?

Question 8: Do you agree with our proposed changes to the 12-week rule? Should the revised standard apply to FCA SMFs in both solo-regulated and dual-regulated firms, or only to those in FCA solo-regulated firms?

Question 9: Do you agree with our proposal to remove the requirement to report significant changes in responsibility?

Question 10: Do you agree with our proposal to disapply SoRs from firms with a single individual performing SMFs?

Question 11: Do you agree with our proposals on MRMs?

Question 12: Do you agree with our proposals on Prescribed Responsibilities and transitional arrangements for SoRs?

Question 13: Do you agree with our proposals on SMF application requirements and forms?

Question 14: Do you agree with our proposals to revoke the MiFID authorisation and management body change notification ITS; remove the MiFID management body reporting requirements; and to remove the Notified Persons reporting requirement?

Question 15: Do you agree with our proposal to remove the Certification Regime?

Question 16: Do you agree with our proposals on regulatory references for previously certified persons?

Question 17: Do you agree with our proposal to remove the Directory?

Question 18: If, following feedback, we decide not to completely remove the Certification Regime, regulatory references and the Directory, which features do you think we should retain? Please provide a rationale and evidence where possible.

Question 19: Do you agree with our proposed changes to Conduct Rules training requirements?

Question 20: Do you agree with our proposal to raise the breach reporting threshold for non-SMFs only subject to Individual Conduct Rules?

Question 21: Do you agree with our proposals to improve the breach reporting form?

Question 22: Do you agree with our proposals to change breach reporting timelines for non-SMFs?

Question 23: Do you agree with our proposed guidance on non-reportable Conduct Rule breaches?

Question 24: Do you agree with our proposed consequential changes to the regulatory reference template?

Question 25: Do you agree with our proposal to bring sole traders into scope of COCON?

Question 26: Do you agree that implementation in H2 2027 would provide an appropriate implementation period following publication of the Policy Statement?

Question 27: Do you agree with the assumptions set out in our Cost Benefit Analysis regarding existing compliance costs under the SM&CR and the expected reduction in those costs? Do you have any other comments on our Cost Benefit Analysis? Please provide supporting evidence, including quantified estimates where possible.

Annex 2

Cost benefit analysis

Executive summary

1. The SM&CR requires firms to undertake a range of compliance activities. These include applying for and managing Senior Manager Functions (SMF), identifying and assessing individuals under the Certification Regime, maintaining Directory entries, delivering Conduct Rules training, and assessing and reporting Conduct Rule breaches.

2. We estimate that these activities impose annual compliance costs of **£434.5m** across the population of firms in scope. Our proposals will reduce annual SM&CR compliance costs by **£229.0m**, a reduction of around 53%.

3. The total quantified effect of the proposals in this consultation will reduce annual compliance costs by £229.9m. The additional £0.9m is attributable to savings in Directory reporting costs to individuals who do not perform Certification Functions and are therefore outside the SM&CR regime.

4. The largest quantified annual saving, **£133.0m**, comes from removing the Certification Regime. This reflects its large population and the recurring requirements to identify Certification Functions, assess fitness and propriety and undertake annual certification.

5. Replacing the existing Conduct Rules training requirement with a notification and awareness requirement will save **£56.8m** while changing the threshold for Conduct Rule breach reporting will save **£34.4m**.

6. The SMR reforms provide a smaller quantified annual saving of approximately **£4.8m**. The SMR applies to a smaller population of individuals and many of the changes affect Enhanced and dual-regulated firms only. These reforms may generate further benefits that we are not able to quantify, including greater flexibility in managing vacancies and reduced uncertainty and risk of delay in making senior appointments.

7. Firms will incur an estimated **£61.7m** of one-off transition costs. After accounting for these costs and the timing of impacts, the package has an estimated ten-year net present value of **£1.91bn** and an annualised net benefit to business of **£214.9m**. The annualised net benefit differs from the recurring annual saving because it also reflects one-off transition costs and the timing of costs and benefits over the appraisal period.

8. The reforms involve accepting some additional risk because they reduce regulatory scrutiny, information and preventative controls. We do, however, retain important safeguards, including approval for the most senior roles, firms' responsibility for assessing Senior Managers as fit and proper, the Duty of Responsibility, the Conduct Rules and wider requirements concerning employee competence, suitability and conduct.

Summary of quantified impacts

Social impact

	Present Value Benefits (£m)	Present Value Costs (£m)	Net Present Value (£m)
Total impact	1976.16	61.68	1914.48
-of which direct	1976.16	61.68	1914.48
-of which indirect			

Business impact

	10-year Present Value (£m)	Equivalent Annualised Net Direct Cost to Business (£m)
Total net direct cost to business	**-1914.48**	**-214.89**

Summary of impacts

Impact type	Benefit (£m) (incurred in all years)	Costs (£m) (incurred in Year 1 only)
Impacts on firms		
Familiarisation and gap analysis		8.38
Change programme costs		51.42
Removing SMF18 and 22, and narrowing the scope of SMF7	2.48	0.89
Changing thresholds for Enhanced firms	0.37	0.99
Moving some SMFs to notification	0.28	
Changes to SoRs	0.91	
Simplifying PRs	0.28	
Changes to MRMs	0.47	
Removing Certification Regime	133.04	
Removing the Directory (non-Certified Function staff)	0.86	
Changing thresholds for reporting Conduct Rule breaches	34.37	
Changing requirements on Conduct Rules training	56.81	
Total	**229.86**	**61.68**

Analytical approach

Overview

9. Our quantified analysis focuses on the reduction in ongoing compliance costs for firms, as these are the impacts most directly attributable to the proposals and can be estimated using available evidence. We assess other impacts, including effects on accountability, governance, conduct outcomes, risk rebalancing, competitiveness and growth, qualitatively.

10. Our approach is activity-based. We first estimate the baseline cost to firms of undertaking key SM&CR compliance activities under the current regime, based on our firm survey. We then estimate how those activities would change under the proposed reforms. The difference between the baseline cost and the estimated post-reform cost provides our estimate of compliance cost savings.

11. For each activity, we estimate:

- the unit cost of undertaking the activity
- the frequency with which the activity takes place
- the affected population of firms, individuals or roles
- how these vary across firm size or SM&CR category.

12. We estimate unit costs using survey evidence on the staff time required to undertake different compliance activities and the cost of that staff time (see "Data"). We estimate activity frequencies and affected populations using FCA data, for example the number of applications submitted for particular SMF roles across large, medium-sized and small firms. We aggregate these estimates across the relevant population to estimate baseline costs and the savings from our proposals.

Scope of quantification

13. We have quantified impacts where the proposals change identifiable compliance activities and we have evidence on their frequency, the affected population and the cost of undertaking them. This allows us to estimate the reduction in firms' compliance costs and the one-off costs of implementing the reforms.

14. We quantify the costs of the following SM&CR compliance activities:

- **Senior Managers Regime:** appointing and managing Senior Managers, including fitness and propriety assessments, regulatory references, approval applications, SoRs, MRMs and SMF-related reporting and training.
- **Certification Regime:** identifying Certification Functions, assessing fitness and propriety, obtaining and providing regulatory references, and carrying out annual certification.

- **Directory:** creating and updating entries for certified and other individuals included in the Directory.
- **Conduct Rules:** developing and delivering training, staff time spent undertaking training, assessing potential breaches and reporting breaches to us.

15. Our estimates capture the additional costs imposed by the SM&CR. They exclude costs firms would incur without the regime through activities such as recruitment, performance management and disciplinary processes.

Unquantified impacts

16. Other impacts and potential savings arise through longer and less certain pathways. For example, greater flexibility in senior appointments may affect recruitment and succession planning, while resources released from compliance activity may be retained, passed on to consumers or redirected towards investment, innovation or other activities. The resulting effects will depend on firms' individual circumstances and behavioural responses, as well as wider labour market, regulatory and economic conditions.

17. We do not have sufficiently robust data or evidence to estimate these effects or isolate the contribution of the reforms from other factors affecting recruitment, governance, competition, productivity and growth. Some outcomes, including the clarity of accountability, standards of conduct and the risk of consumer or market harm, are also difficult to observe and value reliably. Monetising them would require assumptions about behavioural responses and causal effects that are not supported by the available evidence and could give a misleading impression of precision.

Data

Compliance cost survey

18. Between April and July 2026, we undertook a data-gathering exercise through a firm survey to estimate the existing SM&CR compliance costs. We sent a survey to 2,500 firms, after piloting with 142 firms and a selection of industry groups to ensure the questions were well understood and targeted on the most salient costs.

19. Firms were stratified by SM&CR category and size, with oversampling for smaller strata to ensure responses across key groups. Firms were selected at random within these groups. Respondents were asked to estimate the time spent on different compliance activities by staff at different levels in the organisation. We received 260 responses.

20. In line with our Memorandum of Understanding with the Prudential Regulation Authority and the terms set out in our survey, we shared the subset of survey responses that came from dual-regulated firms with the PRA. This data has been used to inform the CBA for the PRA's SM&CR proposals. The unit cost estimates in the PRA's CBA differ from ours as they relate to dual-regulated firms only.

21. Our survey asked respondents to focus only on the incremental costs of regulation. Some survey respondents told us it was difficult to separate the incremental cost of SM&CR requirements from related business activities. For example, fitness and propriety assessments and regulatory references can overlap with wider recruitment and screening processes. Though they provided their best estimates, there is a risk of measurement error, as some business-as-usual costs are included in estimates of SM&CR compliance costs.

Internal data

22. We use internal FCA datasets, drawing on authorisation and approvals data and regulatory returns, both to identify the population of firms and individuals in scope of the SM&CR, and to measure the level of compliance activity. We record data on relevant activities, such as applications for approval, updates to individual records or SoRs, the number of certified individuals and the number of Conduct Rule breaches reported to us.

23. We use internal data from 2022 to 2025 to allow us to smooth out year-to-year variation in SM&CR-related activities, such as applications for approval and submissions of SM&CR related forms. We use this data to estimate baseline activity levels and to model how activity levels would change under the proposed reforms.

24. We use data on employee numbers from Orbis combined with internal data on firm size to estimate the number of staff in scope of Conduct Rules requirements.

Limitations and uncertainty

25. Several factors cause uncertainty in our estimates. Whilst we have a high degree of confidence in our frequency estimates that come from activity directly reported to us, our unit cost estimates were derived from survey data. This has the following limitations:

- **Measurement error** outlined above due to the difficulty in survey respondents attributing costs solely to SM&CR requirements.
- **Low response rate** (around 10%) due to the complexity of the information required in the survey. If firms that responded differ systematically in cost structure from firms that did not respond, there is a risk of response bias.
- **Variation** in the underlying population due to different business sizes, sectors, activities and business models.

26. To account for these limitations, we present a low, central and high estimate for every unit cost component in our analysis. These are derived from quartiles in our survey responses:

- 25th percentile – low estimate
- Median (50th percentile) – central estimate
- 75th percentile – high estimate

27. We use the median as our central estimate because survey responses are skewed and include some extreme values. The median reduces sensitivity to outliers. However, these ranges should not be interpreted as statistical confidence intervals. They show variation in observed responses and provide a proportionate way to reflect uncertainty in the cost evidence.

28. In line with our standard approach to CBA, we use three size groups – large, medium and small. This allows us to provide a proportionate disaggregation of firm sizes given the granularity of data available to us. However, it does not fully capture the heterogeneity of firm cost structures.

29. The Orbis-based Conduct Rules population estimates define firm size by number of employees. Our internal classification of firm size in our Standardised Cost Model (SCM), which we use to define our survey sample and frequency populations, uses a more nuanced categorisation based on fee categories. These size definitions do not directly overlap.

30. We present sensitivity analysis for specific estimates relating to Conduct Rules-specific training and breach reporting which are particularly sensitive to certain parameters.

Key assumptions

31. In line with our Statement of Policy on CBA (7.13 to 7.38) we have applied the following standard assumptions in our analysis:

- **Appraisal period:** 10 years, starting 2027-28
- **Discount rate:** 3.5 per cent
- **Price base year:** 2026-27 (current prices on publication of the consultation)
- **Present value base year:** 2027-28 (the first year of the appraisal period)

32. We note that the government is reviewing its approach to discounting following the recommendations in the Green Book Discount Rate Review, for example to reduce the discount rate to 3.0% for policies with lifetimes less than 30 years. We will consider our own approach to discounting in line with any decision made by the government. As a result, we may use a different discount rate when amending our estimates at the point of publishing any Policy Statement which follows from this consultation.

33. To monetise the cost of staff time in line with our Statement of Policy on CBA (9.8 to 9.12), we use estimates of wages from our Standardised Cost Model (see Appendix 1 of our Statement of Policy on CBA) and the Annual Survey of Hours and Earnings. To take account of non-wage labour costs, we uprate by 21.6%, in line with the approach used in the HMT Impact Assessment for the FSM Bill (7.14) and as defined in the Department for Business and Trade Impact Assessment for the National Minimum Wage (Amendment) Regulations 2026 (footnote 42).

34. Our analysis also relies on the following assumptions:

- Unit costs of compliance activities remain stable in real terms over the appraisal period.
- Activity frequencies observed between 2022 and 2025 are a good estimate of the counterfactual level of activity in the absence of reform.
- The opportunity cost of staff time is appropriately captured through wage-based cost estimates as set out in our Standardised Cost Model.

35. Our quantified estimates relate to the savings from the removal of prescriptive regulatory requirements. We therefore assume that firms realise an economic benefit equal to the full economic cost of any activity removed or streamlined.

36. We note that in some cases firms may continue to choose to undertake some of the same or similar activities even in the absence of a regulatory requirement. To do so will be a business decision – the firm believes that the marginal benefit of undertaking an activity, for example in order to effectively screen and quality assure a senior hire, exceeds the marginal cost of doing so. We do not make any reduction in the assumed benefit to account for activities that firms may continue to do when no longer required by a regulation.

37. Our estimates of benefits therefore reflect the value of regulatory requirements avoided rather than an unconditional prediction of firms' realised cash or resource savings.

Counterfactual

38. The counterfactual for this analysis is the SM&CR as it existed before the current programme of legislative and regulatory reform. We estimate the costs of complying with the regime before the Phase 1 reforms. This provides a common baseline against which we assess the combined impacts of the Phase 1 and Phase 2 reforms and relevant legislative changes.

39. The Phase 1 reforms introduced through PS26/6: Senior Managers & Certification Review had not been fully embedded by firms when we gathered evidence. To ensure that survey responses were prepared on a consistent basis, we asked firms to report their costs before any of the reforms were implemented.

40. Where relevant, we update in our "Benefits" section estimates from our CBA for the Phase 1 reforms set out in CP25/21: Senior Managers & Certification Regime Review Consultation Paper using the new evidence gathered for this analysis. We explain in our assessment of benefits how we distinguish the impacts of the Phase 1 reforms from the additional impacts of the Phase 2 proposals.

Relationship to legislative changes

41. Several of our policy proposals are dependent on legislative changes. The FSM Bill would remove or amend several prescriptive statutory requirements and give the regulators greater discretion over the future design of the SM&CR. In these areas, the legislative changes enable but do not determine the resulting regulatory framework.

42. Our CBA assesses the full impacts from our resulting rule changes relative to the status quo, whether or not the policy proposal was contingent on legislative change. Our assessment therefore differs from HMT's 2026 Impact Assessment for the Financial Services and Markets Bill 2026, which was produced before the proposals in this consultation paper were set out.

43. Our CBA covers impacts from our rules on solo-regulated and dual-regulated firms. The PRA's CBA covers the impact of PRA rules on dual-regulated firms. Combining both CBAs gives an estimate of the total costs and benefits of both regulators' proposals.

Estimate of baseline compliance cost

44. We estimate the annual cost of each compliance activity using the following formula:

Total population cost of compliance activity = Unit cost x aggregate annual frequency

45. The unit cost is the cost to a firm each time it undertakes an activity. We estimate this using the staff time required and the opportunity cost of that time. Aggregate annual frequency is the number of times the activity is undertaken across the affected firm population in a typical year.

46. Our central estimate of the activity-based baseline is **£434.5m** per year (Table 5). This represents the cost of identifiable SM&CR compliance activities that can be linked to individual regulatory requirements and modelled using unit costs and activity frequencies. We present low and high estimates to reflect variation in the unit cost evidence.

47. The largest costs arise from recurring requirements that apply across large populations. These include Conduct Rules training and breach assessment, as well as annual fitness and propriety assessments and certification. SMR activities account for a smaller share of the baseline because they generally apply to fewer individuals.

48. Cost structures also differ across firms. Larger firms often have dedicated compliance, legal and HR functions but more complex governance arrangements. Smaller firms generally have simpler structures but may rely more heavily on senior managers or business owners to undertake compliance activities directly.

49. Further detail on the activity-based baseline is set out in Tables 6a to 8b in Annex 3. Table 7c provides a breakdown of Directory costs.

Additional survey-reported overheads

50. Survey respondents also reported wider costs associated with maintaining SM&CR systems, policies and documentation, and undertaking internal assurance. The central estimate of these costs is £153.2m a year.

51. We cannot reliably attribute these costs to individual requirements, determine how far they overlap with the activity costs above, or estimate how they would change under the proposals. We therefore report them separately and exclude them from both the £434.5m activity-based baseline and our quantified savings.

52. The reforms may reduce some of these wider costs if firms simplify their internal arrangements. However, we cannot estimate the scale or timing of any reduction robustly. We therefore assess this possible effect qualitatively rather than including it in our headline estimates.

Table 5: Total annual cost of SM&CR, baseline, £m

	Low	Central	High
Senior Managers Regime	**51.0**	**115.9**	**245.0**
SMF appointments	7.3	12.7	23.2
Ongoing SMF management	43.7	103.2	221.8
Certification Regime	**79.2**	**133.0**	**257.0**
Certification Function appointments	54.7	93.5	165.6
Ongoing Certification Function management	24.6	39.6	91.5
Conduct Rules	**102.4**	**185.6**	**432.6**
Training	42.4	71.0	159.1
Investigating and reporting breaches	59.9	114.6	273.4
Total SM&CR activity-based baseline	**232.6**	**434.5**	**934.7**
Directory	**5.1**	**8.4**	**16.4**
Cert Fn staff (included in Ongoing Cert Fn management)	*4.6*	*7.6*	*14.7*
Non-Cert Fn staff	0.5	0.9	1.6

	Low	Central	High
Additional survey-reported SM&CR overheads *(not included in baseline)*	**79.1**	**153.2**	**287.6**

Benefits

53. The following sections set out the benefits of our proposals to reform the Senior Managers Regime, Certification Regime and Conduct Rules.

Senior Managers Regime

54. Some SMR proposals overlap. We therefore estimate them sequentially and adjust each estimate for savings already attributed to earlier proposals.

Removing Senior Manager Functions

55. Removing SMF18 and SMF22 will take around 1,400 individuals out of the SMF population and reduce the number of future applications for approval. To estimate annual cost savings, we simulate the effect of removing SMF18 and SMF22 from our baseline data.

56. We exclude activities that relate only to SMF18 or SMF22. Where an activity (such as the submission of a particular form) relates to an SMF18 or SMF22 and another SMF that is not being removed, we retain it in the frequency count.

57. We apply a similar approach to SMF7s although as we cannot exactly identify which SMF7s would have remained in scope, we make a general assumption of a reduction in the SMF7 population of 40%.

58. We keep unit costs unchanged and apply them to the revised frequency estimates. This isolates the reduction in compliance activity associated with removing SMF18 and SMF22 and reducing SMF7 by around 40%.

59. We estimate that removing SMF18 and SMF22 and narrowing the scope of SMF7 will deliver annual cost savings of £1.35m to £4.77m, with a central estimate of **£2.48m**. Most of the saving comes from reduced appointment activity, with smaller savings from ongoing management activities such as annual fitness and propriety reassessments.

Changing thresholds for Enhanced firms

60. Raising thresholds for firms to become subject to the Enhanced SM&CR regime will result in some firms that would otherwise be classified as Enhanced being classified as Core. They will no longer be required to designate SMFs that apply only under the Enhanced regime, or to prepare and submit handover summaries or maintain MRMs. This will remove the associated costs of appointing and managing those functions.

61. We estimate the savings by applying the proposed thresholds to the firms and compliance activities in our baseline data for 2022 to 2025. For firms that would have been classified as Core, we remove activities relating only to Enhanced-only firms.

Separation of Phase 1 and Phase 2 impacts

62. Our Phase 1 reforms increased certain Enhanced firm thresholds to reflect inflation. We estimate the effect of those changes separately by identifying firms reclassified as Core under the Phase 1 thresholds. We then apply the proposed Phase 2 thresholds to estimate the additional savings from firms that would be reclassified as Core under these proposals.

63. On this basis, we estimate that the Phase 1 threshold changes delivered annual savings of £0.05m to £0.22m, with a central estimate of £0.11m. The proposed Phase 2 changes deliver additional annual savings of £0.14m to £0.50m, with a central estimate of £0.26m. Together, the Phase 1 and Phase 2 threshold changes deliver annual savings of £0.20m to £0.72m, with a central estimate of **£0.37m**.

Moving some Senior Manager Functions to notification

64. We estimate the saving from moving certain SMFs to notification by recalculating approval application frequencies after removing appointments that would no longer require approval.

65. We remove the costs associated with Long Form A (including the associated fee), Short Form A and Form E approval applications for affected cases and replace them with the estimated cost of notification.

66. We proxy for the cost of notification by assuming it is 30% of the cost of a Short Form A application, reflecting our expectation that firms will need to provide less information than under the approval process.

67. We estimate that moving these roles to notification will deliver annual cost savings of £0.17m to £0.48m, with a central estimate of **£0.28m**. The savings arise from removing approval application requirements, partially offset by the cost of submitting notifications.

68. In addition to the quantified saving, firms using notification will benefit from not having to wait for approval. Notification may give firms greater certainty over the timing of appointments and make recruitment, succession planning and internal moves easier to manage. Feedback from firms suggests that, whilst unquantified, the value of these savings would be significant.

Changes to Statements of Responsibilities

69. We estimate the saving from our proposed changes to SoRs using the baseline frequency and cost of reporting changes in responsibilities through Form J.

70. We assume that firms with more than one individual performing an SMF will still incur the cost of reallocating responsibilities at the point of a change in responsibilities, as they will be required to update and maintain their SoRs where relevant. However, they will no longer incur the cost of reporting changes.

71. For single-SMF firms, we remove both the cost of reporting changes through Form J and the associated cost of reallocating responsibilities. This reflects that these firms will no longer need to maintain or report a SoR.

72. We estimate that removing Form J reporting will deliver annual cost savings of £0.53m to £1.64m, with a central estimate of £0.89m. Removing the requirement to maintain SoRs in single-SMF firms will deliver additional annual savings of £0.01m to £0.04m, with a central estimate of £0.02m.

73. Taken together, we estimate that the proposals relating to SoRs will deliver annual cost savings of £0.54m to £1.68m, with a central estimate of **£0.91m**.

Simplifying Prescribed Responsibilities

74. On the basis of a review of the total number of responsibilities and their distribution across firms, we assume a reduction of around 15% in the frequency of reallocations of responsibilities. This will deliver annual cost savings of £0.15m to £0.48m, with a central estimate of **£0.28m**.

Management Responsibilities Maps (MRM)

75. We estimate the saving from removing requirements to routinely provide MRM updates using the baseline frequency and unit cost of updating them. On this basis, we estimate this will deliver annual cost savings of £0.28m to £0.99m, with a central estimate of **£0.47m**.

Extending the temporary cover rule from 12 to 18 weeks

76. We have not quantified the benefit of extending temporary cover because its effect depends on individual recruitment and succession circumstances rather than removing an identifiable recurring compliance activity. Whilst unquantified, this is an issue of significant importance to firms.

Certification Regime

Removing the Certification Regime

77. We assume that the benefits from removing the Certification Regime are equal to the baseline costs attributable to the regime. We estimate therefore that this will deliver annual cost savings of £79.25m to £257.04m, with a central estimate of **£133.04m**.

Separation of Phase 1 and Phase 2 impacts

78. We attribute £16.09m of this to proposals implemented through our Phase 1 reforms, and the remaining £116.94m to the complete removal we propose in Phase 2.

79. Our Phase 1 reforms, set out in PS26/6, removed the need for individuals who were already certified to obtain separate certification for certain functions. When we gathered evidence for our baseline, these Phase 1 reforms had not been fully embedded by firms. Their impact is therefore not reflected in the baseline estimate.

80. We estimated in our CBA for the Phase 1 proposals that this change would reduce relevant Certification Regime costs in Enhanced, Core and Dual-regulated firms by 15%. We apply that assumption to our updated baseline data to distinguish the savings attributable to the Phase 1 reforms from the additional savings attributable to removing the Certification Regime.

81. To do this, we estimate the baseline cost for Enhanced, Core and Dual-regulated firms by removing Limited Scope firms from the frequency and population estimates and apply a 15% reduction. This gives Phase 1 savings of £9.43m to £32.82m, with a central estimate of £16.09m.

82. After deducting these Phase 1 savings, we estimate that removing the regime altogether will deliver additional annual savings of £69.82m to £224.23m, with a central estimate of £116.94m. This represents the savings attributable to the Phase 2 proposal to remove the Certification Regime, after accounting for the effect of the Phase 1 reforms.

Removing the Directory

83. Removing the Directory will eliminate the need for firms to create, update and attest to the accuracy of Directory entries. We assume that the total savings from removing the Directory are equal to its baseline costs of between £5.11m and £16.36m, with a central estimate of **£8.43m**.

84. Most Directory costs (between £4.56m and £14.73m, with a central estimate of £7.56m) relate to Certification Function holders. We have included these savings in our estimate for removing the Certification Regime, as the associated Directory-related costs would fall away regardless of any decision on the Directory.

85. To avoid double counting, we only add on the remaining Directory costs associated with individuals who do not perform Certification Functions. On that basis, we estimate that removing the Directory will deliver **additional** annual cost savings of £0.55m to £1.63m, with a central estimate of **£0.86m**, **over and above savings** already attributed to the removal of the Certification Regime.

Conduct Rules

Conduct Rules training – notification and awareness

86. We expect that our proposed changes to Conduct Rules training requirements will reduce the cost of developing and maintaining Conduct Rules-specific training. Firms will no longer need to maintain separate or bespoke Conduct Rules training where they can properly inform relevant individuals through simpler communications or by integrating Conduct Rules content into existing processes. We therefore assume an 80% reduction in the baseline cost of developing and maintaining Conduct Rules-specific training.

87. We also expect the proposal to reduce the staff time spent attending Conduct Rules-specific training. Where firms replace standalone Conduct Rules training with shorter notifications or integrate the content into wider training already provided to staff, the incremental time spent on Conduct Rules-specific training should fall significantly. We therefore assume an 80% reduction in the baseline staff time cost associated with attending Conduct Rules training.

88. The scale of savings will depend on how firms respond to the new rule. Some firms may continue to provide standalone Conduct Rules training where they consider this appropriate. We therefore treat the 80% reductions as behavioural assumptions and test the sensitivity of the estimates.

89. On that basis, we estimate that revising Conduct Rules training requirements will deliver annual cost savings of £34.0m to £127.31m, with a central estimate of **£56.81m**. The savings arise from reduced costs of developing and maintaining Conduct Rules-specific training and reduced staff time spent attending that training.

90. Table 10a in Annex 3 sets out the results of two-way sensitivity analysis on our central estimates under alternative assumptions of the percentage reduction in developing and maintaining Conduct Rules-specific training and the cost of staff time attending training.

Raising the threshold for Conduct Rule breach reporting

91. Analysis of internal breach reporting data suggests that around 30% of currently reported breaches would no longer be reportable under the proposed new threshold. We expect this to have two effects on firm compliance activity.

92. First, it will reduce the number of Conduct Rules-specific breach assessments that firms undertake. This reflects the proposed guidance that firms would not need to take additional steps to determine whether a Conduct Rule breach has occurred where the disciplinary outcome does not meet the proposed reporting threshold.

93. Second, it will reduce the number of reportable incidents that firms would need to include in their Conduct Rule breach reporting, which reduces the cost of preparing and submitting REP008 reports.

94. We have assumed that raising the threshold will lead to a 30% reduction in each of these activities. Therefore, we assume a 30% reduction in the number of Conduct Rules-specific breach assessments and a 30% reduction in the average cost of REP008 reporting.

95. We assume that the unit cost of investigating whether the Conduct Rules have been breached remains unchanged.

96. On that basis, we estimate that raising the Conduct Rule breach reporting threshold will deliver annual cost savings of £17.97m to £82.03m, with a central estimate of **£34.37m**. The savings arise mainly from fewer Conduct Rules-specific breach assessments, with a smaller saving from reduced reporting costs.

97. Table 10b in Annex 3 sets out the results of two-way sensitivity analysis on our central estimates under alternative assumptions of the percentage reduction in Conduct Rules-specific breach investigations and the cost of a report.

Bringing sole traders into scope of the Conduct Rules

98. The proposal to apply the Conduct Rules to around 1,000 sole traders will create a more consistent individual conduct framework across financial services without introducing new standards of behaviour. We do not expect that this will have a significant cost impact.

99. Sole traders are already subject to the Principles for Businesses, which set broadly similar standards for firms. They are also required to train relevant employees on the Conduct Rules and report breaches to the regulator(s). We do not anticipate that bringing sole traders into scope will lead to significant additional investigatory or Conduct Rule breach reporting activity.

Other reporting changes

100. Our other proposals to streamline reporting requirements may lead to a small reduction in administrative costs for in-scope firms. These include our proposals to:

- Revoke the MiFID authorisation and management body change notification ITS and remove the associated management body reporting requirements for solo-regulated firms.
- Remove the requirement in SUP 15.4 for overseas firms to report details of persons.

101. We have not quantified these as the costs of obtaining relevant information from firms would not be justified by the potential scale of impact. We expect the costs of the MiFID ITS proposal to be of minimal significance, as we are removing existing reporting requirements without imposing replacement ones. This means we are not required to produce a separate CBA (section 138L(3) FSMA). The cost impact of removing reporting requirements under SUP 15.4 is also expected to be minimal.

Costs

102. The proposals will reduce firms' ongoing compliance costs but create some one-off transition costs. Firms will need to understand the new requirements, assess their existing arrangements and make any necessary changes.

Familiarisation costs

103. Firms will incur one-off costs to familiarise themselves with the changes and assess the implications for their governance arrangements, policies and procedures.

104. We estimate these familiarisation and gap analysis costs using the SCM set out in our Statement of Policy on CBA (p 75 to 77). This includes time spent by compliance and legal staff reviewing the new rules and assessing their implications.

105. We estimate total familiarisation and gap analysis costs of **£8.38m**, incurred in the first year of implementation.

Implementation and change costs

106. Some firms will also incur costs when changing their internal processes, controls and governance arrangements. This may include updating policies, procedures, governance documents, reporting processes, training materials and systems used to support SM&CR compliance.

107. For example, firms may need to review how they assess the competence and suitability of individuals who would previously have been certified. They may also need to change their Conduct Rules processes or how they allocate responsibilities under the Senior Managers Regime.

108. We estimate these change programme costs using the SCM set out in our Statement of Policy on CBA (p 79). The estimate reflects the staff time needed to manage and implement changes to firms' internal arrangements, including project team and project management time.

109. We estimate total one-off change programme costs of approximately **£51.42m**, incurred in the first year. These costs are separate from familiarisation and gap analysis costs because they relate to implementing changes rather than understanding the new requirements.

Responsibility reallocation costs

110. Removing SMF18 and SMF22 and narrowing the scope of SMF7 will require firms to reallocate responsibilities to other Senior Managers. We assume that firms incur a one-off reallocation cost for each affected SMF role. We estimate this cost at between £0.48m and £1.59m, with a central estimate of **£0.89m**.

111. Some firms will also move from Enhanced to Core status and will no longer be required to designate Enhanced-only SMFs. We estimate the resulting responsibility reallocation costs at between £0.53m and £1.75m, with a central estimate of **£0.99m**.

112. Both costs are incurred in the first year of implementation.

Risk rebalancing

113. The proposals may increase some risks that cannot be robustly monetised. Under the SMR, moving specified functions from approval to notification and simplifying responsibilities requirements will reduce regulatory scrutiny.

114. Removing the Certification Regime will remove the structured requirements for firms to identify Certification Functions, undertake formal fitness and propriety assessments and certify individuals annually.

115. Changes to the Conduct Rules requirements may also reduce staff awareness and the information available to us about lower-level conduct issues.

116. However, important safeguards will remain. Firms will continue to assess Senior Managers as fit and proper, the most senior roles will remain subject to approval, and Senior Managers will remain subject to the Duty of Responsibility and Conduct Rules.

117. Firms will also remain subject to wider requirements concerning employee competence, suitability, qualifications and conduct, and serious matters will remain reportable. The scale of any resulting effect on accountability, conduct, consumers or market integrity is uncertain and cannot be estimated robustly.

Consultation with the CBA Panel

118. We consulted the CBA Panel on an earlier version of this analysis and consultation paper. Following its advice, we clarified the relationship between legislative changes and our regulatory policy choices and explained more clearly the limits of the quantified analysis and the potential unquantified risks.

Question 27: **Do you agree with the assumptions set out in our Cost Benefit Analysis regarding existing compliance costs under the SM&CR and the expected reduction in those costs? Do you have any other comments on our Cost Benefit Analysis? Please provide supporting evidence, including quantified estimates where possible.**

Annex 3

Analytical tables

Estimates generated from firm survey

Table 6a: Unit costs (£), Senior Managers Regime, baseline

	Large			Medium			Small		
	Low	Central	High	Low	Central	High	Low	Central	High
SMF appointment									
Conducting fit and proper test	425	731	1,171	378	700	1,439	291	443	944
Creating handover plan	432	733	1,540	290	486	860	282	350	524
Submitting handover summary	75	183	489	89	282	463	117	238	424
Applying for approval: Long Form A	969	1,394	2,261	670	1,070	2,052	583	1,063	1,475
Applying for approval: Short Form A	419	778	1,346	246	498	772	170	354	728
Applying for approval: Form E	234	603	1,117	160	271	540	133	184	379
Obtaining regulatory reference	105	170	309	79	151	331	74	144	359
Providing regulatory reference	109	145	280	67	128	253	83	129	216
Ongoing SMF management									
Reallocation of responsibilities	327	533	1,061	249	523	870	191	340	539
Reporting changes in responsibilities	167	227	404	136	249	500	105	187	303
Management Responsibilities Maps	205	327	624	182	310	719	179	298	376
Annual fitness & propriety reassessments	349	604	1,446	249	468	1,085	227	408	969
Reporting cessation of SMF	109	169	290	109	237	408	71	184	333
Reporting changes in circumstances	113	209	442	126	265	486	123	208	361
Developing/maintaining SMF-specific training	861	2,009	5,713	546	1,532	3,940	388	977	3,167
Attending SMF-specific training	1,187	2,374	4,639	1,088	2,175	3,915	465	1,322	1,662

Table 6b: Total annual costs (£), Senior Managers Regime, baseline

	Large			Medium			Small		
	Low	Central	High	Low	Central	High	Low	Central	High
SMF appointment									
Conducting fit and proper test	298,000	512,000	820,000	733,000	1,358,000	2,791,000	1,232,000	1,876,000	3,997,000
Creating handover plan	200,000	339,000	712,000	266,000	446,000	790,000	76,000	94,000	141,000
Submitting handover summary	35,000	85,000	226,000	82,000	259,000	426,000	31,000	64,000	114,000
Applying for approval: Long Form A	268,000	433,000	770,000	438,000	888,000	1,992,000	796,000	2,056,000	3,140,000
Applying for approval: Short Form A	104,000	193,000	334,000	175,000	355,000	550,000	259,000	539,000	1,109,000
Applying for approval: Form E	15,000	38,000	71,000	16,000	28,000	55,000	11,000	15,000	32,000
Obtaining regulatory reference	73,000	119,000	217,000	153,000	294,000	642,000	315,000	611,000	1,519,000
Providing regulatory reference	76,000	102,000	196,000	130,000	248,000	492,000	352,000	545,000	913,000
Ongoing SMF management									
Reallocation of responsibilities	313,000	509,000	1,015,000	462,000	969,000	1,613,000	263,000	467,000	739,000
Reporting changes in responsibilities	160,000	217,000	386,000	337,000	575,000	1,333,000	144,000	257,000	416,000
Management Responsibilities Maps	187,000	299,000	569,000	358,000	612,000	1,418,000	73,000	122,000	154,000
Annual fitness & propriety reassessments	672,000	1,163,000	2,782,000	1,657,000	3,112,000	7,217,000	9,880,000	17,760,000	42,167,000
Reporting cessation of SMF	67,000	103,000	178,000	191,000	415,000	717,000	298,000	765,000	1,386,000
Reporting changes in circumstances	7,000	14,000	29,000	24,000	50,000	91,000	26,000	44,000	76,000
Developing/maintaining SMF-specific training	205,000	478,000	1,360,000	867,000	2,433,000	6,257,000	11,624,000	29,263,000	94,850,000
Attending SMF-specific training	282,000	565,000	1,104,000	1,727,000	3,454,000	6,218,000	13,913,000	39,600,000	49,767,000

Table 7a: Unit costs (£), Certification Regime, baseline

	Large			Medium			Small		
	Low	Central	High	Low	Central	High	Low	Central	High
Certification Function appointment									
Assessing whether a role is a Certification Function	145	253	398	116	237	593	132	223	358
Conducting fit and proper test	274	478	793	268	390	653	175	317	618
Obtaining regulatory reference	105	170	309	79	151	331	74	144	359
Providing regulatory reference	109	145	280	67	128	253	83	129	216
Ongoing Certification Function management									
Annual recertification	258	468	1,238	229	351	960	179	259	439
Creating new Directory entry	70	75	113	35	70	195	58	85	171
Updating existing Directory entry	38	70	110	35	67	134	29	70	134

Table 7b: Total annual costs (£), Certification Regime, baseline

	Large			Medium			Small		
	Low	Central	High	Low	Central	High	Low	Central	High
Certification Function appointment									
Assessing whether a role is a Certification Function	3,859,000	6,728,000	10,586,000	4,177,000	8,504,000	21,292,000	27,357,000	46,176,000	74,126,000
Conducting fit and proper test	4,300,000	7,492,000	12,425,000	4,130,000	5,994,000	10,040,000	2,767,000	5,015,000	9,788,000
Obtaining regulatory reference	1,640,000	2,666,000	4,847,000	1,212,000	2,330,000	5,089,000	1,179,000	2,284,000	5,681,000
Providing regulatory reference	1,705,000	2,274,000	4,394,000	1,032,000	1,969,000	3,899,000	1,318,000	2,039,000	3,414,000
Ongoing Certification Function management									
Annual recertification	6,646,000	12,034,000	31,838,000	6,907,000	10,616,000	29,030,000	6,459,000	9,354,000	15,862,000
Creating new Directory entry	1,143,000	1,235,000	1,852,000	568,000	1,136,000	3,152,000	974,000	1,430,000	2,884,000
Updating existing Directory entry	786,000	1,455,000	2,300,000	627,000	1,199,000	2,399,000	461,000	1,109,000	2,143,000

Table 7c: Total annual costs (£), Directory, baseline

Note the unit costs for Directory entries are contained in Table 7a

	Large			Medium			Small		
	Low	Central	High	Low	Central	High	Low	Central	High
Certification Function staff									
Creating new Directory entry	1,143,000	1,235,000	1,852,000	568,000	1,136,000	3,152,000	974,000	1,430,000	2,884,000
Updating existing Directory entry	786,000	1,455,000	2,300,000	627,000	1,199,000	2,399,000	461,000	1,109,000	2,143,000
Non-Certification Function staff									
Creating new Directory entry	182,000	197,000	295,000	53,000	106,000	293,000	110,000	161,000	325,000
Updating existing Directory entry	105,000	195,000	307,000	47,000	90,000	181,000	48,000	116,000	225,000

Table 8a: Unit costs (£), Conduct Rules, baseline

	Large			Medium			Small		
	Low	Central	High	Low	Central	High	Low	Central	High
Conduct rules									
Developing/ maintaining Conduct Rules training	794	2,031	5,954	332	1,123	3,047	304	636	2,211
Staff attending Conduct Rules training	61,881	61,881	123,763	4,927	9,853	14,780	248	496	744
Investigating whether Conduct Rules have been breached	350	558	1,840	245	748	1,617	414	749	1,753
Reporting Conduct Rule breach	186	323	564	91	150	448	55	111	380

Table 8b: Total annual costs (£), Conduct Rules, baseline

	Large			Medium			Small		
	Low	Central	High	Low	Central	High	Low	Central	High
Conduct rules									
Developing/ maintaining Conduct Rules training	201,000	514,000	1,506,000	515,000	1,741,000	4,723,000	10,152,000	21,255,000	73,827,000
Staff attending Conduct Rules training	15,656,000	15,656,000	31,312,000	7,636,000	15,272,000	22,909,000	8,286,000	16,571,000	24,857,000
Investigating whether Conduct Rules have been breached	2,536,000	4,047,000	13,347,000	5,094,000	15,591,000	33,688,000	50,252,000	90,916,000	212,872,000
Reporting Conduct Rule breach	47,000	82,000	143,000	141,000	232,000	695,000	1,843,000	3,694,000	12,690,000

Table 9a: Unit costs (£), additional survey-reported SM&CR overheads, not included in baseline

	Large			Medium			Small		
	Low	Central	High	Low	Central	High	Low	Central	High
Additional survey-reported SM&CR overheads	10,000	41,484	82,750	7,500	15,572	32,460	1,950	3,563	6,500

Table 9b: Total annual costs (£), additional survey-reported SM&CR overheads, not included in baseline

	Large			Medium			Small		
	Low	Central	High	Low	Central	High	Low	Central	High
Additional survey-reported SM&CR overheads	2,530,000	10,495,000	20,936,000	11,625,000	24,136,000	50,313,000	64,914,000	118,592,000	216,379,000

Sensitivity analysis

Table 10a: Sensitivity analysis of Conduct Rules training – notification and awareness, £m, central estimates under alternative assumptions

		Reduction in cost of developing and maintaining Conduct Rules training				
		50%	60%	70%	80%	90%
Reduction in staff time attending Conduct Rules training	50%	35.5	37.9	40.2	42.6	44.9
	60%	40.3	42.6	45.0	47.3	49.7
	70%	45.0	47.4	49.7	52.1	54.4
	80%	49.8	52.1	54.5	56.8	59.2
	90%	54.5	56.9	59.2	61.6	63.9

Table 10b: Sensitivity analysis of raising the threshold on Conduct Rule breach reporting, £m, central estimates under alternative assumptions

		Reduction in cost of reporting Conduct Rule breach (REP008)				
		10%	15%	20%	25%	30%
Reduction in number of Conduct Rule breach investigations	10%	11.5	11.7	11.9	12.1	12.3
	15%	17.0	17.2	17.4	17.6	17.8
	20%	22.5	22.7	22.9	23.1	23.3
	25%	28.0	28.2	28.4	28.6	28.8
	30%	33.6	33.8	34.0	34.2	34.4

Annex 4

Compatibility statement

Compliance with legal requirements

1. This Annex records the FCA's compliance with a number of legal requirements applicable to the proposals in this consultation, including an explanation of the FCA's reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA).

2. When consulting on new rules, the FCA is required by section 138I(2)(d) FSMA to explain why we believe that making the proposed rules is compatible with our general duty, under section 1B(1) FSMA, (a) so far as reasonably possible, to act in a way which is compatible with our strategic objective and advances one or more of our operational objectives, (b) so far as reasonably possible, advances the secondary international competitiveness and growth objective, under section 1B(4A) FSMA, and (c) complies with our general duty under section 1B(5)(a) FSMA to have regard to the regulatory principles in section 3B FSMA. The FCA is also required by section 138K(2) FSMA to state its opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.

3. This Annex also sets out the FCA's view of how the proposed rules are compatible with the duty on the FCA to discharge its general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (section 1B(4)). This duty applies in so far as promoting competition is compatible with advancing the FCA's consumer protection and/or integrity objectives.

4. In addition, this Annex explains how we have considered the recommendations made by the Treasury under section 1JA FSMA about aspects of the economic policy of His Majesty's Government to which we should have regard in connection with our general duties.

5. This Annex includes our assessment of the equality and diversity implications of these proposals.

6. Under the Legislative and Regulatory Reform Act 2006 (LRRA) the FCA is subject to requirements to have regard to a number of high-level 'Principles' in the exercise of some of our regulatory functions and to have regard to a 'Regulators' Code' when determining general policies and principles and giving general guidance (but not when exercising other legislative functions like making rules). This Annex sets out how we have complied with requirements under the LRRA.

The FCA's objectives and regulatory principles: Compatibility statement

7. We consider the proposals are compatible with the FCA's strategic objective of ensuring that the relevant markets function well. The SM&CR furthers our primary operational objectives by supporting high standards of individual accountability and conduct, which helps protect consumers and strengthen market integrity. Our proposals seek to maintain those outcomes while making the regime more efficient and proportionate. By improving and clarifying our rules and expectations and removing or streamlining requirements where they impose disproportionate costs or burdens, we consider the proposals would support more consistent compliance, better consumer outcomes and market integrity.

8. We consider these proposals also advance the FCA's secondary objective to advance international competitiveness and growth. We consider our proposals to reduce costs and improve efficiency could increase the attractiveness of the UK as a place to invest and do business, both within the UK and for financial services workers globally, which can help facilitate the medium to long-term growth and international competitiveness of the UK economy.

9. In preparing the proposals set out in this consultation, the FCA has had regard to the regulatory principles required of us by section 3B FSMA, as set out below.

The need to use our resources in the most efficient and economic way

10. We consider that the proposed measures in this consultation are a proportionate use of our resources. The updated rules and guidance should help firms and individuals to better understand their obligations under the SM&CR. This should help the FCA use its resources more efficiently and economically by reducing the amount of time spent resolving issues stemming from the application of the SM&CR. This includes, for example, answering firm queries and processing poor quality or unnecessary Senior Manager applications.

The principle that a burden or restriction should be proportionate to the benefits

11. We consider our proposals to be proportionate to the benefits. Our assessment of the costs and benefits of these proposals is set out in Annex 2.

The need to contribute towards achieving compliance by the Secretary of State with section 1 of the Climate Change Act 2008 (UK net zero emissions target) and section 5 of the Environment Act 2021 (environmental targets)

12. In developing these proposals, we have considered our duty under these Acts. Overall, we do not consider our proposals will have an impact on these targets.

The general principle that consumers should take responsibility for their decisions

13. We do not consider our proposals to have an effect on this.

The responsibilities of senior management in relation to compliance with requirements imposed under FSMA, especially where they relate to consumers

14. Many of the proposals set out in this consultation are focused on the obligations of Senior Managers under the SM&CR. Our proposals, set out in more detail in Chapters 1-5, are designed to maintain Senior Managers' accountability while realising efficiencies for firms in administering the SM&CR.

The desirability of exercising our functions in a way that recognises the differences in the nature of – and objectives of – businesses carried on by different persons including mutual societies and other kinds of business organisation

15. Our approach to proportionality is set out in Chapters 3-5, which explain the scope, thresholds, and examples of application.

The desirability of publishing information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information to advance our objectives

16. Our proposals aim to streamline, or remove, information published on the Register. Chapter 4 explains the trade-offs associated with our proposals to change the information published on our Register.

The principle that we should exercise our functions as transparently as possible

17. This CP sets out our policy justification for these proposals, the CBA and their compatibility with our legal duties. The consultation is open for 3 months and we welcome responses from all stakeholders. We will consider all responses before deciding whether to proceed with making rules, and whether to do so in the form proposed in this consultation. This is subject to the approval of the FCA Board.

In formulating these proposals, the FCA has had regard to the importance of taking action intended to minimise the extent to which it is possible for a business carried on (i) by an authorised person or a recognised investment exchange; or (ii) in contravention of the general prohibition, to be used for a purpose connected with financial crime (as required by section 1B(5)(b) FSMA).

18. We do not consider our proposals to be relevant in this regard.

Treasury recommendations about economic policy

19. The proposals in this consultation are consistent with the recommendations made by the Treasury in the November 2024 remit letter (under section 1JA of FSMA). In particular, they support the international competitiveness and growth of the UK financial services sector by improving the efficiency and proportionality of the regime, reducing burdens on firms while maintaining high standards of individual accountability and conduct.

Expected effect on mutual societies

20. We propose to discontinue the option for credit unions to submit conduct breach reports in hard copy. This change would streamline reporting and improve operational efficiency. Alternative formats would remain available where required to meet accessibility needs.

Compatibility with the duty to promote effective competition in the interests of consumers

21. In preparing the proposals as set out in this consultation, we have had regard to the FCA's duty to promote effective competition in the interests of consumers.

Compatibility with the requirement to detail engagement with statutory panels

22. We spoke to the FCA's Practitioner Panel, Smaller Business Practitioner Panel and Financial Services Consumer Panel about these proposals.

Equality and diversity

23. As a public authority, we are subject to the Public Sector Equality Duty under the Equality Act 2010. This requires us, when exercising our functions, to have due regard to the need to eliminate discrimination, harassment, victimisation and other prohibited conduct, advance equality of opportunity, and foster good relations between people who share a protected characteristic and those who do not.

24. As part of this, we ensure the equality and diversity implications of any new policy proposals are considered. The outcome of our consideration in relation to these matters in this case is that, overall, we do not consider that the proposals would have a material impact on groups sharing protected characteristics under the Equality Act 2010. (The Equality Act 2010 does not extend to Northern Ireland, where separate anti-discrimination legislation applies.) We will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when making the final rules.

Environmental, social & governance considerations

25. In developing this CP, we have considered the environmental, social and governance (ESG) implications of our proposals and our duty under sections 1B(5)(a) and 3B(1)(c) of FSMA to have regard to contributing towards the Secretary of State's achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008 and environmental targets under section 5 of the Environment Act 2021. Overall, we do not consider that the proposals are relevant to contributing to those targets. We will keep this issue under review during the course of the consultation period and when considering whether to make the final rules.

26. In the meantime, we welcome feedback on this issue.

Legislative and Regulatory Reform Act 2006 (LRRA)

27. We have had regard to the principles in the LRRA for the parts of the proposals that consist of general policies, principles or guidance and consider them to be:

- transparent – we are consulting on our proposed changes
- accountable – stakeholders will have an opportunity to provide feedback on our proposals, and we will consider all evidence received prior to finalising the rules and guidance
- proportionate – we consider our proposals will result in a more proportionate regime for firms
- consistent – the proposed changes to our guidance will help clarify our expectations of firms, resulting in a more consistent application of the requirements
- targeted only at cases in which action is needed – we consider that these proposals are needed given the evidence from some firms set out in our CBA.

28. We have had regard to the Regulators' Code for the parts of the proposals that consist of general policies, principles or guidance and consider that they are consistent with the principles of the Regulators' Code.

Annex 5

Abbreviations used in this paper

Abbreviation	Description
App	Appendix
CBA	Cost Benefit Analysis
CASS	Client Assets Sourcebook
Cert Fn	Certification function
COCON	Code of Conduct Sourcebook
CP	Consultation Paper
DP	Discussion Paper
EU	European Union
FCA	Financial Conduct Authority
F&P	Fitness & Propriety
FIT	Fit and Proper test for Employees and Senior Personnel Sourcebook
FS	Financial Services
FSM	Financial Services and Markets
FSMA	Financial Services and Markets Act 2000
HMT	His Majesty's Treasury
ITS	Implementing Technical Standards
LRRA	Legislative and Regulatory Reform Act 2006
MiFID	Markets in Financial Instruments Directive
MLR	Money Laundering Regulations
MRM	Management Responsibilities Map

Abbreviation	Description
PRA	Prudential Regulation Authority
PR	Prescribed Responsibility
PS	Policy Statement
SM&CR	Senior Managers and Certification Regime
SMF	Senior Management Function
SMR	Senior Managers Regime
SoR	Statement of Responsibilities
SPS	Statement of Professional Standing
SCM	Standardised Cost Model
SUP	Supervision Sourcebook
SYSC	Senior Management Arrangements, Systems and Controls Sourcebook
TC	Training and Competence Sourcebook

Appendix 1

Draft Handbook text

INDIVIDUAL ACCOUNTABILITY (SMCR REVIEW PHASE 2) INSTRUMENT 2027

Powers exercised

A. The Financial Conduct Authority ("the FCA") 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 55U (Applications under this Part);
(2) section 59 (Approval and notification for particular arrangements);
(3) section 59AB(1) (Specifying functions as controlled functions: transitional provision);
(4) section 60 (Applications for approval);
(5) section 60ZA (Notifications under section 59);
(6) section 60A (Vetting of candidates by authorised persons);
(7) section 63ZA (Variation of senior manager's approval at request of authorised person);
(8) section 63ZD (Statement of policy relating to conditional approval and variation);
(9) section 63C (Statement of policy);
(10) section 64A (Rules of conduct);
(11) section 69 (Statement of policy);
(12) section 137A (The FCA's general rules);
(13) section 137T (General supplementary powers);
(14) section 138D (Actions for damages);
(15) section 139A (Power of the FCA to give guidance);
(16) section 316 (Direction by a regulator);
(17) section 347 (The record of authorised persons etc.);
(18) section 395 (The FCA's and PRA's procedures); and
(19) paragraph 23 (Fees) of Part 3 (Penalties and fees) of Schedule 1ZA (The Financial Conduct Authority).

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

Commencement

C. This instrument comes into force on [*date 1*] except for Part 2 of Annex P, which comes into force on [*date 2*].

Amendments to the Handbook

D. The modules of the FCA's Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex B
Code of Conduct sourcebook (COCON)	Annex C
Threshold Conditions sourcebook (COND)	Annex D
Fit and Proper test for Employees and Senior Personnel sourcebook (FIT)	Annex E
Training and Competence sourcebook (TC)	Annex F
General Provisions sourcebook (GEN)	Annex G
Fees manual (FEES)	Annex H
Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU)	Annex I
Conduct of Business sourcebook (COBS)	Annex J
Insurance: Conduct of Business sourcebook (ICOBS)	Annex K
Claims Management: Conduct of Business sourcebook (CMCOB)	Annex L
Funeral Plan: Conduct of Business sourcebook (FPCOB)	Annex M
Pensions Dashboards: Conduct of Business sourcebook (PDCOB)	Annex N
Client Assets sourcebook (CASS)	Annex O
Supervision manual (SUP)	Annex P
Decision Procedure and Penalties manual (DEPP)	Annex Q
Consumer Redress Schemes sourcebook (CONRED)	Annex R
Collective Investment Schemes sourcebook (COLL)	Annex S
Credit Unions sourcebook (CREDS)	Annex T
Consumer Credit sourcebook (CONC)	Annex U
Professional Firms sourcebook (PROF)	Annex V

[*Editor's notes*:

(1) This consultation does not include draft amendments to the approved persons regime for appointed representatives or the parts of the SMCR requirements that cover appointed representatives. This is because such amendments may overlap with the Handbook amendments required to implement the changes in the Bill relating to those topics. They are therefore best dealt with in a separate FCA consultation on those topics. If changes to the Handbook provisions about those topics are not made or come into force at a later date, the FCA will, as appropriate, make the necessary amendments to the Handbook about appointed representatives consequent upon the changes being consulted on in this Consultation Paper.

(2) For the sake of clarity, this draft is prepared on the basis that the changes to the Handbook in the Cryptoassets (Conduct and Firm Standards) Instrument 2026 (FCA 2026/44) and the Glossary (Cryptoassets) Instrument 2026 (FCA 2026/35) have come into force. If this instrument comes into force first, appropriate changes will be made to this instrument and, if necessary, the Cryptoassets (Conduct and Firm Standards) Instrument 2026 and the Glossary (Cryptoassets) Instrument 2026.]

Amendments to material outside the Handbook

E. The material outside the FCA's Handbook of rules and guidance listed in column (1) below is amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Enforcement Guide (ENFG)	Annex W
Financial Crime Guide: A firm's guide to countering financial crime risks (FCG)	Annex X
Financial Crime Thematic Reviews (FCTR)	Annex Y
MiFID 2 Onshoring Guide (M2G)	Annex Z

Notes

F. In the Annexes to this instrument, the notes (indicated by "*Editor's note*") are included for the convenience of readers and do not form part of the legislative text but, where so specified, have a legal effect on the layout and format of the Handbook text being amended

Citation

G. This instrument may be cited as the Individual Accountability (SMCR Review Phase 2) Instrument 2027.

By order of the Board
[*date*]

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

approved or notified person	a *person* in relation to whom: (a) the *FCA* or the *PRA* has given its approval under section 59 of the *Act* (Approval and notification for particular arrangements) for the performance of a *controlled function*; or (b) a *firm* has given the *FCA* or the *PRA* a notice under section 59 of the *Act* of the performance of a *designated senior management function*.
authorised approved or notified person employer	(in relation to an *approved or notified person* with a *current SMF approval or notification*) the *firm*: (a) on whose application approval for the performance of the *controlled function* was given under section 59 of the *Act* (Approval and notification for particular arrangements); or (b) that made the notification to the *FCA* or *PRA* of the performance of the *designated senior management function* under section 59 of the *Act*.
current SMF approval or notification	(a) (in relation to an *SMF manager*, *controlled function* or *designated senior management function* and a *firm* and at a particular time) means (in accordance with section 59 of the *Act* (Approval and notification for particular arrangements)): (i) an approval the *firm* has for the performance of that *controlled function* by that *SMF manager*; or (ii) an *SMF notification* that the *firm* has made to the *FCA* or *PRA* with respect to the performance of that *designated senior management function* by that *SMF manager*,

if that approval or notification is in effect at that time.

A reference to an *SMF manager* 'holding' a *current SMF approval or notification* (and related phrases) must be read accordingly.

(b) An approval is treated as having been given by, and an *SMF notification* is treated as having been given to, the *FCA* or the *PRA* if it is deemed to have been given by or to either of them for the purposes of the *Act* by:

(i) an Act or any subordinate legislation made under that Act; or

(ii) *rules* made by the *FCA* or the *PRA*.

(c) A *person* treated as approved under section 59ZZA of the *Act* (as treated as being inserted into the Act by the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018 (SI 2018/1149)) has a *current SMF approval or notification*.

FCA-approved or notified person — *an approved or notified person*:

(a) in relation to whom the *FCA* has given its approval under section 59 of the *Act* (Approval and notification for particular arrangements) for the performance of an *FCA controlled function*; or

(b) in relation to whom a *firm* made a notification to the *FCA* of the performance of an *FCA-designated senior management function* under section 59 of the *Act*.

FCA-approved or notified SMF manager — an *SMF manager*:

(a) in relation to whom the *FCA* has given its approval under section 59 of the *Act* (Approval and notification for particular arrangements) for the performance of an *FCA-designated senior management function*; or

(b) in relation to whom a *firm* made a notification to the *FCA* of the performance of an *FCA-designated senior management function* under section 59 of the *Act*.

permitted conditional SMF application	a permitted conditional SMF application as defined in section 60A(5) of the *Act* (Vetting of candidates by authorised person), which, in summary, means an application for approval to the *FCA* or *PRA* under section 60 of the *Act* subject to conditions or for a limited period as permitted by *rules* made by the *FCA* or *PRA*.
PRA-approved or notified person	*an approved or notified person*: (a) in relation to whom the *PRA* has given its approval under section 59 of the *Act* (Approval and notification for particular arrangements) for the performance of a *PRA controlled function*; or (b) in relation to whom a *firm* made a notification to the *PRA* of the performance of a *PRA controlled function* under section 59 of the *Act*.
PRA-approved or notified SMF manager	an *SMF manager*: (a) in relation to whom the *PRA* has given its approval under section 59 of the *Act* (Approval and notification for particular arrangements) for the performance of a *PRA-designated senior management function*; or (b) in relation to whom a *firm* made a notification to the *PRA* of the performance of a *PRA-designated senior management function* under section 59 of the *Act*.
SMF notification	a notification made to the *FCA* or *PRA* under section 59(1)(b) or 59(2)(b) of the *Act* (Approval and notification for particular arrangements) of the performance of a *designated senior management function*.
SMF notification procedure	the notification procedure contemplated by sections 59(1)(b), 59(2)(b) and 59(3A) of the *Act* (Approval and notification for particular arrangements) and described in *SUP* 10C.10A (Notification of the performance of an FCA-designated senior management function) including, where the context requires, that procedure as it applies to the *PRA*.

Amend the following definitions as shown.

advising on investments	(1) (except in *SUP* 10A (FCA Approved Persons in Appointed Representatives), ~~*SYSC* 27 (Senior managers and certification~~

~~regime: Certification regime),~~ *APER* and *CONRED* 2) the *regulated activities*, specified in article 53(1) to (1D) and article 53(2) of the *Regulated Activities Order* (Advising on investments), which are:

…

(2) (in *SUP* 10A (FCA Approved Persons in Appointed Representatives)~~, *SYSC* 27 (Senior managers and certification regime: Certification regime)~~ and *APER*) the *regulated activities* specified in article 53(1) to (1D) and article 53(2) (Advising on investments) of the *Regulated Activities Order*. For these purposes, *advising on investments* includes any activities that would be included but for the exclusion in article 72AA (Managers of UCITS and AIFs) of the *Regulated Activities Order*.

…

arrangement (as defined in section 59(10) of the *Act* (Approval and notification for particular arrangements)) any kind of arrangement for the performance of a function of an *authorised person* ("A") which is entered into by A or any contractor of ~~his~~ A's with another *person*, including, in particular, that other *person's* appointment to an office, ~~his~~ their becoming a partner, or ~~his~~ their employment (whether under a contract of service or otherwise).

candidate a *person* in ~~respect of~~ relation to whom an application is made for approval, or in relation to whom a notification is made, under section 59 of the *Act* (Approval and notification for particular arrangements) of the performance of an *FCA controlled function* or a *PRA controlled function*.

A *person* ceases to be a *candidate* once the application has been finally determined by the *FCA* or the *PRA*, the notification has taken effect or when the application or notification is withdrawn.

COCON firm activities (as defined in more detail in ~~*COCON* 1.1.7AR(1)~~ *COCON* 1A.5.9R and in relation to conduct of a *person* in relation to a *firm*) the corresponding activities of the *firm* as referred to in ~~*COCON* 1.1.6R~~ *COCON* 1A.5.3R to ~~*COCON* 1.1.7R~~ *COCON* 1A.5.7R (To what conduct does it apply?).

conduct rules staff (1) any *persons* who are subject to *COCON* (excluding *COCON* 2.3 (Firms: awareness of staff and breaches)), as set out in ~~*COCON* 1 (Application)~~ *COCON* 1A (Application and purpose); and

(2) the term "member" of the *conduct rules staff* of a *firm* is defined in ~~*COCON* 1.1.7 AR(2)~~ *COCON* 1A.5.9R (Definition of COCON firm activities).

consumer …

(2A) (as further defined in section 425A of the *Act*) ~~(in relation to the issue of statements or codes under section 64 of the *Act*)~~ and general exemptions to consultation by the *FCA* (section 138L of the *Act*) in the publication of notices (section 391 of the *Act*) a *person*:

…

…

controlled function a function, relating to the carrying on of a *regulated activity* by a *firm*, which is specified by:

…

under section 59 of the *Act* (Approval and notification for particular arrangements).

designated senior management function (in accordance with section 59ZB of the *Act* (Designated senior management functions):

(a) a function that has been designated by the *FCA* in *SUP* 10C (FCA senior managers regime for approved and notified persons in SMCR firms) as a designated senior management function; or

…

director (1) (except in *COLL*, *DTR*, *UKLR*, *PRM* and *MAR* 5-A) (in relation to any of the following (whether constituted in the *United Kingdom* or under the law of a country or territory outside it)):

…

(c) (in *SYSC*, *APER*, *COCON*, *MIPRU* 2 (Responsibility for insurance distribution and *MCD* credit intermediation activity), *CASS* 10A (Payment services and electronic money: resolution pack), *CASS* 15 (Payment services and electronic money: relevant funds), *SUP* 3A (Payment services and electronic money), *SUP* 10A (FCA Approved persons in

Appointed Representatives) and *SUP* 10C (FCA senior managers regime for approved or notified persons in SMCR firms) a *partnership*;

(d) (in *SYSC*, *CASS* 10A (Payment services and electronic money: resolution pack), *CASS* 15 (Payment services and electronic money: relevant funds), *SUP* 3A (Payment services and electronic money), *SUP* 10A (FCA Approved persons in Appointed Representatives) and *SUP* 10C (FCA senior managers regime for approved or notified persons in SMCR firms) a *sole trader*;

…

…

employee (1) (for all purposes except those in (2), ~~(3),~~ (4) and (4A)) an individual:

…

(3) ~~(for the purposes of *SYSC* 27 (Senior management and certification regime: Certification regime) and the definition of *certification employee*) has the meaning in section 63E(9) of the *Act* (Certification of employees by authorised persons) which, in summary, says an employee of a *person* (the "employer") includes a reference to a *person* who:~~ [deleted]

~~(a) personally provides, or is under an obligation personally to provide, services to the employer under an arrangement made between the employer and the *person* providing the services or another *person*, and~~

~~(b) is subject to (or to the right of) supervision, direction or control by the employer as to the manner in which those services are provided.~~

(4) (for the purposes of *SUP* 15.11 (Notification of conduct rule breaches and disciplinary action) and *COCON*) has the meaning in section 64A(6) of the *Act* (Rules of conduct) which, in summary, says an employee of a *person* (the 'employer') includes a reference to a *person* who:

…

However~~, where a *Handbook* provision in (4) refers to *certification employees*, (3) still applies to the definition of~~

~~*certification employee* and~~ (in the *guidance* in *COCON* where the context requires)~~,~~ an employer may include a *person* who is not *authorised*.

(4A) (for the purposes of *SYSC* 22 (Regulatory references)) has the same meaning as in (3) and, in addition, includes a *person* who:

(a) is an ~~*approved person*~~ *approved or notified person* or *director* of another *person* (the "employer"); or

…

(c) performs any service or function for another *person* (the "employer") in their capacity as an employee of another member of the employer's *group*. For the purpose of (c) an employee of another member of the employer's *group* means:

…

(ii) an ~~*approved person*~~ *approved or notified person* or *director* of that *group* member; or

…

(d) is a *board director* of a *person* (the "employer") who is not an *SMF manager* ~~or *certification employee*~~ of the employer.

…

FCA candidate	a *candidate* in respect of an *FCA controlled function*, being a *person* in respect of whom an application is made to the *FCA* for approval under section 59 of the *Act* (Approval or notification for particular arrangements) of the performance of an *FCA controlled function* or in relation to whom an *SMF notification* of the performance of an *FCA-designated senior management function* is made to the *FCA*.
FCA controlled function	a *controlled function* which is specified by the *FCA* under section 59 of the *Act* (Approval and notification for particular arrangements) in:
	…
Financial Services Register	the public record, as required by section 347 of the *Act* (The public record), regulation 4 of the *Payment Services Regulations* (The register of certain payment service providers), regulation 4 of the

Electronic Money Regulations and article 8 of the *MCD Order*, of every:

…

(h) ~~*approved person*~~ *approved or notified person*; and

…

management responsibilities map — the *document* describing the management arrangements of certain *SMCR firms* required by *SYSC* 25 (Senior management and ~~certification~~ conduct rules regime: Management responsibilities maps and handover procedures and material).

material risk taker — …

(2) (in *SYSC* 19D ~~and *SYSC* 27~~) has the meaning in *rule* 3.1 of the *PRA Remuneration Rules*.

PRA controlled function — a *controlled function* which is specified by the *PRA* under section 59 of the *Act* (Approval and notification for particular arrangements), which are set out in:

…

(2) (for ~~*Solvency II firms* including *large non-directive insurers*, and for *small non-directive insurers*~~ *firms* in the insurance sector as defined in Part 5 of *SYSC* 23 Annex 1 (Definition of SMCR firm and different types of SMCR firms)) the ~~Senior Management Functions~~ parts of the *PRA Rulebook* ~~applicable to Solvency II Firms and Non-Solvency II Firms~~ titled Insurance - Senior Management Functions, Large Non-Solvency II Firms – Senior Management Functions and Non-Solvency II Firms - Senior Management Functions.

PRA-prescribed senior management responsibilities — one of the functions described as:

(1) (for CRR firms, credit unions and third country CRR firms (each as defined in the *PRA Rulebook*)):

…

(c) a '~~UK branch~~ third country CRR firm prescribed responsibility' in Chapter 6;

(2) (for *firms* covered by the Insurance - Allocation of Responsibilities, Non-solvency II Firms - Allocation of Responsibilities ~~and~~ or Large Non-Solvency II Firms – Allocation of Responsibilities parts of the *PRA Rulebook*) a prescribed responsibility, a third country insurance provider prescribed responsibility, a Swiss general insurer prescribed responsibility, a small non-directive insurer prescribed responsibility or a third country branch prescribed responsibility as defined in those parts; and

…

proprietary trader (in ~~*SYSC* 27 (Senior managers and certification regime: (Certification regime) and~~ *COCON*) a *person* (A) whose responsibilities include committing another *person* (B) as part of B's *proprietary trading*.

proprietary trading (in ~~*SYSC* 27 (Senior managers and certification regime: (Certification regime) and~~ *COCON*) *dealing in investments as principal* as part of a business of trading in *specified investments*. For these purposes *dealing in investments as principal* includes:

…

senior conduct rules staff member ~~(in *COCON*)~~ a *person* who~~:~~ is stated to be a member of the *senior conduct rules staff* in the table in *COCON* 1A.2.2R (Table: To whom does COCON apply?).

~~(a) comes within row (1) of the table in *COCON* 1.1.2R (an *SMF manager*);~~

~~(b) comes within row (2) of the table in *COCON* 1.1.2R (an *employee* of an *SMCR firm* who performs the function of an *SMF manager*);~~

~~(c) [deleted]~~

~~(d) comes within row (8) of the table in *COCON* 1.1.2R (a *board director* of a *UK SMCR firm*);~~

~~(e) comes within row (3) of the table in *COCON* 1.1.2R (a person appointed under *SUP* 10C.3A.6R (The 12-week rule: The main rules)); or~~

~~(f) comes within row (9) of the table in *COCON* 1.1.2R (a person appointed under *PRA* rules corresponding to the rules in (e)).~~

SMF manager	(in relation to an *SMCR firm*) a *person* ~~who has~~ in relation to whom: (a) the *FCA* or the *PRA* has given its approval under section 59 of the *Act* (Approval and notification for particular arrangements) ~~to perform~~ for the performance of a *designated senior management function* ~~in relation to the carrying on by that *SMCR firm* of a *regulated activity*~~.; or (b) a *firm* has given the *FCA* or the *PRA* a notice under section 59 of the *Act* of the performance of a *designated senior management function*. …
staff being assessed under FIT	(in *FIT* and in relation to an *SMCR firm*) those *persons* set out in ~~*FIT* 1.1.1G(4) to (8)~~ the table in *FIT* 1.1.5G (Table: fitness and propriety requirements covered by FIT) and described as being subject to an assessment of fitness and propriety.
statement of responsibilities	a ~~statement provided under section 60(2A) of the *Act* (Applications for approval)~~ *document* prepared by an *SMCR firm* that sets out the responsibilities of an *SMF manager* of that *SMCR firm* in accordance with *SYSC* 24A (Senior managers and conduct rules regime: Statements of responsibilities) and as referred to in *SYSC* 24A.2.2R (Requirement to have a statement of responsibilities), including: (a) ~~a statement~~ that *document* as revised under ~~section 62A of the *Act* (Changes in responsibilities of senior managers) or under *SUP* 10C.11 (Statements of responsibilities)~~ *SYSC* 24A; and …
whistleblowers' champion	~~(a) (in *SYSC* 4.7) an individual appointed by a *firm* under *SYSC* 4.7.5R(1) with the allocated responsibilities in *SYSC* 18.4.4R;~~ ~~(b)~~ (in *SYSC* 18) (Whistleblowing) an individual appointed by a *firm* under ~~either *SYSC* 4.7.5R(1) or~~ *SYSC* 18.4.2R~~, as applicable~~, with the allocated responsibilities in *SYSC* 18.4.4R.

Delete the following definitions. The text is not shown.

appointed representative
Directory person

approved person

authorised approved person employer

certification employee

certification function

current approved person approval

current FCA approved person approval

current PRA approved person approval

Directory

Directory person

FCA certification function

FCA-approved person

FCA-approved SMF manager

MiFID authorisation and management body change notification ITS

non-SMF director Directory person

other local responsibility function

other overall responsibility function

PRA certification function

PRA-approved person

significant-harm function

sole trader Directory person

standard non-executive director

Annex B

Amendments to the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise indicated.

1 Application and purpose

1.1A Application

1.1A.1 G The application of this sourcebook is summarised at a high level in the following table. The detailed application is cut back in *SYSC* 1 Annex 1 and in the text of each chapter.

Type of firm	Applicable chapters
Insurer, *UK ISPV*	Chapters 2, 3, 12 to 18, 19F.2, 21, 22, 23, 24, 25, 26, ~~27,~~ 28, 28A
Managing agent	Chapters 2, 3, 11, 12, 15A, 18, 19F.2, 21, 22, 23, 24, 25, 26, ~~27,~~ 28, 28A
Society	Chapters 2, 3, 12, 15A, 18, 19F.2, 21, 22, 23, 24, 25, 26, ~~27,~~ 28, 28A
Any other SMCR firm	Chapters 4 to 12, 15A, 18, 19D, 19F, 19G, 21, 22, 23, 24, 25, 26, ~~27,~~ 28, 28A
…	

…

1.1A.1A G The application of this sourcebook to specific *firms* that are not *PRA-authorised persons* is summarised at a high level in the following table. The detailed application is cut back in *SYSC* 1 Annex 1 and in the text of each chapter.

Type of firm	Applicable chapters
Full-scope UK AIFM	Chapters 4 to 10, 12, 18, 19B, 19F.2, 21, 22, 23, 24, 25, 26, ~~27,~~ 28, 28A

MIFIDPRU investment firm (including an *overseas firm* that would have been a *MIFIDPRU investment firm* if it had been a *UK domestic firm*, except that *SYSC* 19G does not apply to such a *firm*)	Chapters 4 to 10, 12, 18, 19F, 19G, 21, 22, 23, 24, 25, 26, ~~27,~~ 28, 28A

…

1.5 Significant SYSC firm

Purpose

1.5.1 G …

(4) ~~The definition of *significant SYSC firm* is also relevant in determining whether a *firm* is an *enhanced scope SMCR firm* for the purposes of the senior managers and certification regime.~~ [deleted]

…

2 Senior management arrangements

2.1 Apportionment of Responsibilities

…

2.1.2 G The role undertaken by a *non-executive director* will vary from one *firm* to another. For example, the role of a *non-executive director* in a *friendly society* may be more extensive than in other *firms*. Where a *non-executive director* is an ~~*approved person*~~ *approved or notified person*, for example where the *firm* is a body corporate, ~~his~~ their responsibility and therefore liability will be limited by the role that ~~he undertakes~~ they undertake.

…

3 Systems and controls

3.1 Systems and controls

…

Competent employees rule

3.1.6 R …

3.1.6A G A *firm's* systems and controls should enable it to satisfy itself of the suitability of anyone who acts for it. This includes assessing an individual's honesty and competence. This assessment should normally be made at the point of recruitment. An individual's honesty need not normally be revisited unless something happens to make a fresh look appropriate.

…

3.2 Areas covered by systems and controls

…

Employees and agents

…

3.2.14 G …

(4) The requirements on *firms* with respect to ~~*approved persons*~~ *approved or notified persons* are in Part V of the *Act* (Performance of regulated activities) and *SUP* 10C and the Senior Insurance Management Functions parts of the *PRA Rulebook*.

…

4 General organisational requirements

4.1 General requirements

…

Mechanisms and procedures for a firm

4.1.4 R A *firm* (with the exception of a *common platform firm* and a *sole trader* who does not employ any *person* who is required to be approved or notified under section 59 of the *Act* (Approval and notification for particular arrangements)) must, taking into account the nature, scale and complexity of the business of the *firm*, and the nature and range of the financial services, *claims management services* and other activities undertaken in the course of that business:

…

…

4.2 Persons who effectively direct the business

…

Alternative arrangements

…

4.2.8 G Where the *senior personnel* of a *full-scope UK AIFM* will carry out a *FCA governing function* and the *firm* has applied for the *FCA's* approval or made a *SMF notification* under section 59 of the *Act*, this will be considered sufficient to comply with *SYSC* 4.2.7R.

4.3 Responsibility of senior personnel

4.3.1 R A *firm* (with the exception of a *common platform firm* and a *sole trader* who does not employ any *person* who is required to be approved or notified under section 59 of the *Act* (Approval and notification for particular arrangements)), when allocating functions internally, must ensure that *senior personnel* and, where appropriate, the *supervisory function*, are responsible for ensuring that the *firm* complies with its obligations under the *regulatory system*. In particular, *senior personnel* and, where appropriate, the *supervisory function* must 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.

[**Note**: articles 9(1) and 9(3) of the *UCITS implementing Directive*]

…

4.4 Apportionment of responsibilities

Application

4.4.1A R …

(1) This section applies to an authorised professional *firm* as follows:

…

(b) it does not apply if the *firm*:

…

(ii) has appointed ~~*approved persons*~~ *approved or notified persons* to perform the *FCA governing functions* with equivalent responsibilities for the *firm's non-mainstream regulated activities* and other *regulated activities*.

…

(5) This section only applies to a *sole trader* if they:

(a) have any *person* (other than themselves) who is required to be approved or notified under section 59 of the *Act* (Approval and notification for particular arrangements); or

(b) are an ~~*authorised approved person employer*~~ *authorised approved or notified person employer* (except where they are the only ~~*approved person* concerned); or~~ *approved or notified person*.

(c) ~~have any *certification employees*.~~ [deleted]

…

Allocating functions of apportionment and oversight

…

4.4.6 G Frequently asked questions about allocation of functions in SYSC 4.4.5R

Question		Answer
1	Does an individual to whom a function is allocated under *SYSC* 4.4.5R need to be an ~~*approved person*~~ *approved or notified person*?	…
…		

…

5 Employees, agents and other relevant persons

5.1 Skills, knowledge and expertise

…

Competent employees rule

…

5.1.5 G The requirements on *firms* with respect to ~~*approved persons*~~ *approved or notified persons* are in Part V of the *Act* (Performance of regulated activities) and *SUP* 10A, *SUP* 10C and in the corresponding parts of the ~~*PRA's* Rulebook~~ *PRA Rulebook*.

…

6 Compliance, internal audit and financial crime

6.1 Compliance

…

Compliance function

…

6.1.4C R …

(3) This *rule* also applies to a *firm* that meets the following conditions:

…

(b) *SUP* 10C (FCA senior managers regime for approved or notified persons in SMCR firms) applies the *compliance oversight function* to it.

…

6.3 Financial crime

…

6.3.8 R …

(2) ~~A *firm* may not allocate overall responsibility under (1) to a *person* who is approved to perform the *other overall responsibility function*.~~ [deleted]

…

13 Operational risk: systems and controls for insurers

…

13.6 People

…

Employee responsibilities

…

13.6.4 G A *firm* should have regard to *SYSC* 13.6.3G in relation to ~~*approved persons*~~ *approved or notified persons*, people occupying positions of high personal trust (for example, security administration, payment and settlement functions); and people occupying positions requiring significant technical competence (for example, *derivatives* trading and technical security administration). A *firm* should also consider the *rules* and *guidance* for ~~*approved persons*~~ *approved or notified persons* in other parts of the *Handbook* (including *APER*, *COCON* and *SUP*) and the *rules* and *guidance* on *senior manager* responsibilities in *SYSC* 2.1 (Apportionment of Responsibilities).

…

18 Whistleblowing

…

18.3 Internal arrangements

…

Link to fitness and propriety

18.3.9 G The *FCA* would regard as a serious matter any evidence that a *firm* had acted to the detriment of a *whistleblower*. Such evidence could call into question the fitness and propriety of the *firm* or relevant members of its staff, and could therefore, if relevant, affect the *firm's* continuing satisfaction of *threshold condition* 5 (Suitability) or, for an ~~*approved person* or a *certification employee*~~ *approved or notified person*, their status as such.

…

18.4 The whistleblowers' champion

18.4.1 G (1) ~~A *UK SMCR banking firm* is required under *SYSC* 24.2.1R to allocate the *FCA* prescribed senior management responsibility for acting as the *firm's whistleblowers' champion*.~~ [deleted]

(2) ~~*SYSC* 18.4.2R requires the appointment by an insurer of a *director* or *senior manager* as its *whistleblowers' champion*.~~ [deleted]

…

18.4.2 R An *insurer* and a *UK SMCR banking firm* must appoint a *director* or *senior manager* as its *whistleblowers' champion*.

…

21 Risk control: additional guidance

21.1 Risk control: guidance on governance arrangements

…

Chief Risk Officer

21.1.2 G …

(2) *Firms* will need to seek the *FCA's* or *PRA's* (as appropriate) approval or make an *SMF notification* to the *FCA* or the *PRA* (as appropriate) for a Chief Risk Officer to perform:

…

…

…

22 Regulatory references

…

22.2 Getting, giving and updating references: the main rules

Obligation to obtain references

22.2.1 R (1) If a *firm* (A) is considering:

(a) permitting or appointing someone (P) to perform a *controlled function*; or

(b) ~~issuing a certificate under the certification regime for P; or~~ [deleted]

…

…

Obligation to give references

22.2.2 R (1) A *firm* (B) must provide a reference to another *SMCR firm* (A) as soon as reasonably practicable if:

(a) A is considering:

…

(ii) ~~issuing a certificate under the certification regime for P;~~ ~~or~~ [deleted]

…

…

…

22.2.3 R Table: What positions need a reference

Position	When to obtain reference	Comments
(A) Permitting or appointing someone to perform an *FCA controlled function* or a *PRA controlled function*.	One *month* before the end of the application period. In the case of an *SMF notification*, the time is one *month* before the notification is made. Where a request for a reference would require: (a) the *firm* requesting the reference; (b) the *employer* giving the reference; or (c) any other *person*; to make a mandatory disclosure prior to P disclosing to its current *employer* that such application or notification has been made, the date is: (d) the end of the application period~~.~~ (in the case of an application); or	

	(e) the time the notification is made (in the case of an *SMF notification*).	
(B) ~~Issuing a certificate under section 63F of the *Act* (Certification of employees by authorised persons).~~ [deleted]	~~Before the certificate is issued~~	~~This includes renewing an existing certificate.~~
(C) ~~Appointing someone to any of the following positions (as defined in the *PRA Rulebook*):~~ ~~(a) a notified non-executive director;~~ ~~(b) a credit union non-executive director; or~~ ~~(c) a key function holder.~~ [deleted]	~~Not applicable~~	~~(1) *SYSC* 22.2.1R (obligation to obtain a reference) does not apply to a *firm* appointing someone to the position in column (1).~~ ~~(2) However *SYSC* 22.2.2R does apply to a *firm* asked to give a reference to a *firm* appointing someone to the position in column (1).~~ ~~(3) The obligation to give a reference only applies if the *person* making the appointment is a *PRA-authorised person*.~~
(D) An *SMCR firm* appointing or permitting someone to be a *non-SMF board director* of itself.	Before appointment	(1) Only applies where the appointment is by a *UK SMCR firm* that is: (a) a *core SMCR firm*; or (b) an *enhanced scope SMCR firm*. (2) In addition, *SYSC* 22.2.2R applies to an *SMCR firm* that is an *FCA-authorised person* asked to give a reference to an *SMCR firm* that is a *PRA-authorised person* in relation to a *person* whom it is appointing to the position:

		(a) of a Conduct Rules non-executive director as defined in the *PRA Rulebook*; or (b) referred to in rule 2.1A of the part of the *PRA Rulebook* titled Insurance - Fitness and Propriety, if that *PRA-authorised person* is required by the *PRA Rulebook* to obtain that reference.
…		

… .

22.7 Getting references: additional rules and guidance for SMCR firms

…

Asking for a reference to be updated

22.7.5 G (1) *SYSC* 22.2.1R (Obligation to obtain references) applies even if the *employer* has already got a reference for the *employee*. For example~~:~~,

~~(a) a *firm* should have a reference whenever it renews the certificate of a *certification employee*; and~~

~~(b)~~ changing jobs within the same *firm* may require a reference.

(2) However, the *firm* does not necessarily need to obtain a new reference each time ~~(a) or (b)~~ (1) above occurs. That is because an existing reference will very often still be appropriate for the purpose (see ~~*SYSC* 22.7.6G to *SYSC* 22.7.8G~~ *SYSC* 22.7.7G and *SYSC* 22.8A.3G (Intra-group transfers)).

22.7.6 G ~~If a *firm* (A):~~ [deleted]

~~(1) appoints someone (P) to a *certification function* position;~~

~~(2) obtains a reference from an ex-*employer*; and~~

~~(3) later wishes to renew P's certificate under the certification regime;~~

~~it is unlikely that A will need to ask for another reference from that ex-*employer* or ask for it to be reissued unless there is a change in P's role of the type described in *SYSC* 27.2.15G (major changes in role).~~

22.7.7 G (1) If a *firm* (A):

…

(c) later wishes to:

(i) appoint P to another reference position; or

(ii) ~~(in the case of a *certification function*) keep P in the same *certification function* but make a change in P's role of the type described in *SYSC* 27.2.15G (major changes in role), whether that change is made at a time when the certificate has not yet come up for renewal or at the time it is being reissued; or~~ [deleted]

(iii) move P from one kind of reference position to another kind (for example, from a ~~*certification function*~~ *non-SMF board director* to an ~~*approved person*~~ *approved or notified person* position or vice versa),

…

…

…

When references are to be obtained

…

22.7.10 G ~~(1) Where a *firm* needs to fill a vacancy for a *certification function* which could not have reasonably been foreseen, the *FCA* recognises that it may not be reasonable to expect the *firm* to obtain references prior to issuing a certificate.~~ [deleted]

~~(2) In such cases, the *SMCR firm* should take up the reference as soon as reasonably possible.~~

~~(3) If a reference obtained later raises concerns about the person's fitness and propriety, the *firm* should revisit its decision to issue the person with a certificate.~~

22.7.11 G (1) Although this chapter (see *SYSC* 22.2.3R) only requires a *firm* to try to get a reference for a *person* it is recruiting to perform an *FCA controlled*

function or a *PRA controlled function* where the *firm* is applying for approval under section 59 of the *Act* (Approval and notification for particular arrangements) towards the end of the application process, the *FCA* would normally expect a *firm* to have obtained the reference before the application for approval is made.

…

…

22.8 Policies and requests for references from and by persons who are not firms

[*Editor's note:* As explained in the note at the start of this draft instrument, SYSC 22.8.3 to SYSC 22.8.10 (Appointed representatives) are not included in this consultation.]

…

Firms applying for authorisation

…

22.8.12 G …

(3) ~~The first column of row (B) of the table in *SYSC* 22.2.3R should be read as referring to issuing a certificate if the *person* is *authorised*.~~ [deleted]

(4) ~~Rows (C) and~~ Row (D) of the table in *SYSC* 22.2.3R only ~~apply~~ applies if the *person* to be appointed as described in the first column will fall into the relevant category if the *person* is *authorised*.

(5) ~~Row (C) of the table in *SYSC* 22.2.3R only applies if the *person* applying for *authorisation* will be a *PRA-authorised person* if the *person* is *authorised*.~~ Row (D) of that table only applies if the *person* applying for *authorisation* will be a *firm* of the type described in the 'Comments' column of that row if the *person* is *authorised*.

…

22.8A Groups and outsourcing

Intra-group transfers

…

22.8A.3 G If:

…

(3) later P transfers to a reference position with ~~an~~ another *SMCR firm* in A's group (C);

…

(5) C does not need to ask for the reference to be reissued or amended, taking account of ~~*SYSC* 22.7.6G and~~ *SYSC* 22.7.7G;

…

…

22 Annex 1 **Template for regulatory references given by SMCR firms and disclosure requirements**

22 Annex 1.1 R **Part One: Form of Template**

…

The answers to Questions A to F cover the period beginning six years before the date of your request for a reference and ending on the date of this reference

[*Editor's note*: the question references (eg, 'Question A') in the table below are underlined but such underlining does not indicate new text.]

Question A	
Has the individual~~:~~	
	~~(1) performed a certification function for our firm; or~~
	~~(2)~~ been an approved or notified person for our firm.
…	
Question B:	
Has the individual performed one or more of the following roles in relation to our firm:	
	(1) ~~notified non-executive director~~ PRA certification function; or

	~~(2) credit union non-executive director;~~
	~~(3) key function holder (other than a controlled function); or~~
	~~(4)~~ (2) board director.
…	
Question C:	
If we have answered 'yes' to either Question A or B above, we set out the details of each position held below, including:	
	(1) what the controlled function, PRA certification function or ~~key function holder~~ director role is or was;
	(2) (in the case of a controlled function) whether the approval or SMF notification is or was subject to a condition, suspension, limitation, restriction or time limit;
	…
…	
Question F:	
We have taken disciplinary action against the individual that:	
	(1) relates to an action, failure to act, or circumstances, that amounts to a breach of any individual conduct requirements that:
	(a) apply or applied to the individual; or (b) (if the individual is or was a key function holder~~,~~ or a ~~notified~~ non-executive director ~~or a credit union non-executive director for your firm~~) the individual is or was required to observe under *PRA* rules (including if applicable, *PRA* rules in force before 7 March 2016); or
	…
…	

22 Annex 1.2 R **Part Two: Definitions used in Part One**

…

Section One: Meaning of certain terms and phrases	
Defined term or phrase	**Meaning**
…	
A finding or conclusion by B that P was not fit and proper to perform a function (see questions (E) to (F) of the template)	This means a finding or conclusion by B where: (a) B assesses the continuing fitness and propriety of P as an ~~*approved person*~~ *approved or notified person* in accordance with the requirements of the *regulatory system*, including when carrying out this assessment under section 63(2A) of the *Act* (annual assessment of ~~*approved person*~~ *approved or notified person* by an *SMCR firm*); or (b) B ~~assesses~~ assessed the fitness and propriety of P when B ~~is~~ was proposing to issue a certificate under section 63F of the *Act* (Certification of employees by *SMCR firms*) for P. Paragraph (b) applies whether the certificate ~~is~~ was being issued for the first time or ~~is~~ was being renewed but only applies to a PRA certification function.
…	
Function (as referred to in questions (E) to (F))	A function means a function as an ~~*approved person*~~ *approved or notified person* or ~~*certification employee*~~ PRA certification employee.
Disciplinary action	Disciplinary action ~~has the same meaning as in section 64C(2) of the *Act* (Requirement for authorised persons to notify regulatory of disciplinary action), which is~~ means: (1) (where P is an *approved or notified person* or another kind of *senior conduct rules staff member* of B): (a) the issue of a formal written warning; or (b) the suspension or dismissal of P; or

	(c) the reduction or recovery of any of P's remuneration~~.~~; (2) (where B is a *PRA-authorised person* and P does not come within (1) but is subject to the *PRA's* conduct rules as listed in paragraphs (c) and (d) of the definition of 'Individual conduct requirements' in this Annex): (a) the issue of a final written warning; or (b) the suspension or dismissal of P; or (c) the reduction or recovery of any of P's remuneration; or (3) (in any other case): (a) the issue of a final written warning; or (b) dismissal. ~~This definition applies even if B is not an *SMCR firm*.~~ The category of employee into which P falls depends on the category into which they fell at the time of the breach or, as the case may be, the time at which the *firm* concluded that P was not fit and proper.
~~Notified non-executive director, credit union non-executive director and key~~ Key function holder	~~These terms have~~ This term has the same meaning as ~~they do~~ it does in the *PRA Rulebook*.
PRA certification function and PRA certification employee	These definitions apply to the *PRA's* certification regime before it was repealed in 2027. 'PRA certification function' means a significant-harm function that was specified by the *PRA* under section 63E of the *Act* and which consequently was a specified function as defined in section 63E(2) of the *Act*. A 'significant-harm function' has the meaning set out in section 63E(5) of the *Act*. A 'PRA certification employee' (as described in more detail in section 63E(1) of the *Act*) means an employee of an *SMCR firm* that is a *PRA-authorised person* who had a valid

	certificate issued by that *SMCR firm* in relation to a PRA certification function. 'Section 63E of the *Act*' (Certification of employees by authorised persons) refers to that section before it was repealed.
~~Certification function, approved~~ Approved or notified person, SMF notification, senior conduct rules staff member, controlled function and PRA controlled function	These terms have the same meaning as they do in the *Glossary*.
…	
Potential FCA governing function	Potential FCA governing function means a function: (a) that would have been an *FCA controlled function* but for: … (ii) *SUP* 10C.9 (Minimising overlap with the PRA approved and notified persons regime); …
…	

…

23 Senior managers and ~~certification~~ conduct rules regime: Introduction and classification

23.1 Purpose

23.1.1 G The purpose of this chapter is to:

(1) explain what the senior managers and ~~certification~~ conduct rules regime is and where to find the main *FCA Handbook* provisions;

…

23.2 Definitions and types of firms

…

23.2.2 G Broadly speaking, *firms* covered by the senior managers and ~~certification~~ conduct rules regime that are dual-regulated by the *FCA* and the *PRA* are divided into two categories:

…

23.2.3 G Broadly speaking, *firms* covered by the senior managers and ~~certification~~ conduct rules regime that are regulated by the *FCA* are divided into three categories:

…

23.3 Overview of the senior managers and ~~certification~~ conduct rules regime

23.3.1 G There are ~~three~~ 2 main elements to the regime:

(1) the senior managers regime; and

(2) ~~the certification regime; and~~ [deleted]

(3) conduct rules that apply directly to a *firm's* workforce.

23.3.2 G The table in *SYSC* 23.3.3G gives more details about each of those ~~three~~ elements. The first two columns of the table apply to all *firms*. The third column only covers *firms* that are not regulated by the *PRA*.

23.3.3 G Table: Summary of the senior managers and ~~certification~~ conduct rules regime

(1) **Description of component of the regime**	**(2)** **Handbook provisions**	**(3)** **Application to solo-regulated firms**
The senior managers regime: Parts that apply to all firms		
Pre-approval by, or notification to, the *FCA* of senior management (the *FCA Handbook* calls senior management subject to pre-approval or notification by or to the *FCA SMF managers*). Notification does not involve pre-approval by the *FCA*.	…	…

Firm to be satisfied that a person is fit and proper before applying for them to be approved as an *SMF manager* by the *FCA* or *PRA* or before notifying the *FCA* or *PRA* of their appointment as an *SMF manager*	This requirement is in section 60A of the *Act*. There is *guidance* on it in relation to the *FCA's* regime in *SUP* 10C.10.14G (Vetting of candidates by the firm) and *SUP* 10C.10A.6G (Vetting by the firm).	…
Annual assessment of fitness and propriety by the *SMF managers' firms*. It applies whether the *SMF manager* has been approved by the *FCA* or *PRA* or is subject to the *SMF notification procedure*.	This requirement is in section 63(2A) of the *Act*. There is *guidance* and related notification obligations in *SUP* 10C.14.18R to *SUP* 10C.14.25G (Notifications about fitness, disciplinary action and breaches of COCON) in relation to the *FCA's* regime.	…
A *firm* should carry out criminal records checks before applying for someone to be approved by the *FCA* as an *SMF manager* or notifying the *FCA* of the appointment of someone as an *SMF manager*, with certain exceptions described in the ~~*rule*~~ *rules* referred to in column (2) of this row where the *firm* has already done a check or in the case of a *sole trader*	*SUP* 10C.10.16R (Criminal records checks and verifying fitness and properness) and *SUP* 10C.10A.8R (Criminal records checks and verifying fitness and properness)	…
A *firm* should ask for a regulatory reference before appointing someone to be an *SMF manager*, or to certain other senior management positions, and give one if asked to by another *firm* doing so.	…	…

This applies whether the *firm* is applying for the *person* to be approved as an *SMF manager* or is notifying the *FCA* or *PRA* of their appointment under the provisions of the *Act* described in *SUP* 10C.10A.		
Statements of responsibilities This is a document that sets out the responsibilities that an *SMF manager* performs ~~as part of their *designated senior management function*. It is prepared as part of the *firm's* application to the *FCA* or (if the *firm* is a *PRA-authorised person*) PRA for them to be approved as an *SMF manager*. It should be updated after approval when there has been any significant change in the responsibilities of the *SMF manager*~~	~~*SUP* 10C.11~~ *SYSC* 24A (Senior managers and conduct rules regime: Statements of responsibilities). ~~Many of the requirements are in the *Act* itself but they are summarised in *SUP* 10C.11.~~ ~~*SUP* 10C.11 also adds some further requirements, particularly about there being one *statement of responsibilities* per *SMF manager* per *firm*.~~	…
…		
The senior managers regime: Parts that apply to many firms		
…		
A *firm* solo-regulated by the *FCA* should: (1) only appoint someone as a *board director* who does not need approval or, as the case may be, does not need to be notified, as an *SMF manager* for the position if they are fit and proper for that role; and (2) carry out criminal records checks before making the appointment	…	…

The senior managers regime: Parts that only apply to a limited range of firms		
A *firm* should maintain a comprehensive and up-to-date *document* (called the *management responsibilities map*) that describes its management and governance arrangements	*SYSC* 25 (Senior managers and ~~certification~~ conduct rules regime: Management responsibilities maps and handover procedures and material)	…
A *firm* should ensure that, at all times, one or more of its *SMF managers* have overall responsibility for each of the activities, business areas and functions of the *firm*.	*SYSC* 26 (Senior managers and ~~certification~~ conduct rules regime: Overall and local responsibility)	…
…		
~~*Firms* should report changes to their *management body* when members who are not *SMF managers* leave or join it.~~	~~*SUP* 15.16 (Notification of changes in the management body)~~	~~Only applies to a *MiFID investment firm* or a *MiFID optional exemption firm*.~~
…		
~~The certification regime~~		
~~A *firm* should not permit an *employee* to carry out certain functions (*certification functions*) unless it has issued them with a certificate.~~ ~~The certificate is only valid for a year. The *firm* will have to renew it if the *employee* is to carry on performing the function.~~ ~~A *firm* may not issue or renew a certificate unless it is satisfied that the *person* is fit and proper.~~	~~Most of the requirements of this regime are in sections 63E (Certification of employees by authorised persons) and 63F (Issuing of certificates) of the *Act*.~~ ~~*SYSC* 27 (Senior managers and certification regime: Certification regime) describes the regime and explains which *employees* are covered.~~	~~Applies to all solo-regulated *firms* except for internally managed *AIFs* and *pure benchmark SMCR firms*.~~ ~~The certification regime does not apply to *benchmark activities*.~~

~~Certification does not involve pre-approval by the *FCA* or *PRA*.~~		
~~A *firm* should ask for a regulatory reference before appointing someone to perform an *FCA certification function* (or a *PRA* equivalent) and give one if asked to by another *firm* doing so.~~	~~*SYSC* 22 (Regulatory references)~~	~~Applies to all solo-regulated *firms*~~
~~A *firm* must report information to the *FCA* about its *Directory persons*, including its *certification employees*.~~	~~*SUP* 16.26 (Reporting of information about Directory persons)~~	~~Applies to all solo-regulated *firms* except *pure benchmark SMCR firms*~~
Conduct rules (applies to all firms)		
…		
A *firm* should report breaches of *COCON* to the *FCA*	~~Section 64C of the *Act* (Requirement for authorised persons to notify regulator of disciplinary action) and~~ *SUP* 15.11 (Notification of COCON breaches and disciplinary action)	…
A *firm* should ensure that all *persons* subject to *COCON* are notified of: (a) ~~ensure that all *persons* subject to *COCON* are notified of~~ the *COCON rules* that apply to them; and (b) ~~take all reasonable steps to ensure that they understand how *COCON* applies to them~~ the consequences of a breach of those *rules*	~~These obligations are in section 64B of the Act (Rules of conduct: responsibilities of authorised persons).~~ ~~There is guidance in~~ *COCON* 2.3 (Firms: ~~Training~~ awareness of staff and breaches).	…

23.3.4 G The *PRA* has requirements corresponding to the senior managers and ~~certification~~ conduct rules regime that apply to *PRA-authorised persons*. The *FCA* and *PRAs'* regimes are designed to work together and complement each other. A *PRA-authorised person* will therefore need to consider the *PRA's* requirements to get a complete picture of the requirements that apply to it (and its workforce) in the area covered by the senior managers and ~~certification~~ conduct rules regime and the requirements in the *Act* on which it is based.

23.4 Checks for certain directors

…

23.4.4 R *SYSC* 23.4.2R does not apply if:

(1) the *person* to be appointed is already performing, and ~~has approval for the performance of~~ is subject to a *current SMF approval or notification* in relation to, a *designated senior management function* for the *firm* or another *firm* in the same *group*;

(2) the *person* to be appointed was performing, and ~~had approval for the performance of~~ was subject to a *current SMF approval or notification* in relation to, a *designated senior management function* for the *firm* or another *firm* in the same *group* within 1 *month* before the appointment; or

…

…

23 Definition of SMCR firm and different types of SMCR firms
Annex 1

23
Annex
1.1

Part One: Flow diagram and other basic provisions
…

23
Annex
1.2

Part Two: Changing category				
…				
2.2	G	…		
		(3)	…	
		(4)	In deciding whether to impose a requirement described in (1), the criteria the *FCA* may take into account include:	
			(a)	the size, complexity or market impact of the *firm* or its *group*; and
			(b)	whether a *firm* would meet any of the qualification conditions for being an *enhanced scope SMCR firm* if the conditions were applied to the *firm's group* on a consolidated basis.
…				

23 Annex 1.3

Part Three: Definition of exempt firm
…

23 Annex 1.4

Part Four: Definition of banking sector
…

23 Annex 1.5

Part Five: Definition of insurance sector

…

23
Annex
1.6

Part Six: Definition of limited scope SMCR firm			
…			
Benchmark firms: When the waiver is likely to be available			
6.15	G	…	
		(4)	On the other hand, applying the *Act* and the *FCA's* requirements directly to a *firm's* most senior management will make it more likely that they will take steps and put in place systems that will increase the likelihood that the *firm's* staff will meet the requirements of the senior managers and ~~certification~~ conduct rules regime and that the values represented by those requirements will be absorbed into the *firm's* culture. It also helps to ensure that the *firm's* leaders have sufficient knowledge of, and skills in, the *firm's regulated activities*.
		…	
…			

23
Annex
1.7

Part Seven: Exclusion from enhanced regime
…

23
Annex
1.8

Part Eight: Financial qualification condition for being an enhanced scope SMCR firm

The financial qualification tests		
…		
8.2	R	Table: Financial qualification conditions

(1) **Qualification condition**	**(2)** **How to do the calculation and corresponding reporting requirement**	**(3)** **Comments**
Part One: Point in time measurements		
(1) The average amount of the *firm's* assets under management (calculated as a three-year rolling average) is ~~£65~~ £100 billion or more	…	…
…		
Part Two: Revenue measurements		
(1) The average amount of the *firm's* total intermediary regulated business revenue (calculated as a three-year rolling average) is ~~£45~~ £75 million per annum or more	…	… ~~*SYSC* 23 Annex 1 8.18R~~ *SYSC* 23 Annex 1.8A.1R applies this condition to *firms* to which the reporting requirement in column (2) does not apply in the cases specified in that *rule*.
(2) The average amount of the *firm's* annual revenue generated by regulated consumer credit lending (calculated as a three-year rolling average) is ~~£130~~ £200 million or more	…	…

Part Three: Measurements over time				
(1) The average amount of the *firm's* assets (calculated as a 3-year rolling average) is £750 million or more			Assets are calculated as follows: (a) calculate the amount that must be recorded for *data elements* 4 (total fixed assets) and 13 (total current assets) in *data item* FSA029 (Balance Sheet); and (b) add those amounts together.	(1) This row only applies to a *firm* that meets the conditions in *SYSC* 23 Annex 1.8A.11R. (2) *SYSC* 23 Annex 1.8.8R(2) and *SYSC* 23 Annex 1.8.11R apply to this calculation.
…				
Averaging periods				
…				
8.9	G	(1)	*SYSC* 23 Annex 1 8.8R(2) provides for a *firm's* status to be tested quarterly if the relevant *data item* is reported quarterly, to be tested every six *months* if the relevant *data item* is reported in six-*month* intervals and to be tested yearly if the relevant *data item* is reported yearly.	
		…		
…				
Automatic adjustment of financial thresholds: Purpose and general rule				
8.23	R	…		
		(2)	The financial figures to be adjusted are the ones in the following rows of column (1) of the table:	
			…	
			(d)	row (3) of Part One of the table (stablecoin issuance backing asset pool); ~~and~~
			(e)	row (4) of Part One of the table (cryptoassets and safe custody assets pool)~~.~~; and
			(f)	row (1) of Part Three of the table (assets of an investment firm).

…

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Annex
1.8A

Part Eight A: Special requirements for calculating financial qualification conditions					
…					
8A.10	G	…			
Additional conditions for investment firm assets qualification condition					
8A.11	R	The additional criteria that a *firm* must meet as referred to in column (3) of row (1) of Part 3 of the table in *SYSC* 23 Annex 1.8.2R (Table: Financial qualification conditions) are as follows:			
		(1)	it is an investment firm, as defined in article 4(1)(2) of the *UK CRR* (including a *collective portfolio management investment firm*) as it had effect on 27 January 2023; and		
		(2)	it is not excluded by any of the exclusions in *SYSC* 23 Annex 1.8A.12R.		
8A.12	R	(1)	A *firm* is excluded for the purposes of *SYSC* 23 Annex 1.8A.11R(2) if it is a *local firm*.		
		(2)	A *firm* is excluded for the purposes of *SYSC* 23 Annex 1.8A.11R(2) if it meets the following conditions:		
			(a)	it is authorised to provide one or more of the following *investment services*:	
				(i)	reception and transmission of orders in relation to one or more *financial instruments*;
				(ii)	execution of orders on behalf of *clients*;
				(iii)	*portfolio management*;
				(iv)	*investment advice*; and
				(v)	*providing targeted support*;

			(b)	it is not authorised to provide any other *investment services*;
			(c)	it is not authorised to provide the *ancillary service* referred to in paragraph 1 of Part 3A of Schedule 2 to the *Regulated Activities Order* (Safekeeping and administration of financial instruments); and
			(d)	it is not permitted to hold MiFID money or securities (as defined in (3)) belonging to its *clients* and, for that reason, may not at any time place itself in debt with those *clients* in relation to its *MiFID business*.
		(3)	‘MiFID money or securities’ (as referred to in (2)(d)) means money or securities that a *firm* receives from, or holds for or on behalf of, a *client* in the course of, or in connection with, its *MiFID business*.	
8A.13	R	(1)	A *firm* that is authorised to execute investors’ orders for *financial instruments* and to hold such *financial instruments* for its own account is not, for that reason, authorised for the purpose of *SYSC* 23 Annex 1.8A.12R to provide the *investment service* of *dealing on own account* if it meets the following conditions:	
			(a)	such positions only arise as a result of the *firm’s* failure to match investors’ orders precisely;
			(b)	the total market value of all such positions is no higher than 15% of the *firm’s* initial capital; and
			(c)	such positions are incidental and provisional in nature and strictly limited to the time required to carry out the transaction in question.
		(2)	Position and initial capital have the meaning that they had for the purpose of *IFPRU* 1.1.12R (Meaning of dealing on own account) as it applied on 31 December 2021.	
8A.14	G	The purpose of the criteria in *SYSC* 23 Annex 1.8A.11R to *SYSC* 23 Annex 1.8A.13R is to replicate the main part of the definition of ‘IFPRU investment firm’. Other elements of the definition are reflected elsewhere in this Annex. However, the definition applies to a *firm* whether or not it ever has been treated as an IFPRU investment firm for the purposes of any *rules* that used that definition.		

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Annex
1.9

Part Nine: Other qualification conditions for being an enhanced scope SMCR firm					
9.1	R	A *firm* meets a qualification condition for the purposes of identifying an *enhanced scope SMCR firm* under the flow diagram in Part One of this Annex if it meets one of the following criteria:			
		(1)	the *firm* is a *significant SYSC firm* and it meets all the additional criteria in *SYSC* 23 Annex 1 9.3R; [deleted]		
		…			
9.2	G	If a *firm* is subject to a *requirement* that it must comply with the *rules* in the *FCA Handbook* applicable to one of the categories of a *firm* in *SYSC* 23 Annex 1 9.1R(1) or *SYSC* 23 Annex 1 9.1R(2), it is to be treated as falling into that category of *firm* for the purpose of this Annex as well.			
9.3	R	The additional criteria that a *significant SYSC firm* must meet as referred to in *SYSC* 23 Annex 1 9.1R(1) are as follows: [deleted]			
		(1)	it is an investment firm, as defined in article 4(1)(2) of the *UK CRR* (including a *collective portfolio management investment firm*) as it has effect on 27 January 2023; and		
		(2)	it is not excluded by any of the exclusions in *SYSC* 23 Annex 1 9.4R.		
9.4	R	(1)	A *firm* is excluded for the purposes of *SYSC* 23 Annex 1 9.3R(2) if it is a *local firm*. [deleted]		
		(2)	A *firm* is excluded for the purposes of *SYSC* 23 Annex 1 9.3R(2) if it meets the following conditions:		
			(a)	it is authorised to provide one or more of the following *investment services*:	
				(i)	reception and transmission of orders in relation to one or more *financial instruments*;
				(ii)	execution of orders on behalf of *clients*;
				(iii)	*portfolio management*;

				~~(iv)~~	~~*investment advice*~~; and
				~~(v)~~	~~*providing targeted support*~~;
			~~(b)~~	~~it is not authorised to provide any other *investment services*~~;	
			~~(c)~~	~~it is not authorised to provide the *ancillary service* referred to in paragraph 1 of Part 3A of Schedule 2 to the *Regulated Activities Order* (Safekeeping and administration of *financial instruments*); and~~	
			~~(d)~~	~~it is not permitted to hold MiFID money or securities (as defined in (3)) belonging to its *clients* and for that reason may not at any time place itself in debt with those *clients* in relation to its *MiFID business*.~~	
		~~(3)~~	~~MiFID money or securities (as referred to in (2)(d)) means money or securities that a *firm* receives from, or holds for or on behalf of, a *client* in the course of, or in connection with, its *MiFID business*.~~		
9.5	R	~~(1)~~	~~A *firm* that is authorised to execute investors' orders for *financial instruments* and to hold such *financial instruments* for its own account is not, for that reason, authorised for the purpose of *SYSC* 23 Annex 1 9.4R to provide the *investment service* of dealing on own account if it meets the following conditions:~~ [deleted]		
			~~(a)~~	~~such positions only arise as a result of the *firm's* failure to match investors' orders precisely;~~	
			~~(b)~~	~~the total market value of all such positions is no higher than 15% of the *firm's* initial capital; and~~	
			~~(c)~~	~~such positions are incidental and provisional in nature and strictly limited to the time required to carry out the transaction in question.~~	
		~~(2)~~	~~Position and initial capital have the meaning that they had for the purpose of *IFPRU* 1.1.12R (Meaning of dealing on own account) as it applied on 31 December 2021.~~		
9.6	G	~~The purpose of the criteria in *SYSC* 23 Annex 1 9.3R to *SYSC* 23 Annex 1 9.5R is to replicate the main part of the definition of 'IFPRU investment firm'. Other elements of the definition are reflected elsewhere in this Annex. However, the definition applies to a *firm*~~			

		~~whether or not it ever has been treated as an IFPRU investment firm for the purposes of any *rules* that used that definition.~~ [deleted]

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Annex
1.10

Part Ten: When a firm becomes an enhanced scope SMCR firm			
…			
Meeting the qualification conditions in Part 9			
10.3	R	A *firm* meets one of the qualification conditions in Part 9 of this annex (other qualification conditions) on the date when:	
		(1)	the status in ~~*SYSC* 23 Annex 1 9.1R(1) or~~ *SYSC* 23 Annex 1.9.1R(2) becomes effective; or (as the case may be)
		…	
…			
10.5	G	Table: Date firm becomes an enhanced scope firm	

Qualification condition	**Date firm becomes an enhanced scope SMCR firm**
~~The *firm* is a *significant SYSC firm*~~	~~If a *firm* meets the criteria in *SYSC* 23 Annex 1 9.3R but does not at first meet the conditions for being a *significant SYSC firm* and then later becomes a *significant SYSC firm*, it becomes an *enhanced scope SMCR firm* one year and three *months* after the date in *SYSC* 1.5.2R (the three month period in *SYSC* 1.5.5R(2) plus the one year in this Part).~~ ~~If a *firm* meets the conditions for being a *significant SYSC firm* but at first does not meet the criteria in *SYSC* 23 Annex 1 9.3R and then later meets those criteria, the three month period in *SYSC* 1.5.5R(2) does not apply. The one year period in this Part runs from the date the *firm* first meets the criteria in *SYSC* 23 Annex 1 9.3R.~~ ~~If a *firm* first meets the conditions for being a *significant SYSC firm* and the criteria in *SYSC* 23 Annex 1 9.3R at~~

			~~the same time, the three-month period in *SYSC* 1.5.5R(2) applies.~~
…			
The *firm* opts to be an *enhanced scope SMCR firm* by notifying the *FCA* ~~using Form O~~ in accordance with *SYSC* 23 Annex 1.12 (Opting up and opting back down)			…
10.6	G	…	
		(2)	For example, a *core SMCR firm* opting up to be an *enhanced scope SMCR firm* should use this period to apply for approval or make an *SMF notification* for its personnel to perform the new *designated senior management functions* that will apply because it has become an *enhanced scope SMCR firm*.
10.7	G	…	
		(2)	For example, a *core SMCR firm* that meets ~~one of~~ the qualification ~~conditions~~ condition for being an *enhanced scope SMCR firm* in ~~*SYSC* 23 Annex 1 9.1R(1) or~~ *SYSC* 23 Annex 1 9.1R(2) will remain as a *core SMCR firm* for one year after it meets the qualification condition.

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Part Eleven: When a firm stops being an enhanced scope SMCR firm		
12		
Ceasing to meet the qualification conditions in Part 9		
11.3	R	A *firm* ceases to meet ~~one of~~ the qualification ~~conditions~~ condition in ~~*SYSC* 23 Annex 1 9.1R(1) or~~ *SYSC* 23 Annex 1 9.1R(2) (other qualification conditions) on the date that the status in *SYSC* 23 Annex 1 9.1R ceases to apply.

…

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1.12

Part Twelve: Opting up and opting back down				
…				
Giving notices				
12.12	R	(1)	This *rule* deals with a notification under *SYSC* 23 Annex 1 12.1R to *SYSC* 23 Annex 1 12.6R.	
		…		
		(3)	A *firm* must ~~use the version of the form made available for this purpose on the electronic system referred to in *SUP* 10C.15.11R, which is based on the version found in *SYSC* 23 Annex 2R (Form O)~~ include in the notification:	
			(a)	the category of *SMCR firm* into which it currently falls;
			(b)	(if applicable) the category up into which it is opting;
			(c)	the category into which it will fall when the notification takes effect;
			(d)	(if applicable) details of the opt-up which it is revoking; and
			(e)	the information required by *SUP* 10C.15.15R.
		(4)	~~If *SUP* 10C.15.11R requires the notification to be in accordance with *SUP* 10C.15.14R (Method of submission: other forms of submission), the *firm* must use the version of the form found in *SYSC* 23 Annex 2R.~~ [deleted]	
…				

SYSC 23 Annex 2 (Form O: Changing firm status under the Senior Managers and Certification Regime) is deleted in its entirety. The deleted text is not shown but the annex is marked '[deleted]' as shown below.

23 Annex 2 ~~Form O: Changing firm status under the Senior Managers and Certification Regime~~ [deleted]

Amend the following as shown.

24 Senior managers and ~~certification~~ conduct rules regime: Allocation of prescribed responsibilities

…

24.2 Allocation of FCA-prescribed senior management responsibilities: Main allocation rules

…

24.2.3 R ~~(1)~~ ~~A *PRA-authorised person* may not allocate an *FCA-prescribed senior management responsibility* to an *SMF manager* who is only approved to perform the *other overall responsibility function* or the *other local responsibility function* for that firm, subject to (2).~~ [deleted]

~~(2)~~ ~~A *PRA-authorised person* may allocate *FCA-prescribed senior management responsibility* (z) in the table in *SYSC* 24.2.6R (functions in relation to *CASS*) to an *SMF manager* who is only approved to perform the *other overall responsibility function* or the *other local responsibility function*.~~

24.2.3A G ~~(1)~~ ~~This provision applies to an *FCA-authorised person*.~~ [deleted]

~~(2)~~ ~~An *FCA-prescribed senior management responsibility* should be given to the *SMF manager* who is the most senior person responsible for the relevant activity or area (see *SYSC* 24.3.1G). In most cases this would not be an *SMF manager* who holds the *other overall responsibility function* or the *other local responsibility function*, given the nature of those *designated senior management functions*.~~

~~(3)~~ ~~However, in some cases it may be appropriate for an *SMF manager* who is only approved to perform the *other overall responsibility function* or the *other local responsibility function* to hold an *FCA-prescribed senior management responsibility*, for example if:~~

~~(a)~~ ~~the *firm* has unusual management arrangements;~~

~~(b)~~ ~~the *firm* is allocating an *FCA-prescribed senior management responsibility* of an absent *SMF manager* (see *SUP* 10C.3A.20G (Re-allocation of prescribed responsibilities)); or~~

~~(c) the *FCA-prescribed senior management responsibility* is closely related to the overall or local responsibility allocated to them under *SYSC* 26.3.1R or *SYSC* 26.3.2R (Main rules), making them the most appropriate *SMF manager* to hold the *FCA-prescribed senior management responsibility*.~~

~~(4) Therefore, there will be circumstances when an *FCA-authorised person* may allocate an *FCA-prescribed senior management responsibility* to an *SMF manager* who is only approved to perform the *other overall responsibility function* or the *other local responsibility function* for that *firm*.~~

…

What the FCA-prescribed senior management responsibilities are

…

24.2.6 R Table: FCA-prescribed senior management responsibilities

FCA-prescribed senior management responsibility	Explanation	Reference letter
(1) Responsibility for the *firm's* performance of its obligations under the senior managers regime, including the vetting of *candidates* to perform *senior management functions*	The senior managers regime means the requirements of the *regulatory system* applying to *SMCR firms* insofar as they relate to *SMF managers* performing *designated senior management functions*, including *SUP* 10C (FCA senior managers regime for approved and notified persons). This responsibility includes: (1) compliance with conditions and time limits on ~~approval~~ approvals and *SMF notifications*; (2) compliance with the requirements about the *management responsibilities map* and *statements of responsibilities* (but not the	(a)

	allocation of responsibilities recorded in them); (3) compliance by the *firm* with its obligations under section 60A of the Act (Vetting of candidates by authorised persons); ~~and~~ (4) compliance by the *firm* with the requirements in *SYSC* 22 (Regulatory references) (and the corresponding *PRA* requirements) so far as they relate to the senior managers regime, including the giving of references to another *firm* about an *SMF manager* or former *SMF manager*~~.~~; (5) compliance by the *firm* with its obligations about applications for approval, *SMF notifications* and variations of approvals and *SMF notifications*, including under directions issued by the *FCA* and *PRA* about those matters; and (6) the *PRA's* equivalent to the requirements in *SUP* 10C and (2) and (4).	
(2) ~~Responsibility for the *firm's* performance of its obligations under the certification regime~~ [deleted]	~~The certification regime means the requirements of sections 63E and 63F of the *Act* (Certification of employees) and all other requirements of the *regulatory system* about the matters dealt with in or relating to those sections, including:~~ ~~(1) *SYSC* 27 (Senior managers and certification regime: Certification Regime);~~ ~~(2) the requirements in *SYSC* 22 (Regulatory references) so~~	~~(b)~~

	~~far as they relate to the certification regime, including the giving of references to another *firm* about a *certification employee* or former *certification employee*; and~~ ~~(3) the corresponding *PRA* requirements; and~~ ~~(4) the requirements in *SUP* 16.26 (Reporting of information about Directory persons), which require a *firm* to report information to the *FCA* about its *Directory persons*.~~	
(3) Responsibility for the *firm's* policies and procedures for countering the risk that the *firm* might be used to further *financial crime*	…	(d)
(4) ~~Responsibility for the *firm's* obligations for:~~ [deleted] ~~(a) conduct rules training; and~~ ~~(b) conduct rules reporting.~~	~~(1) The *firm's* obligations for conduct rules training means its obligations under section 64B of the *Act* (Rules of conduct: responsibilities of authorised persons).~~ ~~(2) The *firm's* obligations for conduct rules reporting means its obligations under section 64C of the *Act* (Requirement for authorised persons to notify regulator of disciplinary action).~~	~~(b-1)~~
(5) ~~Responsibility for:~~ [deleted] ~~(a) leading the development of; and~~ ~~(b) monitoring the effective implementation of;~~		~~(f)~~

~~policies and procedures for the induction, training and professional development of all members of the *firm's governing body*.~~		
(6) ~~Responsibility for monitoring the effective implementation of policies and procedures for the induction, training and professional development of all the *firm's*:~~ [deleted] ~~(a) *SMF managers*; and~~ ~~(b) key function holders;~~ ~~other than members of the *firm's governing body*.~~	~~(1) Key function holder has the same meaning as it does in the Glossary Part of the *PRA Rulebook*.~~ ~~(2) Paragraph (b) of column (1) of this row (6) only applies to a *firm* if and to the extent that the *PRA's* requirements about key function holders apply to it.~~	~~(g)~~
(7) ~~Responsibility for:~~ [deleted] ~~(a) safeguarding the independence of; and~~ ~~(b) oversight of the performance of;~~ ~~the internal audit function, in accordance with the *internal audit requirements for SMCR firms* and the *PRA* requirements referred to in column (2) of this row~~	~~(1) This responsibility includes responsibility for:~~ ~~(a) safeguarding the independence of; and~~ ~~(b) oversight of the performance of;~~ ~~a person approved to perform the Head of Internal Audit function for the *firm* if that function applies to the *firm*.~~ ~~(2) This responsibility only applies if and to the extent that:~~ ~~(a) the *internal audit requirements for SMCR firms*; or~~ ~~(b) any requirements of the *PRA* about the matters in paragraph (1) of this column of this row (7);~~ ~~apply to the *firm*.~~ ~~(3) Independence means independence to the extent it is required by the requirements~~	~~(j)~~

	~~referred to in paragraph (2) of this column of this row (7).~~ ~~(4) The Head of Internal Audit function means the *head of internal audit function* or the *PRA's* Head of Internal Audit *designated senior management function*.~~	
(8) ~~Responsibility for:~~ [deleted] ~~(a) safeguarding the independence of; and~~ ~~(b) oversight of the performance of;~~ ~~the compliance function in accordance with the *compliance requirements for SMCR firms*.~~	~~(1) This responsibility includes responsibility for:~~ ~~(a) safeguarding the independence of; and~~ ~~(b) oversight of the performance of;~~ ~~the person performing the *compliance oversight function* for the *firm*.~~ ~~(2) This responsibility only applies if and to the extent that the *compliance requirements for SMCR firms* apply to the *firm*.~~ ~~(3) "Independence" means independence to the extent it is required by the *compliance requirements for SMCR firms*.~~	~~(k)~~
(9) ~~Responsibility for:~~ [deleted] ~~(a) safeguarding the independence of; and~~ ~~(b) oversight of the performance of;~~ ~~the risk function, in accordance with the *risk control requirements for SMCR firms* and the *PRA* requirements referred to in column (2) of this row (9).~~	~~(1) This responsibility includes responsibility for:~~ ~~(a) safeguarding the independence of; and~~ ~~(b) oversight of the performance of;~~ ~~a person approved to perform the Chief Risk function for the *firm* if that function applies to the *firm*.~~ ~~(2) This responsibility only applies if and to the extent that:~~	~~(l)~~

	~~(a) the *risk control requirements for SMCR firms*; or~~ ~~(b) any requirements of the *PRA* about the matters in paragraph (1) of this column of this row (9);~~ ~~apply to the *firm*.~~ ~~(3) "Independence" means independence to the extent it is required by the requirements referred to in paragraph (2) of this column of this row (9).~~ ~~(4) The Chief Risk function means the *chief risk officer function* or the *PRA's* Chief Risk *designated senior management function*.~~	
(10) ~~Responsibility for overseeing the development of and implementation of the *firm's* remuneration policies and practices in accordance with *SYSC* 19D (Remuneration Code)~~ [deleted]	~~This responsibility does not apply to a *firm* to which *SYSC* 19D does not apply.~~	~~(m)~~
(11) Responsibility for the *firm's* compliance with *CASS*	…	(z)
(12) ~~Responsibility for compliance with the requirements of the *regulatory system* about the *management responsibilities map*~~ [deleted]	~~(1) This responsibility does not include allocating responsibilities recorded in the *management responsibilities map*.~~ ~~(2) This responsibility does not apply to a *firm* to which the requirements about *management responsibilities maps* in *SYSC* 25 (Senior managers and certification regime: Management responsibilities maps and~~	~~(c)~~

	~~handover procedures and material) do not apply.~~	
(13) ~~Acting as the *firm's whistleblowers' champion*~~ [deleted]	~~(1) The *whistleblowers' champion's* allocated responsibilities are set out in *SYSC* 18.4.4R.~~ ~~(2) This responsibility does not apply to a *firm* that is not required to have a *whistleblowers' champion*.~~	~~(n)~~
(14) ~~Responsibility for:~~ [deleted] ~~(a) providing for an effective internal audit function in accordance with one of the sections of the *PRA Rulebook* listed in paragraph (2) of column (2) of this row (14); and~~ ~~(b) overseeing the performance of the internal audit function.~~	~~(1) Only applies to a *firm*:~~ ~~(a) that outsources its internal audit function to an external third party service provider; and~~ ~~(b) to which one of the following internal audit *PRA-prescribed senior management responsibilities* applies:~~ ~~(i) the responsibility in rule 3.3(1) in the Insurance – Allocation of Responsibilities Part of the *PRA Rulebook*; or~~ ~~(ii) the responsibility in rule 3.2(1) in the Large Non-Solvency II Firms – Allocation of Responsibilities Part of the *PRA Rulebook*.~~ ~~(2) The parts of the *PRA Rulebook* referred to in column (1) of this row (14) are:~~ ~~(a) Solvency II firms – Conditions Governing Business 5; and~~ ~~(b) Non-Solvency II Firms – Governance 9.2.~~ ~~(3) Terms used in column (1) of this row (14) have the same meaning as they do for the corresponding *PRA-prescribed*~~	~~(j-2)~~

	~~*senior management responsibility* described in paragraph (1) of this column of this row (14).~~	
(15) ~~Responsibility for management of the *firm's* risk management processes in the *UK*~~ [deleted]		~~(aa)~~
(16) ~~Responsibility for the *firm's* compliance with the *UK regulatory system* applicable to the *firm*~~ [deleted]		~~(ff)~~
(17) ~~Responsibility for the escalation of correspondence from the *PRA*, *FCA* and other regulators in respect of the *firm* to each of the *governing body* or the *management body* of the *firm* and, as appropriate, of the *firm's parent undertaking* and the ultimate *parent undertaking* of the *firm's group*~~ [deleted]	~~This includes taking steps to ensure that the *senior management* of the *firm* and, where applicable, the *group*, are made aware of any views expressed by the *regulatory bodies* and any steps taken by them in relation to the *branch*, *firm* or *group*.~~	~~(ee)~~
(18) Responsibility for taking reasonable steps to ensure that every *person* involved in the performance of the *firm's* internal audit function is independent from the persons who perform external audit, including: …	…	(j-3)
(19) ~~Responsibility for:~~ [deleted] ~~(a) managing the *firm's* internal stress tests; and~~ ~~(b) ensuring the accuracy and timeliness of information provided to the *FCA* and other~~	~~Stress testing refers to stress testing under *MIFIDPRU* 7.5 (ICARA process: capital and liquidity planning, stress testing, wind-down planning and recovery planning).~~	~~(s)~~

~~*regulatory bodies* for the purposes of stress testing.~~	~~This responsibility only applies to a *firm* to which *MIFIDPRU* 7.5 applies.~~	
(20) ~~The responsibilities allocated under *COLL* 6.6.27R, *COLL* 8.5.22R or *COLL* 15.7.24R (Allocation of responsibility for compliance to an approved person).~~ [deleted]	~~Only applies to a *firm* to which the *rules* in column (1) apply.~~	~~(za)~~
(21) ~~Responsibility for the development and maintenance of the *firm's* business model by the *governing body*.~~ [deleted]	~~Business model means the same thing as it does in Schedule 6 to the *Act* (Threshold Conditions).~~ ~~This responsibility applies even if the business model *threshold condition* does not apply to it.~~	~~(t)~~

24.3 Who prescribed responsibilities should be allocated to

Seniority and authority

24.3.1 G The *FCA* expects that a *person* who has responsibility for an *FCA-prescribed senior management responsibility*:

(1) will generally ~~(in the case of the *FCA-prescribed senior management responsibilities* in *SYSC* 24.3.3G(1))~~ be the most senior employee or officer responsible for managing that area (or the most senior below the *chief executive*); and

…

The SMF managers to whom FCA-prescribed senior management responsibilities should be allocated

24.3.2 G ~~The *FCA* expects that normally a *firm* will allocate the *FCA-prescribed senior management responsibility* with the following *FCA* reference letters (see column three of the table in *SYSC* 24.2.6R) to an *SMF manager* who is a *non-executive director* of the *firm* (or, in the case of a partnership, a partner without management responsibilities):~~ [deleted]

~~(1) (f) (development of members of *governing body*);~~

~~(2) (j) (internal audit oversight);~~

~~(3) (k) (compliance oversight);~~

~~(4) (l) (risk control oversight);~~

~~(5) (m) (remuneration code oversight); and~~

~~(6) (n) (whistleblowers' champion).~~

24.3.3 G Subject to the more detailed *guidance* in *SYSC* 24 Annex 2 (Preferred allocations of FCA-prescribed senior management responsibilities), the *FCA* expects that normally a *firm* will allocate FCA-*prescribed senior management responsibilities* ~~other than the ones referred to in *SYSC* 24.3.2G~~ to an *SMF manager* who performs executive functions for the *firm*.

…

Exceptions for small non-complex firms

24.3.4 G (1) The *FCA* accepts that it may not be practical for a small non-complex *firm* to comply with the parts of *SYSC* 24.3.1G(1)~~, *SYSC* 24.3.2G~~ and *SYSC* 24.3.3G that would otherwise apply to it.

…

…

Dividing and sharing management functions between different people

…

24.3.10 G …

(2) The *firm* should make the judgement:

…

under:

…

(d) any other applicable *Handbook* requirements, including:

…

(iii) <u>*SYSC* 3.1.6R,</u> *SYSC* 4.1.1-AR, *SYSC* 5.1.1R, *SYSC* 5.1.6R, *SYSC* 5.1.12R, *SYSC* 5.1.13R and *SYSC* 5.1.14R.

…

…

24.3.11 G ~~*SUP* 10C.11.31G to *SUP* 10C.11.33G (What statements of responsibilities should contain: dividing and splitting responsibilities)~~ *SYSC* 24A.4 (Dividing and splitting responsibilities) contains material about:

…

…

24 Annex 1 Which FCA-prescribed senior management responsibilities apply to which kind of firm

23 Annex 1.1

Introduction and exclusions			
…			
1.4	R	~~The following *FCA-prescribed senior management responsibilities* do~~ *FCA-prescribed senior management responsibility* j-3 (independence of outsourced internal audit) does not apply to a *full-scope UK AIFM* in relation to its *managing an AIF*~~:~~.	
		~~(1)~~	~~responsibility (j) (internal audit oversight);~~
		~~(2)~~	~~responsibility (k) (compliance oversight);~~
		~~(3)~~	~~responsibility (l) (risk oversight);~~
		~~(4)~~	~~responsibility (j-3) (independence of outsourced internal audit); and~~
		~~(5)~~	~~responsibility (t) (business model).~~

23 Annex 1.2

Banking sector firms

2.1	R	~~(1)~~	The table in *SYSC* 24 Annex 1 2.3R sets out which *FCA-prescribed senior management responsibilities* apply to ~~which type of~~ an *SMCR banking firm*.	
		~~(2)~~	~~*SMCR firms* in (1) are divided into the following categories for the purposes in (1):~~	
			~~(a)~~	~~a *UK SMCR banking firm* (excluding firms in (b));~~
			~~(b)~~	~~a small *UK SMCR banking firm*; and~~
			~~(c)~~	~~an *overseas SMCR banking firm*.~~
2.2	R	~~A small *UK SMCR banking firm* means a *UK SMCR banking firm* that is:~~ [deleted]		
		~~(1)~~	~~a small CRR firm as defined in the part of the *PRA Rulebook* called "Allocation of responsibilities"; or~~	
		~~(2)~~	~~a *credit union*.~~	
2.3	R	Table: FCA-prescribed senior management responsibilities applying to banking sector firms		

Brief description of responsibility	**Reference letter of responsibility**	**~~UK firm~~**	**~~Small UK firm~~**	**~~Overseas firm~~**
Responsibility for the *firm's* performance of its obligations under the senior managers regime	(a)	~~√~~	~~√~~	~~√~~
~~Responsibility for the *firm's* performance of its obligations under the employee certification regime~~	~~(b)~~	~~√~~	~~√~~	~~√~~
Financial crime	(d)	~~√~~	~~√~~	~~√~~
~~*COCON*~~	~~(b-1)~~	~~√~~	~~√~~	~~√~~
~~Training *governing body*~~	~~(f)~~	~~√~~	~~×~~	~~×~~

~~Training of staff performing *designated senior management responsibilities*~~ ~~See Note (2)~~	~~(g)~~	~~✓~~	~~×~~	~~×~~
~~*Management responsibilities maps*~~	~~(c)~~	~~✓~~	~~✓~~	~~✓~~
~~*Whistleblowers' champion*~~	~~(n)~~	~~✓~~	~~✓~~	~~×~~
~~Internal audit oversight~~	~~(j)~~	~~✓~~	~~×~~	~~×~~
~~Compliance oversight~~	~~(k)~~	~~✓~~	~~×~~	~~×~~
~~Risk oversight~~	~~(l)~~	~~✓~~	~~×~~	~~×~~
~~Remuneration~~	~~(m)~~	~~✓~~	~~×~~	~~×~~
CASS	(z)	~~✓~~	~~✓~~	~~✓~~
~~*UK* risk management~~	~~(aa)~~	~~×~~	~~×~~	~~✓~~
~~Compliance with *UK regulatory system*~~	~~(ff)~~	~~×~~	~~×~~	~~✓~~
~~Escalation of correspondence~~	~~(ee)~~	~~×~~	~~×~~	~~✓~~
~~**Note (1):** the categories of *firm* in the column headings of this table are to be interpreted in accordance with the classification of *firms* in *SYSC* 24 Annex 1 2.1R. Therefore:~~ ~~(a) column three (UK firm) refers to *SYSC* 24 Annex 1 2.1R(2)(a);~~ ~~(b) column four (Small UK firm) refers to *SYSC* 24 Annex 1 2.1R(2)(b); and~~ ~~(c) column five (Overseas firm) refers to *SYSC* 24 Annex 1 2.1R(2)(c).~~				
~~**Note (2):** Paragraph (b) of this *FCA-prescribed senior management responsibility* (key function holder) does not apply to any *firm* in this table.~~				

[*Editor's note*: As well as the deletions in the table in SYSC 24 Annex 1 2.3R shown above, the table is reduced from 5 columns to 2 as shown.]

23
Annex
1.3

Insurance sector firms				
3.1	R	(1)	The table in *SYSC* 24 Annex 1 3.2R sets out which *FCA-prescribed senior management responsibilities* apply to which type of *SMCR insurance firm*.	
		(2)	*SMCR firms* in (1) are divided into the following categories for the purposes in (1):	
			(a)	~~a *Solvency II firm* (excluding *firms* in any other paragraph);~~ an *SMCR insurance firm* other than one in (e); and
			(b)	~~a *firm* falling within paragraph (b) of the definition of *Solvency II firm* (undertaking that would require *Part 4A permission* as an insurance or reinsurance undertaking if its head office were situated in the *United Kingdom*);~~ [deleted]
			(c)	~~a *small non-directive insurer*;~~ [deleted]
			(d)	~~a *firm* in *SYSC* 23 Annex 1 5.2R (*firms* in run-off); and~~ [deleted]
			(e)	an *insurance special purpose vehicle*.
		(3)	~~An *insurance special purpose vehicle* only falls into paragraph (2)(e). Subject to that, a *firm* in (2)(d) does not fall into any other paragraph.~~ [deleted]	
3.2	G	~~References to a *Solvency II firm* include a *large non-directive insurer*.~~ [deleted]		
3.3	R	Table: FCA-prescribed senior management responsibility applying to insurance sector firms		

Brief description of responsibility	**Reference letter of responsibility**	**~~Solvency II firm~~ Insurance firm**	**~~Overseas branches~~**	**~~Other insurance sector~~**	**ISPV**
Responsibility for the *firm's* performance of its obligations under the senior	(a)	√	~~√~~	~~√~~	√

managers regime					
~~Responsibility for the *firm's* performance of its obligations under the employee certification regime~~	~~(b)~~	~~√~~	~~√~~	~~√~~	~~√~~
Financial crime	(d)	√	~~√~~	~~√~~	√
~~*COCON*~~	~~(b-1)~~	~~√~~	~~√~~	~~√~~	~~√~~
~~Training *governing body*~~	~~(f)~~	~~√~~	~~×~~	~~×~~	~~×~~
~~Training of staff performing *designated senior management responsibilities*~~	~~(g)~~	~~√~~	~~×~~	~~×~~	~~×~~
~~*Management responsibilities maps*~~	~~(c)~~	~~√~~	~~√~~	~~×~~	~~×~~
~~*Whistleblowers' champion*~~	~~(n)~~	~~√~~	~~×~~	~~×~~	~~×~~
CASS	(z)	√	~~√~~	~~√~~	×
~~Internal audit for non-significant insurers~~	~~(j-2)~~	~~√~~	~~×~~	~~×~~	~~×~~
~~Compliance with *UK regulatory system*~~	~~(ff)~~	~~×~~	~~√~~	~~×~~	~~×~~
~~Escalation of correspondence~~	~~(ee)~~	~~×~~	~~√~~	~~×~~	~~×~~

Note: The categories of *firm* in the column headings of this table are to be interpreted in accordance with the classification of *firms* in *SYSC* 24 Annex 1 3.1R. Therefore:

(1) ~~Solvency II firm~~ Insurance firm (column three) refers to *SYSC* 24 Annex 1 3.1R(2)(a); and

(2) ~~Overseas branches (column four) refers to *SYSC* 24 Annex 1 3.1R(2)(b);~~ [deleted]

(3) ~~Other insurance sector (column five) refers to *SYSC* 24 Annex 1 3.1R(2)(c) and (d); and~~ [deleted]

(4) ISPV (column ~~six~~ four) refers to *SYSC* 24 Annex 1 3.1R(2)(e).

[*Editor's note*: As well as the deletions in the table in SYSC 24 Annex 1 3.2R shown above, the table is reduced from 6 to 4 columns as shown.]

23 Annex 1.4

	Solo regulated firms			
4.1	R	(1)	The table in *SYSC* 24 Annex 1 4.2R sets out which *FCA-prescribed senior management responsibilities* apply to ~~which type of~~ a *core SMCR firm* and an *enhanced scope SMCR firm*.	
		(2)	*SMCR firms* in (1) are divided into the following categories for the purposes of ~~in~~ (1):	
			(a)	~~*UK core SMCR firm*;~~ *core SMCR firm*; and
			(b)	~~*overseas core SMCR firm* (excluding an *EEA SMCR firm*); and~~ [deleted]
			(c)	*enhanced scope SMCR firm*.
4.2	R	Table: FCA-prescribed senior management responsibility applying to solo regulated firms		

(1) **Brief description of responsibility**	**(2)** **Reference letter of responsibility**	**(3)** ~~**UK core**~~	~~**(4)**~~ ~~**Overseas core firm**~~	**(5)** **Enhanced scope firm**

		Core firm		
Responsibility for the *firm's* performance of its obligations under the senior managers regime	(a)	√	~~√~~	√
~~Responsibility for the *firm's* performance of its obligations under the employee certification regime~~	~~(b)~~	~~√~~	~~√~~	~~√~~
Financial crime	(d)	√	~~√~~	√
~~*COCON*~~	~~(b-1)~~	~~√~~	~~√~~	~~√~~
~~*Management responsibilities maps*~~	~~(c)~~	~~×~~	~~×~~	~~√~~
~~Internal audit oversight~~	~~(j)~~	~~×~~	~~×~~	~~√~~
~~Compliance oversight~~	~~(k)~~	~~×~~	~~×~~	~~√~~
~~Risk oversight~~	~~(l)~~	~~×~~	~~×~~	~~√~~
CASS	(z)	√	~~√~~	√
Independence of outsourced internal audit	(j-3)	×	~~×~~	√
~~Business model~~	~~(t)~~	~~×~~	~~×~~	~~√~~
~~Stress tests~~	~~(s)~~	~~×~~	~~×~~	~~√~~
~~Allocation of responsibility for *COLL* compliance to an approved person~~	~~(za)~~	~~√~~	~~√~~	~~√~~
~~*UK* risk management~~	~~(aa)~~	~~×~~	~~√~~	~~×~~
~~Compliance with *UK regulatory system*~~	~~(ff)~~	~~×~~	~~√~~	~~×~~

~~Escalation of correspondence~~	~~(ee)~~	~~×~~	~~√~~	~~×~~

Note: The categories of *firm* in the column headings of this table are to be interpreted in accordance with the classification of *firms* in *SYSC* 24 Annex 1 4.1R. Therefore:

(1) ~~UK core~~ Core firm (column three) refers to *SYSC* 24 Annex 1 4.1R(2)(a); and

(2) ~~Overseas core firm (column four) refers to *SYSC* 24 Annex 1 4.1R(2)(b); and~~ [deleted]

(3) Enhanced scope firm (column ~~five~~ four) refers to *SYSC* 24 Annex 1 4.1R(2)(c).

[*Editor's note*: As well as the deletions in the table in SYSC 24 Annex 1 4.2R shown above, the table is reduced from 5 to 4 columns as shown.]

24 Annex 2 Preferred allocations of FCA-prescribed senior management responsibilities

Purpose

24 Annex 2.1 G This annex sets out detailed *guidance* on the *FCA's* expectations about what *designated senior management function* an *SMF manager* should and not should not hold if a *firm* wishes to allocate particular *FCA-prescribed senior management responsibilities* to them. It should be read together with ~~*SYSC* 24.3.2G and~~ *SYSC* 24.3.3G (The SMF managers to whom FCA-prescribed senior management responsibilities should be allocated), and *SYSC* 24.3.4G and *SYSC* 24.3.5G (Exceptions for small non-complex firms).

General material

…

24 Annex 2.7 G If no one performs the *chief executive function* for a *firm*, it will usually be most appropriate for those *FCA-prescribed senior management responsibilities* that are listed in the tables in this annex as being appropriate for SMF 1 to go instead to the most suitable *SMF manager*:

…

(2) (in the case of a *PRA-authorised person*) into whose *designated senior management function* the functions in (1) have been absorbed under the arrangements in *SUP* 10C.9 (Minimising overlap with the PRA approved and notified persons regime).

Allocations for core SMCR firms

24 Annex 2.8 G The ~~tables~~ table in *SYSC* 24 Annex 2.10G ~~and *SYSC* 24 Annex 2.11G cover~~ covers *core SMCR firms*.

24 Annex 2.9 G ~~The table in *SYSC* 24 Annex 2.11G covers *FCA-prescribed senior management responsibilities* that only apply to *overseas SMCR firms*.~~ [deleted]

24 Annex 2.10 G Table: Combinations of designated senior management functions and FCA-prescribed senior management responsibilities for core SMCR firms

(1) FCA-prescribed senior management responsibility	(2) SMFs most likely to be appropriate	(3) Would generally consider harder to justify
…		
~~(b) (Responsibility for performance of obligations under certification regime)~~	~~SMFs 1, 19~~	~~SMFs 9, 16, 17~~
~~(b-1) (Responsibility for conduct rules)~~	~~SMFs 1, 19~~	~~SMFs 9, 17~~
…		
~~(za) (*COLL*)~~	~~SMF 9~~ ~~There are also *rules* governing the allocation of this function (see *COLL* 6.6.27R, *COLL* 8.5.22R and *COLL* 15.7.24R).~~	~~SMFs 1, 3, 16, 17, 27~~
…		

24 Annex 2.11 G ~~Table: Combinations of designated senior management functions and FCA-prescribed senior management responsibilities only applicable to core SMCR firms that are overseas SMCR firms~~ [deleted]

~~(1)~~ ~~FCA-prescribed senior management responsibility~~	~~(2)~~ ~~SMFs most likely to be appropriate~~	~~(3)~~ ~~Would generally consider harder to justify~~
~~(aa) (*UK* management processes)~~	~~SMF 19~~	~~SMF 17~~
~~(ee) (Escalating correspondence)~~	~~SMF 19~~	~~SMF 17~~
~~(ff) (Compliance with *UK regulatory system*)~~	~~SMF 19~~	~~SMF 17~~
~~See the notes to the table in *SYSC* 24 Annex 2.10G for the meaning of the numerical and alphanumerical references in this table.~~		

Allocations for all other firms

…

24 Annex 2.13 G Table: Combinations of designated senior management functions and FCA-prescribed senior management responsibilities for all other SMCR firms

(1) **FCA-prescribed senior management responsibility**	**(2)** **SMFs most likely to be appropriate**	**(3)** **Would generally consider harder to justify**
(a) (Responsibility for performance of obligations under senior managers regime)	…	SMFs 5, 9-15, 16, 17, ~~18,~~ 20, 20a, ~~22,~~ 23
~~(b) (Responsibility for performance of obligations under certification regime)~~	~~SMFs 1, 19, 25, 26~~	~~SMFs 5, 9-15, 16, 17, 18, 20, 20a, 22, 23~~
~~(b-1) (Responsibility for conduct rules)~~	~~SMFs 1, 19, 25, 26~~	~~SMFs 5, 9-15, 17, 18, 20, 20a, 22, 23~~

~~(e) (*Management responsibilities map*)~~	~~SMFs 1, 19~~	~~SMFs 5, 9-15, 17, 18, 20, 20a, 22, 23~~
(d) (*Financial crime*)	…	SMFs 2, 5, 6, 9-15, ~~18,~~ 20, 20a, ~~22,~~ 23
~~(f) (Training of *governing body*)~~	~~SMFs 9, 19~~	~~SMFs 1-6, 15-18, 20-24~~
~~(g) (Training of senior management)~~	~~SMFs 1, 19~~	~~SMFs 2, 4, 5, 9-15, 18, 20, 20a, 22, 23, 24~~
~~(j) (Independence and oversight of internal audit)~~	~~SMF 11~~	~~SMFs 1-6, 16, 17, 18, 22, 24,~~
~~(j-2) (Outsourced internal audit where certain *PRA* rules apply)~~	~~SMF 11~~	~~SMFs 1-6, 12-18, 20, 20a, 22, 23, 24~~
(j-3) (Outsourced internal audit)	…	SMFs 1-5, 12, 13, 16, 17, ~~18, 22,~~ 24
~~(k) (Independence and oversight of compliance)~~	~~SMF 10~~	~~SMFs 1-6, 16, 17, 18, 22, 24~~
~~(l) (Independence and oversight of risk function)~~	~~SMF 10~~	~~SMFs 1-6, 16, 17, 18, 22, 24~~
~~(m) (Remuneration policy and practices)~~	~~SMF 12~~	~~SMFs 1-6, 16, 17, 18, 20, 20a, 22, 23, 24~~
~~(n) (Whistleblowing)~~	~~See *SYSC* 18.4.1G(4)~~	~~SMFs 1-6, 16, 17, 18, 20, 20a, 22, 23, 24~~
~~(s) (Stress tests)~~	~~SMFs 2, 4~~	~~SMFs 5, 9-14, 16, 17, 18, 22, 24~~
~~(t) (Development and maintenance of business model)~~	~~SMFs 1, 25, 26~~	~~SMFs 5, 9-12, 14, 16, 17, 18, 20, 20a, 22, 23, 24~~
…		

~~(za) (*COLL*)~~	~~SMF 9~~ ~~There are also *rules* governing the allocation of this function (see *COLL* 6.6.27R, *COLL* 8.5.22R and *COLL* 15.7.24R).~~	~~SMFs 1-5, 7, 16, 17, 18, 19, 22, 24~~
~~(aa) (*UK* management processes)~~	~~SMF 4~~	~~SMFs 5, 17, 22, 24~~
~~(ee) (Escalating correspondence)~~	~~SMF 19~~	~~SMFs 2, 4, 5, 9-12, 14, 17, 20, 20a, 22, 23, 24~~
~~(ff) (Compliance with *UK regulatory system*)~~	~~SMF 19~~	~~SMFs 2, 4, 5, 9-12, 14, 17, 20, 20a, 22, 23, 24~~
… (3) ~~*SYSC* 24.2.3R (Allocation of FCA-prescribed senior management responsibilities) means that (with the exception set out in that *rule*) only an *enhanced scope SMCR firm* may allocate an *FCA-prescribed senior management responsibility* to an *SMF manager* who is only approved to perform the *other overall responsibility function* or the *other local responsibility function* for that *firm*. References to SMF 18 and SMF 22 in this table should be interpreted accordingly.~~ [deleted]		

Insert SYSC 24A after SYSC 24 (Senior managers and conduct rules regime: Allocation of prescribed responsibilities). The text is all new and is not underlined.

24A Senior managers and conduct rules regime: Statements of responsibilities

24A.1 Application and purpose

Basic application rules

24A.1.1 R This chapter applies to an *SMCR firm*.

24A.1.2 R This chapter is not limited to *regulated activities* or other specific types of activities.

24A.1.3 R There is no territorial limitation on the application of this chapter.

Exclusion for single manager

24A.1.4 R This chapter (other than *SYSC* 24A.7 (Past versions) and *SYSC* 24A.8 (Submission of statements of responsibilities to the FCA)) does not apply to a *firm* if and for as long as it only has a single *SMF manager*.

24A.1.5 R (1) When calculating the number of *SMF managers* a *firm* has, the following are included:

(a) an *SMF manager* who is temporarily absent; and

(b) a *person* who is filling the role of a *person* who has ceased to be an *SMF manager* under *SUP* 10C.3A (The 18-week rule) or the *PRA* equivalent.

(2) The '*PRA* equivalent' to *SUP* 10C.3A means one of the *PRA* rules referred to in column 2 of row (6) of Part A of the table in *COCON* 1A.2.2R (Table: To whom does COCON apply?).

(3) If the *person* filling the role described in (1)(b) is an *SMF manager*, they are counted twice: once in their capacity as an *SMF manager* and once under (1)(b).

What this chapter covers

24A.1.6 G (1) This chapter is about the *FCA's* requirements for *statements of responsibilities*.

(2) In the case of a *PRA-authorised person*, it applies in respect of *PRA-approved or notified SMF managers* as well as *FCA-approved or notified SMF managers*, even if the *PRA-approved or notified SMF manager* is not subject to any *current SMF approval or notification* for an *FCA-designated senior management function*.

Purpose

24A.1.7 G (1) One purpose of a *statement of responsibilities* is to help the *firm* and the *FCA* satisfy themselves precisely what responsibilities an *SMF manager* has. Together with the *statements of responsibilities* for the *firm's* other *SMF managers* and the *firm's management responsibilities map* (if the *firm* is required to have one), it helps the *firm* and the *FCA* to satisfy themselves that the *firm* has a clear organisational structure (as required by the *regulatory system*).

(2) It also helps the *FCA* to identify who it needs to speak to about particular issues.

(3) A *statement of responsibilities* helps the *FCA* to operate its powers and requirements for individuals. For example, it helps the *FCA* to:

(a) identify who is accountable if something goes wrong; and

(b) understand the role or proposed role of the *approved or notified person* in the *firm* and, therefore, to judge how to use its powers under the regime for *SMCR firms*, such as the power to grant or refuse approval of an *SMF manager* or to amend, remove or impose conditions.

24A.2 Requirement to have a statement of responsibilities

24A.2.1 R A *firm* must have and maintain, for each of its *SMF managers*, a written, complete and up-to-date *document* setting out details of or about:

(1) each *designated senior management function* for which the *SMF manager* is subject to a *current SMF approval or notification* for the *firm* and any condition or time-limitation that applies to it;

(2) any *FCA-prescribed senior management responsibilities* and (in the case of a *PRA-authorised person*) *PRA-prescribed senior management responsibilities* allocated to the *SMF manager*;

(3) any responsibility for a function allocated to the *SMF manager* under *SYSC* 26 (Senior managers and conduct rules regime: Overall and local responsibility) if that chapter applies to the *firm*;

(4) (in the case of a *PRA-authorised person*) functions that are included in a *PRA controlled function* under the arrangements described in *SUP* 10C.9 (Minimising overlap with the PRA approved and notified persons regime);

(5) all other responsibilities that the *SMF manager* has as an *SMF manager*, *employee* or officer of that *firm* and any other responsibility allocated by the *firm* to the *SMF manager* in relation to the *firm*; and

(6) any sharing or division of a *controlled function*, *FCA-prescribed senior management responsibility*, *PRA-prescribed senior management responsibility* or other responsibility referred to in this *rule*.

24A.2.2 R (1) The *document* in *SYSC* 24A.2.1R is a *statement of responsibilities*.

(2) A *statement of responsibilities* includes a statement amended under this section.

24A.3 Drafting of a statement of responsibilities

General approach to drafting a statement of responsibilities

24A.3.1 G A *statement of responsibilities* of an *SMF manager* should:

(1) show clearly how the responsibilities that the *SMF manager* performs fit in with the *firm's* overall governance and management arrangements;

(2) be consistent with the *statement of responsibilities* for the *firm's* other *SMF managers*; and

(3) be consistent with the *firm's management responsibilities map* (if the *firm* is required to have one).

(See *SYSC* 25.4.1G and *SYSC* 25.4.2G for more about this.)

24A.3.2 G (1) A *statement of responsibilities* should:

(a) be complete by itself;

(b) not refer to documents not forming part of it; and

(c) only contain material about the matters that this chapter, and the corresponding *PRA* requirements (in the case of a *PRA-authorised person*) say should be included in it.

(2) For example, if it is necessary to include relevant material from the *firm's* report and accounts, the *statement of responsibilities* should not attach the whole of the report and accounts or cross refer to them. Instead, it should include a summary of the relevant part only.

24A.3.3 G A *statement of responsibilities* should be:

(1) practical and useable by the *FCA*;

(2) without unnecessary detail; and

(3) succinct and clear.

24A.3.4 G (1) *SYSC* or another part of the *regulatory system* will generally impose requirements (referred to as 'prescribed requirements' in this paragraph) that relate to a particular post or set of responsibilities.

(2) For instance, these include:

(a) the responsibilities that go with the *FCA required functions*; and

(b) the *FCA-prescribed senior management responsibilities* and (in the case of a *PRA-authorised person*) the *PRA-prescribed senior management responsibilities*.

(3) The allocation of responsibilities under a *statement of responsibilities* should not reduce or alter the scope of any applicable prescribed requirements.

(4) If:

(a) the responsibilities that the *SMF manager* carries out as described in the *statement of responsibilities* go beyond the prescribed requirements; or

(b) the *firm* includes additional information about any prescribed requirements,

the additional responsibilities or additional information should not reduce or alter the scope of the prescribed requirements, or dilute or undermine them.

24A.3.5 G (1) An example of the requirement that a *firm's statements of responsibilities* for its *SMF managers* should be consistent (see *SYSC* 24A.3.1G) is that they should together demonstrate that there are no gaps in the allocation of responsibilities among the *firm's SMF managers*.

(2) A *firm's statements of responsibilities* should be interpreted, where possible, so as to avoid any gaps in the allocation of responsibility for its activities among its *SMF managers*.

(3) Paragraphs (1) and (2) apply to a *firm* to which *SYSC* 26 (Senior managers and conduct rules regime: Overall and local responsibility) applies.

24A.3.6 G (1) The definition of every *designated senior management function* contains a responsibility which is inherent, inseparable from and intrinsically built into the specific role.

(2) In many ways, this inherent responsibility is the most important responsibility of any given *SMF manager*, as it provides a rationale as to why that specific function is subject to pre-approval by, or notification to, the *FCA* or *PRA* in the first place.

(3) Even where an *SMF manager* has not been allocated any other responsibilities by the *firm*, the responsibility inherent in the definition of their *designated senior management function* means that they will be accountable for that aspect of the *firm's* activities.

(4) For instance, even if a person approved to perform the *compliance oversight function* has no other responsibilities allocated to them, they will be accountable for the *Handbook* requirements for the *compliance oversight function*.

24A.3.7 G (1) The *FCA* may request a *firm* to include specific responsibility for a regulatory outcome in the *statement of responsibilities* of the relevant *SMF managers*.

(2) For example, where the *FCA* asks a *firm* to take remediation action following an internal or supervisory review or a report under section 166 of the *Act* (Reports by skilled persons) and considers it appropriate for an *SMF manager* to take responsibility for that action, it may ask the *firm* to add an additional, customised, explicit responsibility to the relevant *SMF manager's statement of responsibilities*.

Examples of things to be included

24A.3.8 G Other examples of things a *statement of responsibilities* of an *SMF manager* should contain include details about:

(1) responsibilities allocated under *MIPRU* 2.2 (Allocation of the responsibility for insurance distribution activity or MCD credit intermediation activity);

(2) fulfilling or failing to fulfil a condition in relation to an approval or *SMF notification*; and

(3) what performance of a responsibility referred to in a *statement of responsibilities* involves, including, for example, a breakdown of the different components and tasks which an *FCA-prescribed senior management responsibility* or (in the case of a *PRA-authorised person*) *PRA-prescribed senior management responsibility* allocated to the *SMF manager* encompasses.

24A.3.9 G (1) If the *firm* temporarily allocates an *FCA-prescribed senior management responsibility*, a *PRA-prescribed senior management responsibility* or an overall or local responsibility (as defined in *SYSC* 26.3.3R (Main rules)) allocated to an absent *SMF manager* to another *SMF manager*, the *firm* should record that allocation in:

(a) the *statement of responsibilities* for that absent *SMF manager*; and

(b) the *statement of responsibilities* of the *SMF manager* to which the responsibility is allocated.

(2) The *firm* should also record the re-allocation of those responsibilities on the return of the *SMF manager*.

24A.4 Dividing and splitting responsibilities

24A.4.1 G (1) Where a responsibility or function is shared or divided between an *SMF manager* and others, the *statements of responsibilities* for each *SMF manager* concerned should:

(a) make this clear; and

(b) make it clear for what part of which responsibility or function that *SMF manager* has responsibility.

(2) Together, the *statements of responsibilities* for a *firm's SMF managers* should show which responsibility or function is shared or divided between which *SMF managers* and, if applicable, between which *SMF managers* and other *persons*. It should be clear which responsibility or function and which *SMF managers* or other *persons* are involved.

24A.4.2 G (1) Where:

(a) an *FCA-prescribed senior management responsibility* or *PRA-prescribed senior management responsibility* is divided or shared between several *SMF managers*; or

(b) any function allocated under *SYSC* 26 (Senior managers and conduct rules regime: Overall and local responsibility) is shared between several *SMF managers* (if that chapter applies to the *firm*),

the *statement of responsibilities* for each *SMF manager* should explain why this has been done and give full details of the arrangements, including the names of the other *SMF managers* and their *FCA*/*PRA* Individual Reference Numbers (IRN).

(2) Where a responsibility or function is shared between several *SMF managers*, this should be recorded in the same way in the *statements of responsibilities* of each of them. This should also be consistent with the *firm's management responsibilities map*.

24A.4.3 G (1) Where 2 or more *SMF managers* share a responsibility, each will be individually responsible for everything included in that responsibility, including anything inherent in that responsibility (see *SYSC* 24A.3.6G for inherent responsibilities).

(2) Where:

(a) a responsibility is divided between several *SMF managers*; but

(b) some part of the responsibility has not clearly been allocated to any of them,

it should be assumed that that part is the joint responsibility of all of them.

24A.5 Revised statements of responsibilities

24A.5.1 G *SYSC* 24A.2.1R requires a *firm* to keep a *statement of responsibilities* up to date. That means that a *firm* should immediately revise it to reflect changes in the matters referred to in *SYSC* 24A since the last time the *firm* updated it (and not just significant changes). This is the case even if that latest version does not have to be sent to the *FCA* or the *PRA*.

24A.6 One document for each SMF manager for each firm

24A.6.1 G A *firm* should prepare *statements of responsibilities* (including revised ones) for one of its *SMF managers* as a single *document* covering all the information required by this chapter.

24A.6.2 G If a *person* is an *SMF manager* for several *firms* in a *group* that are *SMCR firms*, there should be a separate *document* for each *firm*.

24A.6.3 G There should be a separate *document* for each *SMF manager* in a *firm*. A *firm* should not combine *statements of responsibilities* for several *SMF managers*.

24A.7 Past versions

24A.7.1 R (1) A *firm* must retain each version of a *statement of responsibilities* for:

(a) 6 years in the case of:

(i) an *FCA-authorised person*; or

(ii) an *SMCR insurance firm* other than a *Solvency II firm*; or

(b) (in any other case) 10 years,

from the date on which it was superseded by a more up-to-date version.

(2) For the purpose of (1), a *large non-directive insurer* is treated as being subject to the 6-year requirement in (1)(a)(ii).

24A.7.2 R A *firm* must be able to provide the *FCA* immediately on request any of its *statements of responsibilities* and any version retained in accordance with this section.

24A.7.3 G (1) A *firm* should consider past versions of its *statements of responsibilities* as an important part of its records and as an important resource for the *FCA* in supervising the *firm*.

(2) Past versions of a *firm's statements of responsibilities* form part of its records under the *regulatory system*.

24A.7.4 G If the obligation to have and maintain *statements of responsibilities* ceases to apply to a *firm* under *SYSC* 24A.1.4R (Exclusion for single manager) because the number of its *SMF managers* falls to one:

(1) the *firm* should keep each *statement of responsibilities* current at the time the exclusion began to apply for 6 or 10 years, as applicable;

(2) *SYSC* 24A.7.1R(1) continues to apply to previous versions; and

(3) *SYSC* 24A.7.2R and *SYSC* 24A.7.3G apply to the versions referred to in (1) and (2).

24A.8 Submission of statements of responsibilities to the FCA

24A.8.1 G There is no requirement automatically to send the *FCA* a copy of a *statement of responsibilities* when it is first prepared or when it is amended.

24A.8.2 G The part of the *FCA's* website covering SMCR applications and notifications explains whether and when a *firm* should send a *statement of responsibilities* to the *FCA* when it is applying for the *FCA's* approval under section 59 of the *Act* (Approval and notification for particular arrangements), making an *SMF notification* or applying for the addition, variation or removal of a condition or time limit relating to an approval or *SMF notification.*

24A.8.3 G Unless otherwise stated in the relevant direction and subject to *SYSC* 24A.8.4G, the version of a *statement of responsibilities* to be sent to the

FCA with an application or notification is a copy of the most up-to-date version of the *firm's* internal copy.

24A.8.4 G (1) *SYSC* 25.4.16G to *SYSC* 25.4.18G (Submission to the FCA) apply to a *statement of responsibilities* to be sent to the *FCA* as described in *SYSC* 24A.8.2G as they do to a *management responsibilities map* to be sent to the *FCA*.

(2) Therefore, for example, if:

(a) the *statement of responsibilities* of an existing *SMF manager* is being sent to the *FCA* along with an application for approval or an *SMF notification* under section 59 of the *Act* (Approval and notification for particular arrangements) for the performance of another *designated senior management function* for the *firm*; and

(b) the *SMF manager* will cease to perform a *designated senior management function* if the approval is given or when the *SMF notification* takes effect,

the version of the *statement of responsibilities* sent to the *FCA* should set out the *designated senior management functions* that the *SMF manager* will be performing after the approval or notification and omit the one that the *SMF manager* will cease to perform.

24A.8.5 G (1) If, under *SYSC* 24A.1.4R (Exclusion for single manager), a *firm* does not have to have *statements of responsibilities*, it will still have to prepare one if it is directed to submit a *statement of responsibilities* with an application or *SMF notification* to the *FCA*.

(2) If:

(a) *SYSC* 25.1.2AR means that a *firm* is not required to have *statements of responsibilities*;

(b) the *firm* is making an application or *SMF notification* to the *FCA*; and

(c) the direction applying to the application or notification says that a *firm* does not have to submit a *document* that it would not otherwise be required to have but for the direction,

the *firm* should still submit one.

(3) The reason for (2) is that a reference in such a direction to such an exemption is not to *SYSC* 25.1.2AR unless the direction clearly says otherwise.

24A.9 Other material about the content of statements of responsibilities

PRA requirements

24A.9.1 G A *PRA-authorised person* may combine a *statement of responsibilities* with the document required by the equivalent *PRA* rules.

24A.9.2 G In the case of a *PRA-authorised person*, the regulators' requirements are designed to be consistent with each other's.

Exclusion of inherent responsibilities

24A.9.3 G In general, the *FCA* expects a *statement of responsibilities* should not set out details about the inherent responsibilities of a role (for inherent responsibilities, see *SYSC* 24A.3.6G (Drafting of a statement of responsibilities)).

24A.9.4 G (1) *SYSC* 24A.9.6G is an example of the principle in *SYSC* 24A.9.3G.

(2) *COLL* 6.6.27R (Allocation of responsibility for compliance to an approved or notified person) provides another example.

(3) *COLL* 6.6.27R says that if the chair of the *AFM's governing body* is an *approved or notified person*, the *AFM* should allocate the responsibilities referred to in that *rule* to the chair. The *FCA* expects that the *statement of responsibilities* of the chair will not include those *COLL* responsibilities because the *Handbook* automatically assigns them to the chair.

(4) On the other hand, if the chair of the *AFM's governing body* is not an *approved or notified person*, *COLL* 6.6.27R says that the *firm* should allocate those *COLL* responsibilities to any appropriate *approved or notified person* chosen by the *firm*. In that case, the *statement of responsibilities* of the *SMF manager* to whom those responsibilities are allocated should include them.

Non-executive directors

24A.9.5 G In general, the *FCA* expects the *statement of responsibilities* of a *non-executive director* who is an *SMF manager* to be less extensive than those of an executive *SMF manager*.

24A.9.6 G In line with the principle in *SYSC* 24A.9.3G, the general duties of a *non-executive director* described in section 2 of *COCON* 1A Annex 1 (The

general role of a NED) should generally not be included in a *non-executive director's statement of responsibilities*.

Amend the following as shown.

25 Senior managers and ~~certification~~ conduct rules regime: Management responsibilities maps and handover procedures and material

25.1 Application and purpose

Main application rules

…

25.1.2 R …

Exclusion for single manager

25.1.2A R (1) This chapter (other than *SYSC* 25.4.15G to *SYSC* 25.4.19G (Submission to the FCA), *SYSC* 25.8 (Management responsibilities maps: Records) and *SYSC* 25.9 (Handover procedures and material)) does not apply to a *firm* if and for as long as it only has a single *SMF manager*.

(2) When calculating the number of *SMF managers* a *firm* has, the following are included:

(a) an *SMF manager* who is temporarily absent; and

(b) a *person* who is filling the role of a *person* who has ceased to be an *SMF manager* under *SUP* 10C.3A (The 18-week rule) or the *PRA* equivalent.

(3) The *PRA* equivalent to *SUP* 10C.3A means one of the *PRA* rules referred to in column 2 of row (6) of the table in *COCON* 1A.2.2R (Table: To whom does COCON apply?).

(4) If the *person* filling the role described in (2)(b) is an *SMF manager*, they are counted twice: once in their capacity as an *SMF manager* and once under (2)(b).

…

Purpose

25.1.6 G …

(3) The *management responsibilities map* helps the *FCA* to operate its powers and requirements for individuals. For example, it helps the *FCA*:

…

(b) to understand the role of the ~~*approved person*~~ *approved or notified person* (or *candidate*) in the *firm* and, therefore, to judge how to use its powers under the regime for *SMCR firms*, such as the power to grant or refuse approval of an *SMF manager* or to amend or impose conditions.

25.2 Management responsibilities maps: Main rules

General rule

25.2.1 R (1) A *UK SMCR firm* must, at all times, have and maintain a comprehensive and up-to-date *document* (the *management responsibilities map*) that describes its management and governance arrangements.

(2) An *overseas SMCR firm* must, at all times, have and maintain a comprehensive and up-to-date *document* (the *management responsibilities map*) that describes the management and governance arrangements for any *branch* it maintains in the *United Kingdom*.

…

…

Specific requirements

25.2.3 R A *management responsibilities map* must include (without limitation):

(1)

(a) the names of all the *firm's*:

(i) ~~*approved persons*~~ *approved or notified persons* (including ~~*PRA approved persons*~~ *PRA approved or notified persons*);

(ii) *non-SMF board directors* and members of its *governing body* and (if different) *management body* who are not ~~*approved persons*~~ *approved or notified persons*;

…

(b) ~~details~~ a summary of the responsibilities which they hold, including, where applicable, of all responsibilities described in any current *statement of responsibilities*;

(2) ~~all responsibilities described in any current *statement of responsibilities*~~ a summary of other information in its current *statements of responsibilities*;

(2A) details of reporting lines and lines of responsibility for each *person* listed pursuant to (1);

(2B) where any responsibilities covered by (1) are performed by or allocated to more than 1 *person*, details of how those responsibilities are shared or divided between the *persons* concerned;

…

(4) ~~the reasons why (if it has done any of these things) the *firm*:~~ [deleted]

~~(a) allocates responsibility for an *FCA-prescribed senior management responsibility* to more than one *person* jointly; or~~

~~(b) divides responsibility for an *FCA-prescribed senior management responsibility* between different *persons*;~~

(5) details about the functions allocated under, *SYSC* 26 (Senior managers and ~~certification~~ conduct rules regime: Overall and local responsibility), including:

…

…

(10) reasonable information about the *persons* described or identified in the *management responsibilities map*, including:

(a) whether they are *employees* of the *firm* and, if not, by whom they are employed; and

(b) ~~if they are *certification employees* of the *firm*; and~~ [deleted]

(c) the responsibilities they have in relation to other *group* members or any other *person* in (8); and

(11) details of how (1) to (10) fit together and fit into the *firm's* management and governance arrangements as a whole.

…

25.4 Guidance about what should be in a management responsibilities map

Material applicable to all firms

…

25.4.3 G The *management responsibilities map* should include functions that are~~:~~

~~(1)~~ included in a *PRA controlled function* under the *PRA rules* complementing *SUP* 10C.9 (Minimising overlap with the PRA approved and notified persons regime) (as listed in *SUP* 10C.9.6G(2))~~;~~.

~~(2) excluded from the *other overall responsibility function* under *SUP* 10C.7.1R(2) (Exclusion for *approved person* with approval to perform other *designated senior management functions*); or~~

~~(3) excluded from the *other local responsibility function* under *SUP* 10C.8.1R(2) (Exclusion for *approved person* with approval to perform other *designated senior management functions*).~~

…

25.4.7 G …

25.4.7A G *SYSC* 25.2.3R(1) requires a *firm* to include details from the *statements of responsibilities* of its *SMF managers* in a consolidated form. That means, for example, that a *management responsibilities map* should include the reasons why (if it has done any of these things) the *firm*:

(1) allocates responsibility for an *FCA-prescribed senior management responsibility* or *PRA-prescribed senior management responsibility* to more than 1 *person* jointly; or

(2) divides responsibility for an *FCA-prescribed senior management responsibility* or *PRA-prescribed senior management responsibility* between different *persons*.

25.4.8 G A *firm* should only include summary details about *statements of responsibilities* under ~~*SYSC* 25.2.3R(2)~~ *SYSC* 25.2.3R(1). There is no need to duplicate the *statements of responsibilities*. The main aim of including material about *statements of responsibilities* in the *management responsibilities map* is to show how that material:

…

…

25.4.10 G If:

…

(2) any *FCA-prescribed senior management responsibility* or *PRA-prescribed senior management responsibility* is allocated to;

more than one *person*, a *firm's management responsibilities map* should give details of how the performance or discharge of the responsibilities is to be carried out by those *persons*.

25.4.11 G The *executive director function*, ~~the *other local responsibility function*,~~ the *group entity senior manager function*~~,~~ and the *partner function* ~~and the *other overall responsibility function*~~ are defined generally and generically and can be performed by several people. Therefore, there is no need to explain why several people perform one of the functions.

25.4.12 G The material in ~~*SUP* 10C.11.31G and *SUP* 10C.11.32G (recording sharing and splitting of responsibilities in *statements of responsibilities*)~~ *SYSC* 24A.4 (Dividing and splitting responsibilities) also applies to a *management responsibilities map*.

…

25.4.14 G …

Submission to the FCA

25.4.15 G The part of the *FCA's* website covering SMCR applications and notifications explains whether and when a *firm* should send a *management responsibilities map* to the *FCA* when it is applying for the *FCA's* approval under section 59 of the *Act* (Approval and notification for particular arrangements), making an *SMF notification* or applying for the addition, variation or removal of a condition or time limit relating to an approval or *SMF notification*.

25.4.16 G Unless otherwise stated in the direction under which it is sent, if a *firm* is sending a copy of its *management responsibilities map* to the *FCA* along with an application or *SMF notification* as referred to in *SYSC* 25.4.15G, it should send a copy of the most up-to-date version of the *firm's* internal copy. This is subject to *SYSC* 25.4.17G and *SYSC* 25.4.18G.

25.4.17 G If a *firm* is sending a copy of its *management responsibilities map* to the *FCA* along with an application or notification as referred to in *SYSC* 25.4.15G, that copy should set out the management arrangements that the *firm* plans to have in place if the approval is granted or when the notification takes effect, unless otherwise stated in the direction under which it is sent.

25.4.18 G (1) This provision deals with a *firm* if it is directed to submit a *management responsibilities map* with an application or notification to the *FCA* and applies unless otherwise stated in the relevant direction.

(2) A *firm* may make a number of closely linked changes to its senior management arrangements of which the application is part. The *firm* should not submit a different version of the *management responsibilities map* showing the position after each change. Instead, in accordance with the principle in *SYSC* 25.4.17G, the *firm* should produce a single version showing the position after all the relevant changes have been carried out.

(3) A series of changes may be linked because some are conditional on the others going ahead. However, changes can be linked in other circumstances, too.

(4) The following are examples of closely linked changes as part of a re-organisation project:

(a) the *firm* intends to appoint a number of new *SMF managers*;

(b) the *firm* intends to appoint a number of existing *SMF managers* to perform new *designated senior management functions*; or

(c) the *firm* re-allocates responsibilities among its *SMF managers*.

(5) If there is a significant time gap between linked changes, the *FCA* would expect the *firm* to produce a single version of the *management responsibilities map* for each phase of the changes.

25.4.19 G (1) If, under *SYSC* 25.1.2AR (Exclusion for single manager), a *firm* does not have to have a *management responsibilities map*, it will still have to prepare one if it is directed to submit a *management responsibilities map* with an application or *SMF notification* to the *FCA*.

(2) If:

(a) *SYSC* 25.1.2AR means that a *firm* is not required to have a *management responsibilities map*;

(b) the *firm* is making an application or *SMF notification* to the *FCA*; and

(b) the direction applying to the application or notification says that a *firm* does not have to submit a *management responsibilities map* if it is exempt from having one;

the *firm* should still submit one.

(3) The reason for (2) is that a reference in such a direction to an exempt *firm* is to a *firm* to which the *management responsibilities map* provisions of this chapter do not apply under *SYSC* 25.1.1R (Main application rules) and not to *SYSC* 25.1.2AR unless the direction clearly says otherwise.

…

25.7 Guidance about SYSC 25 Annex 1G

…

Purpose of SYSC 25 Annex 1G

…

25.7.3 G As mentioned in *SYSC* 26.11.2G, a *firm* may also use *SYSC* 25 Annex 1G as a prompt when allocating responsibilities under *SYSC* 26 (Senior managers and ~~certification~~ conduct rules regime: Overall and local responsibility).

25.7.4 G If a *firm* uses *SYSC* 25 Annex 1G to help it prepare its *management responsibilities map* or when allocating responsibilities under *SYSC* 26 (Senior managers and ~~certification~~ conduct rules regime: Overall and local responsibility), it should bear in mind that it is not comprehensive and that there may be other business activities and functions that are relevant to that firm but that are not included in *SYSC* 25 Annex 1G (see *SYSC* 25.7.8G).

…

25.8 Management responsibilities maps: Records

…

25.8.3 R (1) ~~This *rule* applies to a *Solvency II firm* (including a *large non-directive insurer*) to which *SYSC* 25.1.1R(2) (Main application rules) applies.~~ [deleted]

(2) A *firm* must retain each version of its *management responsibilities map* for:

(a) ~~(in the case of a *large non-directive insurer*)~~ six years~~; or~~ in the case of:

(i) an *FCA-authorised person*; or

(ii) an *SMCR insurance firm* other than a *Solvency II firm*,

(b) (in any other case) ten years;

from the date on which it was superseded by a more up-to-date version.

(3) ~~A *firm* must be prepared to provide each version to the *FCA* on request for as long as the *firm* is required to retain it~~. For the purpose of (2), a *large non-directive insurer* is treated as being subject to the 6-year requirement in (2)(a)(ii).

25.8.4 R A *firm* must be able to provide the *FCA* immediately on request with its *management responsibilities map* and any version retained in accordance with this section.

25.8.5 G If the obligation to have and maintain a *management responsibilities map* ceases to apply to a *firm* under *SYSC* 25.1.2AR (Exclusion for single manager) because the number of its *SMF managers* falls to one:

(1) the *firm* should keep the version of the *management responsibilities map* current at the time the exclusion began to apply for 6 or 10 years, as applicable;

(2) *SYSC* 25.8.3R(2) continues to apply to previous versions; and

(3) *SYSC* 25.8.1G, *SYSC* 25.8.2G and *SYSC* 25.8.4R apply to the versions referred to in (1) and (2).

…

25 Annex 1 Examples of the business activities and functions of an SMCR firm

Business areas and management functions	Explanation
…	
(28) ~~Administration of insurance~~ [deleted]	~~This means the activity described in *SYSC* 27.8.5G(1)(k) (examples of what the significant management *FCA certification function* can cover).~~

(29) Issuing commitments	This means ~~the activity described in *SYSC* 27.8.5G(1)(i) (examples of what the significant management *FCA certification function* can cover)~~ making material decisions on the commitment of the *firm's* financial resources, its financial commitments, its assets and acquisitions, its liability management or its overall cash and capital planning.
(30) Processing	This means ~~the activity described in *SYSC* 27.8.5G(1)(j) (examples of what the significant management *FCA certification function* can cover)~~ processing confirmations, payments, settlements, insurance claims, *client money* and similar matters.
…	

26 Senior managers and ~~certification~~ conduct rules regime: Overall and local responsibility

…

26.2 Purpose

26.2.1 G The purpose of this chapter is to ensure, together ~~(in the case of a *PRA-authorised person*)~~ with ~~the equivalent *PRA* requirements and~~ the requirements about *FCA-prescribed senior management responsibilities* in *SYSC* 24 (Senior managers and ~~certification~~ conduct rules regime: Allocation of prescribed responsibilities) and (in the case of a *PRA-authorised person*) with the *PRA-prescribed senior management responsibilities*, that:

…

…

26.4 Exclusions

Exclusions where other requirements apply

…

26.4.2 R *SYSC* 26.3 (Main rules) does not require a *firm* to ensure that *SMF managers* have local or overall responsibility for any activity, business area or management function that is:

…

(2) managed (as part of the *PRA-designated senior management function* concerned) by any of the *firm's SMF managers* approved or notified to perform any of the following *PRA-designated senior management functions* for the *firm*:

…

(f) the Approved Group Entity Senior Manager function or the Notified Group Entity Senior ~~Insurance~~ Manager function.

Exclusion of the governing body and non-executive directors

…

26.4.5 G …

(2) Paragraph (1) and *SYSC* 26.4.4G mean that a *non-executive director* acting as such does not have overall or local responsibility for a function under *SYSC* 26.3 ~~or perform the *other overall responsibility function* or the *other local responsibility function*~~.

(3) Paragraph (1) and *SYSC* 26.4.4G mean that a *non-executive director*:

(a) providing oversight of a function; or

(b) being responsible for the independence of a function;

does not have overall or local responsibility for that function under this chapter ~~or perform the *other overall responsibility function* or the *other local responsibility function*~~.

Exclusion where the ~~12-week~~ 18-week rule applies

26.4.6 R (1) This *rule* applies where:

(a) a *firm* appoints someone to perform a function in order to provide cover as described in SUP 10C.3A.6R(1) (The ~~12-week~~ 18-week rule) or (in the case of a *PRA-authorised person*) the *PRA* equivalent; and

…

…

(3) For the purposes of this *rule*, the *PRA* equivalent of:

(a) *SUP* 10C.3A.6R is the ~~following~~ parts of the *PRA Rulebook*~~:~~ listed in row (6) of Part One of the table in *COCON* 1A.2.2R (Table: To whom does COCON apply?).

~~(i) rule 2.3 in "Senior Management Functions";~~

~~(ii) rule 2.4 in "Insurance – Senior Management Functions"; and~~

~~(iii) rule 2.4 in "Large Non-Solvency II Firms – Senior Management Functions".~~

…

…

26.4.8 G ~~*SYSC* 26.4.6R and *SUP* 10C.3A.6R apply to a person performing the *other overall responsibility function* or the *other local responsibility function* as well as to a person performing one of the other *designated senior management functions*.~~ [deleted]

Exclusion of the legal function

…

26.4.14 G ~~*SUP* 10C.7.1R and *SUP* 10C.8.1R exclude the person with overall responsibility for the legal function from the *other overall responsibility function* (SMF18) and the *other local responsibility function* (SMF22).~~ [deleted]

26.4.15 G The exclusions in *SYSC* 26.4.9R(2)~~,~~ and *SYSC* 26.4.11R ~~and *SYSC* 26.4.14G~~ do not affect the scope of the following or the obligation to appoint an *SMF manager* to carry them out:

(1) any *FCA-designated senior management function* ~~other than the ones in *SYSC* 26.4.14G~~; or

(2) any of the *FCA-prescribed responsibilities*.

…

26.6 Meaning of local and overall responsibility: General

…

Day-to-day or ultimate control

26.6.6 G Having overall or local responsibility under this chapter for a matter does not necessarily mean:

(1) having ultimate authority over it; ~~or~~

(2) having day-to-day management control of that function~~.~~; or

(3) detailed operational involvement in the execution of the activity.

26.6.7 G …

26.6.8 G It is consistent with this chapter for an *SMF manager* exercising overall responsibility or local responsibility:

(1) to rely on delegated management structures; and

(2) to exercise that responsibility primarily through governance, oversight and escalation mechanisms.

26.7 Meaning of local and overall responsibility: Reporting to the governing body

…

26.7.3 G In general, the *FCA* expects that a person to whom overall responsibility for a function is allocated as described in *SYSC* 26.7.1G will be the most senior employee or officer responsible for managing or supervising that function under the management of the *governing body*. However, it is consistent with that for:

(1) significant elements of that function to be managed by individuals in the management layer below; and

(2) those individuals to exercise substantial autonomy within defined parameters.

…

26.8 Meaning of local and overall responsibility: Not reporting to the governing body

…

Branches: Setting overall strategy for a branch

26.8.3 G …

(2) See *SUP* 10C.1.5AG for more about how the difference between strategic and implementing responsibilities affects the *FCA* senior

managers regime for ~~*approved persons*~~ *approved or notified persons* in *overseas SMCR firms*.

…

26.8.5 G …

Meaning of seniority

26.8.6 G It is consistent for a *person* to be the most senior in a *firm* as referred to in *SYSC* 26.8.3G(1)(b) and *SYSC* 26.8.5G even if:

(1) significant elements of the function for which that *person* has responsibility are managed by individuals in the management layer below; and

(2) those individuals exercise substantial autonomy within defined parameters.

26.9 Who functions should be allocated to

Seniority

…

26.9.3 G Other parts of this chapter dealing with seniority are:

…

(2) *SYSC* 26.8.3G and *SYSC* 26.8.4G (seniority of someone from elsewhere in the *firm* having local responsibility in a *branch*); ~~and~~

(3) *SYSC* 26.8.5G (seniority of someone within a *UK SMCR firm* with overall responsibility for a function not under the management of a *firm's governing body*)~~.~~; and

(4) *SYSC* 26.8.6G (meaning of seniority).

Not giving too much responsibility to one individual

26.9.4 G (1) ~~It will be common for a small non-complex *firm* to divide overall or local responsibility for its activities under the management of its *governing body* between members of its *governing body* and not to assign overall or local responsibility for any activity to someone who is not a member.~~ [deleted]

(2) ~~However, when~~ When deciding how to divide up overall or local responsibility for its activities, a *firm* should avoid assigning such a

wide range of responsibilities to a particular *person* that the *person* is not able to carry out those responsibilities effectively.

(3) Therefore, in a large or complex *firm*, the *FCA* expects ~~overall or local responsibility for some functions to be assigned to *persons* in the layer of management below the *governing body*. Anyone in that layer having overall or local responsibility for an activity will be performing a *designated senior management function*.~~ that it will only be appropriate to allocate overall responsibilities or local responsibilities for a wide range of matters to an *SMF manager* if:

(1) the *firm* has robust delegation structures; and

(2) the *SMF manager* is able to discharge their responsibilities through effective reliance on those structures.

…

26.10 Group management arrangements and outsourcing

26.10.1 G …

(3) A *firm* has two main choices about how to fit such arrangements into the senior managers regime for *SMCR firms*.

(a) The group employee is appointed by the *firm* (usually by its *governing body* if it has one) to perform the function. This means that the *firm* will have entered into an arrangement with that *person*. As explained in *SUP* 10C.3.9G, an arrangement with the *firm* is one of the factors that makes the senior managers regime for *SMCR firms* apply. The ~~result is that the~~ group official ~~will be performing a *controlled function* and~~ will need to be approved or notified as an *SMF manager*.

(b) The *firm* appoints someone (A) to supervise what the group employee does (so far as it concerns the *firm*) and allocates responsibility for the function to A, leaving day-to-day activities to the group employee. A will need to be approved or notified as an *SMF manager*.

(4) Where a *firm* adopts the model in (3)(b):

(a) it is consistent with *SYSC* 26 for the *SMF manager's* role to be primarily one of oversight, rather than direct management; and

(b) the *FCA* would not expect the *SMF manager* to duplicate the functions performed by the delegate.

…

26.10.3 G (1) This chapter does not cover responsibility for an aspect of a *PRA-authorised person's* affairs managed by an individual approved or notified to perform the Approved Group Entity Senior Manager or the Notified Group Entity Senior ~~Insurance~~ Manager *PRA-designated senior management function* (see *SYSC* 26.4.2R (Exclusions where other requirements apply)).

…

…

26.11 Link between this chapter and other parts of the senior managers regime

Link between designated senior management functions and this chapter

26.11.1 G ~~(1)~~ Having overall or local responsibility for an activity under this chapter requires approval as an *SMF manager*. This is because this chapter requires a *person* who has overall or local responsibility for an activity ~~will~~ to be~~:~~ an *SMF manager* of the *firm*.

~~(a) performing the *other overall responsibility function* or the *other local responsibility function*; or~~

~~(b) approved to perform another *designated senior management function*.~~

~~(2) The *other overall responsibility function* applies because this is the effect of *SUP* 10C.7.1R (definition of *other overall responsibility function*).~~

~~(3) *SUP* 10C.7.1R(2) says that the *other overall responsibility function* does not apply to a person who is approved to perform another *designated senior management function*.~~

~~(4) The other local responsibility function applies because this is the effect of *SUP* 10C.8.1R (Definition of the other local responsibility function (SMF22)).~~

~~(5) *SUP* 10C.8.1R(2) says that the *other local responsibility function* does not apply to a *person* who is approved to perform another *designated senior management function* in relation to the *branch*.~~

…

SYSC 27 (Senior managers and certification regime: Certification regime) is deleted in its entirety. The deleted text is not shown but the chapter is marked '[deleted]' as shown below.

27 ~~Senior managers and certification regime: Certification regime~~ [deleted]

Amend the following as shown.

TP 5 Financial Services (Banking Reform) Act 2013: Certification and regulatory references

TP 5

	Note to the reader			
5.1.1-2	G	(1)		*SYSC* TP 5 has not been amended to reflect changes in the *FCA Handbook* and *Glossary* since the beginning of 2018 (except for editorial amendments made to reflect the deletion of certain *Glossary* terms). This is because it is made up of transitional provisions that mostly expired before then.
		(2)		…
		(3)		In *SYSC* TP 5, unless otherwise specified, the following terms should be read as they had effect in the *Handbook Glossary* on 10 December 2018, subject to any modifications specified below:
			(a)	'approved person', and where the context requires, references to approved person include *approved or notified person*;
			(b)	'certification employee';
			(c)	'certification function'; and
			(d)	'FCA certification function'.
5.1.1-1	G	Table: meaning of superseded Glossary terms		

Term in SYSC TP 5	Term that has replaced it	Comment

FCA specified significant-harm function	~~*FCA certification function*~~ FCA certification function	
…		
specified significant-harm function	~~*certification function*~~ certification function	

	Purpose of *SYSC* TP 5	
…		
	Certification: The transitional period	
…		
SYSC 5.3.2	G	However, other parts of the *Handbook* and the *Act* about ~~*certification employees*~~ certification employees apply in the transitional period.
SYSC 5.3.3	G	The table in *SYSC* TP 5.3.4G explains how the requirements of the *Handbook* and the *Act* about ~~*certification employees*~~ certification employees apply in the transitional period.
SYSC 5.3.4	G	Table: How the certification regime applies in the transitional period

Provision in the Act or the Handbook	**What that provision is about**	**How it applies in the transitional period**
Definition of ~~*certification employee*~~ certification employee		During the transitional period, the *Glossary* definition of ~~*certification employee*~~ certification employee covers everyone who would need a certificate to perform their job if the obligation to issue certificates was in force
…		
The parts of *SYSC* 4.5 dealing with the	*SYSC* 4.5 says that the *management responsibilities map* should	…

management responsibilities map	say if *persons* described or identified in the *management responsibilities map* are ~~*certification employees*~~ certification employees	
…		

	Transitional provisions about regulatory references: Full scope regulatory reference firms		
…			
5.4.2	R	*SYSC* 22.2.1R (Obligation to obtain a regulatory reference) does not apply to an application for approval as an ~~*approved person*~~ approved person that is made before 7 March 2017 but that has not yet been finally determined by that date.	
SYSC 5.4.3	G	…	
		(4)	The main difference between the requirements for a *firm* that is not a *full scope regulatory reference firm* before and after 7 March 2017 is that the range of functions for which A is entitled to ask for a reference was widened. For example, there was no obligation to supply a reference for a ~~*certification employee*~~ certification employee before then.
…			

…

TP 7 Bank of England and Financial Services Act 2016: Certification and regulatory references

TP 7

	Note to the reader	
7.1.-1	G	*SYSC* TP 7 has not been amended since 29 July 2022, other than editorial amendments made to reflect the deletion of certain *Glossary* terms. In *SYSC* TP 7, unless otherwise specified, the following terms

		should be read as they had effect in the *Handbook Glossary* on 29 July 2022, subject to any modifications specified below:	
		(1)	'approved person', and where the context requires, references to approved person include *approved or notified person*;
		(2)	'certification employee'; and
		(3)	'FCA certification function'.

…

7.2	**Certification: The certification transitional period**	
7.2.1	G	Under the **commencement SIs**, the obligation in section 63E(1) of the *Act* for an *SMCR firm* to take reasonable care to ensure that no *employee* of the *firm* performs an ~~*FCA certification function*~~ FCA certification function, unless the *firm* has issued the *employee* with a valid certificate, does not apply until the end of the **certification transitional period**.
7.2.2	G	However, other parts of the *FCA Handbook* and the *Act* about ~~*certification employees*~~ certification employees apply in the **certification transitional period**.
7.2.3	G	The table in *SYSC* TP 7.2.4G explains how the requirements of the *FCA Handbook* and the *Act* about ~~*certification employees*~~ certification employees apply in the **certification transitional period**.

7.2.4	**G**	**Table: How the certification regime applies in the certification transitional period**		
		Provision in the Act or the Handbook	**What that provision is about**	**How it applies in the certification transitional period**
		Glossary definition of ~~*certification employee*~~ certification employee		During the **certification transitional period**, the *Glossary* definition of ~~*certification employee*~~ certification employee covers everyone who would need a certificate to perform their job if the

				obligation to issue certificates were in force
		SYSC 27.2 and the parts of the *Act* on which it gives *guidance*	…	Does not apply except as follows. A *firm* may issue a certificate during the **certification transitional period**. The reason it may wish to do this is so that when the requirement in the *Act* to issue certificates comes into force, the *firm* will have issued all the certificates that it needs to have issued to allow its ~~*certification employees*~~ certification employees to carry on their jobs after the **certification transitional period**. …
		…		
		SYSC 25	*SYSC* 25 says that the *management responsibilities map* should say whether *persons* described or identified in the *management responsibilities map* are ~~*certification employees*~~ certification employees	…
		…		

7.3	**General material about certification**

7.3.1	G	(1)	*SYSC* 27.5.1R (Emergency appointments) allows a *firm* to appoint someone (P) to perform a function which would normally be an ~~*FCA certification function*~~ FCA certification function without P becoming a ~~*certification employee*~~ certification employee. There is a maximum period for which the appointment can last.
		(2)	When calculating the maximum time period in (1), the *firm* need not take into account any time spent by P before the **general commencement date** performing what will become the ~~*FCA certification function*~~ FCA certification function in (1).
		(3)	When a *firm*, after the end of the **certification transitional period**, is calculating the maximum time period in (1), the *firm* should take into account any time spent by P during the **certification transitional period** performing the ~~*FCA certification function*~~ FCA certification function in (1).
7.3.2	G	(1)	*SYSC* 27.5.1R only applies where P (as referred to in *SYSC* TP 7.3.1G) is providing cover for a ~~*certification employee*~~ certification employee whose absence is reasonably unforeseen.
		…	
7.3.3	G	(1)	Some ~~*FCA certification functions*~~ FCA certification functions only apply where the place of performance of the function has a connection with the *United Kingdom* (for example, it is carried on there).
		(2)	*SYSC* 27.5.3R (Temporary UK role (the 30-day rule)) allows a *person* (P) to carry on a function for a *firm* that would normally be an ~~*FCA certification function*~~ FCA certification function because of its connection with the *United Kingdom* without P becoming a ~~*certification employee*~~ certification employee. There is a time limit on how long the *firm* can allow P to do this.
		…	
7.4	**Transitional provisions about regulatory references**		
7.4.1	R	(1)	If on the **general commencement date** an *employee* (P) is already performing an ~~*FCA certification function*~~ FCA certification function for an *SMCR firm* (A), the obligation under *SYSC* 22 (Regulatory references) for A to obtain a reference when issuing a certificate (including reissuing a certificate) for P for that ~~*FCA certification function*~~ FCA certification function does not apply

			during, at the end of or after the end of the **certification transitional period**.
		(2)	If there has been a significant change in P's responsibilities forming part of that ~~*FCA certification function*~~ FCA certification function as compared to the position on the **general commencement date**, paragraph (1) ceases to apply from that time.
7.4.2	R	*SYSC* 22.2.1R (Obligation to obtain a regulatory reference) does not apply to an application for approval as an ~~*approved person*~~ approved person that:	
		…	
…			

TP 8 Bank of England and Financial Services Act 2016: Application to claims management companies

TP 8

	Note to the reader		
8.1.-1	G	*SYSC* TP 8 has not been amended since 7 December 2020, other than editorial amendments made to reflect the deletion of certain *Glossary* terms. In *SYSC* TP 8, unless otherwise specified, the following terms should be read as they had effect in the *Handbook Glossary* on 7 December 2020:	
		(1)	'certification employee';
		(2)	'certification function'; and
		(3)	'FCA certification function'.

…

8.3	**Transitional period for certification for claims management firms**	
8.3.1	G	The effect of the **solo-regulated firms' commencement SI** is that the obligation in section 63E(1) of the *Act*, for an *SMCR firm* to take reasonable care to ensure that no *employee* of the *firm* performs an ~~*FCA certification function*~~ FCA certification function unless the *firm* has

		issued the *employee* with a valid certificate, does not apply during its **individual transitional period**.
…		
8.3.3	R	During a *firm's* **individual transitional period** the definition of "~~*certification employee*~~ certification employee" is amended to mean an employee (as defined in section 63E of the *Act*) of the *firm* who performs a ~~*certification function*~~ certification function under an arrangement entered into by the *firm* in relation to the carrying on by the *firm* of a *regulated activity*, even though the obligation of the *SMCR firm* to issue a certificate under section 63F of the *Act* does not yet apply to the *firm*.

…

TP 14 Miscellaneous transitional provisions relating to the Senior Managers and ~~Certification~~ Conduct Rules Regime

TP 14.1 Part 1

Note to the reader

TP 14.1.-1 G *SYSC* TP 14.1 has not been amended since 10 July 2026, other than editorial amendments made to reflect the deletion of certain *Glossary* terms. In *SYSC* TP 14.1, unless otherwise specified, the following terms should be read as they had effect in the *Handbook Glossary* on 10 July 2026:

(1) 'certification employee'; and

(2) 'FCA certification function'.

Scope

TP 14.1.1 R …

…

Certification

…

TP 14.1.10 G The changes referred to in *SYSC* TP 14.1.9R also apply to ~~*certification employees*~~ certification employees already certified as at the second commencement date to perform the significant management, managers of

certification employees or material risk takers ~~*FCA certification functions*~~ FCA certification functions (as the case may be).

TP 14.1.11	R	A *firm* must not notify the *FCA* under *SUP* 16.26 (Reporting of information about Directory persons) of a *person* ceasing to carry on the significant management, managers of certification employees or material risk takers ~~*FCA certification functions*~~ FCA certification functions (as the case may be) under the amendments referred to in *SYSC* TP 14.1.9R.
TP 14.1.12	G	The *FCA* will itself make the changes to the *Directory* required to reflect that a *person* has ceased to carry on an ~~*FCA certification function*~~ FCA certification function because of the amendments referred to in *SYSC* TP 14.1.9R.

Insert the following new transitional provisions, TP 14.3, after TP 14.2 (Part 2). All the text is new and is not underlined.

TP 14.3 Part 3

TP 14.3.1	R	*SYSC* TP 14.3 relates to amendments to *SYSC* made by the Individual Accountability (SMCR Review Phase 2) Instrument 2027 [*Editor's note*: insert the reference number of this instrument] and certain changes made to the *PRA's* rules by the PRA Rulebook: CRR Firms, Non-CRR Firms, Solvency II Firms and Non-Solvency II Firms: Senior Managers Regime (Amendment) [No 2] Instrument [2027].
TP 14.3.2	R	In *SYSC* TP 14.3, the 'commencement date' means [*date 1*].

Regulatory references

TP 14.3.3	G	The amendment to the form of regulatory references in *SYSC* 22 Annex 1 (Template for regulatory references given by SMCR firms and disclosure requirements) applies to references requested after the commencement date.
TP 14.3.4	G	The obligation of a *firm* to update a regulatory reference given before the commencement date still continues even if the *firm* would no longer be required to include in a reference the information it is updating if the *firm* was giving the reference after the commencement date.

Enhanced scope SMCR firm: New assets condition

TP 14.3.5	R	*SYSC* TP 14.3.5R to *SYSC* TP 14.3.9G apply to the qualification condition for being an *enhanced scope SMCR firm* in row (1) of Part 3 of the table in *SYSC* 23 Annex 1.8.2R (assets of an investment firm), which is referred to in those paragraphs as the 'new asset qualification condition'.

TP 14.3.6 R The calculations required for the new asset qualification condition use figures for periods before the commencement date as well as after, so that a *firm* may meet the new asset qualification condition on the commencement date.

TP 14.3.7 G If a *firm* (which does not meet any other qualification condition) meets the new asset qualification condition on the commencement date, the 1-year countdown to becoming an *enhanced scope SMCR firm* in *SYSC* 23 Annex 1.10.1R begins on that day.

TP 14.3.8 R The new asset qualification condition is to be treated as an amended version of the *significant SYSC firm* qualification condition for being an *enhanced scope SMCR firm* rather than being a completely new qualification condition for being an *enhanced scope SMCR firm*.

TP 14.3.9 G (1) This paragraph sets out the main consequences of *SYSC* TP 14.3.8R.

(2) If a *firm*:

(a) meets the new asset qualification condition on the commencement date but does not meet any of the other qualification conditions;

(b) was an *enhanced scope SMCR firm* immediately before the commencement date for the reason in (c); and

(c) either:

(i) met the *significant SYSC firm* qualification condition for being an *enhanced scope SMCR firm* immediately before the commencement date; or

(ii) had ceased to meet the *significant SYSC firm* qualification condition by the commencement date but the 1-year countdown to ceasing to be an *enhanced scope SMCR firm* under *SYSC* 23 Annex 1.11.1R was still running,

it remains as an *enhanced scope SMCR firm* and the 1-year period in *SYSC* 23 Annex 1.10.1R does not apply to the new asset qualification condition.

(3) If :

(a) a *firm* meets the new asset qualification condition on the commencement date;

(b) the *firm* was not an *enhanced scope SMCR firm* on the commencement date; and

(c) the 1-year period in *SYSC* 23 Annex 1.10.1R was running as respects the *significant SYSC firm* qualification condition immediately before the commencement date,

the beginning of the 1-year period in *SYSC* 23 Annex 1.10.1R as respects the new asset qualification condition is backdated to the time that that period started running as respects the *significant SYSC firm* qualification condition.

(4) If:

(a) a *firm* does not meet the new asset qualification condition on the commencement date; and

(b) the *firm* was an *enhanced scope SMCR firm* immediately before the commencement date because it met the *significant SYSC firm* qualification condition,

the 1-year countdown to ceasing to be an *enhanced scope SMCR firm* under *SYSC* 23 Annex 1.11.1R begins to run on the commencement date.

(5) If:

(a) a *firm* does not meet the new asset qualification condition on the commencement date; and

(b) the 1-year countdown to ceasing to be an *enhanced scope SMCR firm* under *SYSC* 23 Annex 1.11.1R was running immediately before the commencement date because it had ceased to meet the *significant SYSC firm* qualification condition,

that 1-year countdown continues to run after the commencement date.

Enhanced scope SMCR firm: Inflation adjustment

TP 14.3.10 R (1) This provision deals with the changes to the financial figures in the table in *SYSC* 23 Annex 1.8.2R (Table: Financial qualification conditions) made by the instrument referred to in *SYSC* TP 14.3.1R.

(2) The *rules* in *SYSC* 23 Annex 1 8.27R to *SYSC* 23 Annex 1 8.29G (Automatic adjustment of financial thresholds: Effect on past and future calculations) about the effect of a change in the financial

figures in the table in *SYSC* 23 Annex 1 8.2R on current and past averaging periods also apply to the changes in (1) as if the commencement date was the end of a 5-year period as referred to in *SYSC* 23 Annex 1 8.23R(1) on which an increase to the thresholds had taken place.

TP 14.3.11 G The first automatic update of all the financial thresholds to which the automatic inflation adjustment applies will occur in 2031. This means that the first updating period for the new asset qualification condition as defined in *SYSC* TP 14.3.5R will last for about 4 years not the usual 5.

Statements of responsibilities

TP 14.3.12 R A *core SMCR firm* need not update a *statement of responsibilities* if the only change is to incorporate the abolition of *FCA-prescribed senior management responsibilities* by the *FCA* instrument referred to in *SYSC* TP 14.3.1R.

TP 14.3.13 G However, a *firm* should record, for example, a reallocation of the remaining *FCA-prescribed senior management responsibilities* among its *SMF managers* connected to the changes referred to in *SYSC* TP 14.3.12R.

TP 14.3.14 G A *firm* should update a *statement of responsibilities* to reflect the changes referred to in TP 14.3.12R as soon as there are other changes it should make.

TP 14.3.15 G A statement of responsibilities prepared under the previous requirements for statements of responsibilities is likely to meet the requirements of *SYSC* 24A (Senior managers and conduct rules regime: Statements of responsibilities). This is as long as it is updated to include changes that did not have to be included because, under those previous requirements, a statement of responsibilities only had to be updated to include a significant change (individual or cumulative).

TP 14.3.16 G The previous requirements for a statement of responsibilities were *SUP* 10.11 (Statements of responsibilities) (which was revoked by the *FCA* instrument referred to in *SYSC* TP 14.3.1R) and sections 60(2A) and 62A of the *Act* (which have been repealed).

TP 14.3.17 R The record keeping requirements in *SYSC* 24A.7 (Past versions) apply to statements of responsibilities created under the previous requirements (as referred to in *SYSC* TP 14.3.16G). However, a *firm* is not in breach of the requirements in *SYSC* 24A because it disposed of a past version of a statement of responsibilities before the commencement date if it was not required to retain a copy of it under the *regulatory system* at the time it disposed of it.

Amend the following as shown.

Sch 1 Record keeping requirements

…

Sch 1.2 G

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
…				
SYSC 22.9.1R	…	…	…	…
SYSC 24A.7.1R	Past versions of a *statement of responsibilities*	Past versions of a *statement of responsibilities*	None specified but effectively from creation of a new version	6 or 10 years from the date superseded
SYSC 24A.7.3G	Past versions of a *statement of responsibilities*	Past versions of a *statement of responsibilities*	*SYSC* 24A.7.3G does not itself impose requirements but says that past versions of a *firm's statement of responsibilities* are an important part of its records	*SYSC* 24A.7.3G does not itself impose requirements but says that past versions of a *firm's statement of responsibilities* are an important part of its records
…				
SYSC 25.8.3R	Past versions of a *firm's management responsibilities maps*	…	None specified but effectively from creation of a new version	6 or 10 years from the date superseded~~, or 6 years for *large non-directive insurers*~~
…				

Annex C

Amendments to the Code of Conduct sourcebook (COCON)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

COCON 1 (Application and purpose) is deleted in its entirety. The deleted text is not shown but the chapter is marked '[deleted]' as shown below.

~~1~~ Application and purpose [deleted]

Insert the following new chapters, COCON 1A and COCON 1B, after COCON 1 ([deleted]).

[*Editor's note*: For the purposes of this consultation, COCON 1A and COCON 1B are shown marked up against the version of COCON 1 that existed before it was deleted. Deletions are shown with strikethrough and additions with underlining. The order of some provisions has changed; that reordering is not shown with strikethrough and underlining.]

~~1~~ 1A Application and purpose

~~1.1~~ ~~Application~~ Introduction

1A.1

~~1.1.1~~ 1A.1.1 G Under section 64A of the *Act*, the *FCA* may make *rules* about the conduct of certain *persons* working in *firms*. *COCON* contains those *rules*.

~~1.1.1 A~~ 1A.1.2 G ~~*COCON* 1 Annex 2~~ *COCON* 1A Annex 2 (~~What COCON covers~~ How the application rules in COCON 1A (Application and purpose) work) contains flow diagrams explaining how ~~*COCON* 1.1~~ *COCON* 1A works.

1A.1.3 G This chapter is divided as follows:

(1) *COCON* 1A.2 to *COCON* 1A.4 describe the *persons* to whom *COCON* applies (Who?);

(2) *COCON* 1A.5 to *COCON* 1A.8 describe the conduct to which *COCON* applies (What?);

(3) *COCON* 1A.9 to *COCON* 1A.10 describe the territorial scope of *COCON* (Where?); and

(4) *COCON* 1A.11 deals with miscellaneous matters about the scope of *COCON* and *COCON* 1A.12 describes the purpose of *COCON*.

1A.2 To whom does it apply? (Main rules)

~~To whom does it apply?~~ Main rules

~~1.1.1A~~ 1A.2.1 R *COCON* (except *COCON* 2.3 (Firms: awareness of staff and breaches)) applies to the *persons* set out in the table in ~~*COCON* 1.1.2R~~ *COCON* 1A.2.2R.

~~1.1.2~~ 1A.2.2 R Table: To whom does COCON apply?

Persons to whom COCON applies	Comments and whether a person of this type is a senior conduct rules staff member
Part A (SMCR firms)	
(1) An *SMF manager*.	A *person* of this type is a *senior conduct rules staff member*.
(2) An *employee* ("P") of an *SMCR firm* who: (a) performs the function of an *SMF manager*; (b) ~~is not an *approved person* to perform~~ is not subject to a *current SMF approval or notification* for the function in question; and (c) is required to be ~~an *approved person*~~ subject to a *current SMF approval or notification* for that function at the time P performs that function.	A *person* of this type is a *senior conduct rules staff member*.
(3) An *employee* of an *SMCR firm* who would be performing an *FCA-designated senior management function* but for *SUP* 10C.3A.6R (The ~~12-week~~ 18-week rule).	A *person* of this type is a *senior conduct rules staff member*.
~~(4) A *certification employee* of an *SMCR firm*.~~	~~This applies even if the *certification employee* has not been notified that *COCON* applies to them or notified of the *rules* that apply to them.~~

~~(5) An *employee* of an *SMCR firm* who would be performing an *FCA certification function* but for *SYSC* 27.5.1R (Emergency appointments) or *SYSC* 27.5.3R (Temporary UK role).~~	
~~(6)~~ (4) Any *employee* of an *SMCR firm* not coming within another row of Part A of this table, except one listed in column (2) of this row ~~(6)~~ (4) of this table.	(A) This row ~~(6)~~ (4) does not apply to an *employee* of an *SMCR firm* who only performs functions falling within the scope of the following roles: (a) receptionists; (b) switchboard operators; (c) post room staff; (d) reprographics/print room staff; (e) property/facilities management; (f) events management; (g) security guards; (h) invoice processing; (i) audio visual technicians; (j) vending machine staff; (k) medical staff; (l) archive records management; (m) drivers; (n) corporate social responsibility staff; (o) taking part in following activities of the *firm*: (i) the *firm's* activities as a data controller; or (ii) the *firm's* activities of data processing; as defined in the *data protection legislation*, but subject to Note (1) of this table;

	(p) cleaners; (q) catering staff; (r) personal assistant or secretary; (s) information technology support (ie, helpdesk); and (t) human resources administrators /processors. ~~(C) This row (6) also does not apply to an *employee* of an *SMCR firm* that is an *FCA-authorised person* until 31 March 2021.~~
~~(7) [deleted]~~	
~~(8)~~ (5) A *board director* of a *UK SMCR firm*.	A *person* of this type is a *senior conduct rules staff member*.
~~(9)~~ (6) An *employee* of an *SMCR firm* who would be performing a *PRA-designated senior management function* but for the rules of the *PRA Rulebook* that are listed in paragraph (2) of the 'Comments' column of this row.	(1) A *person* of this type is a *senior conduct rules staff member*. (2) The *PRA* rules referred to in the 'Persons to whom COCON applies' column of this row (9) are: (a) ~~Rule~~ Rules 2.3 to 2.3B of the Senior Management Functions Part (General); (b) ~~Rule~~ Rules 2.4 to 2.4B of the Insurance – Senior Management Functions Part (General); (c) ~~Rule~~ Rules 2.4 to 2.4B of the Large Non-Solvency II Firms – Senior Management Functions Part (General); and (d) ~~Rule~~ Rules 2.3 to 2.3B of the Non-Solvency II Firms – Senior Management Functions Part (General).

(7) A *sole trader* who is an *SMCR firm*.	A *person* of this type is a *senior conduct rules staff member*.
Part B (Appointed representatives)	
[*Editor's note*: Placeholder for possible changes relating to appointed representatives]	
Note (1): A function is only within paragraph (o) of column (2) (Comments) of row ~~(6)~~ (4) of Part A of this table if the function does not require the *employee* concerned to exercise a significant amount of discretion or judgment.	

Notification requirements

~~1.1.5~~ 1A.2.3 G ~~(1)~~ ~~The *guidance* in~~ *COCON* 2.3 applies to *SMCR firms*.

~~(2)~~ ~~[deleted]~~

~~(3)~~ ~~*SYSC* 27.6.3R provides that a function performed by a *non-executive director* of a *firm* acting as such is not an *FCA certification function* for that *firm*.~~

1A.3 To whom does it apply? (Supplemental rules)

Swiss general insurers

~~1.1.2A~~ 1A.3.1 R For *Swiss general insurers*, references in this sourcebook to parts of the *PRA Rulebook* for 'Solvency II firms' are to be read as references to the corresponding parts of the *PRA Rulebook* applying to *large non-directive insurers*.

Consumer duty

~~1.1.5A~~ 1A.3.2 R The conduct of a member of the *conduct rules staff* of a *firm* is not within the scope of *Rule* 6 in *COCON* 2.1 (You must act to deliver good outcomes for retail customers):

(1) unless the corresponding *COCON firm activities* of the *firm* are within the scope of *PRIN* 3.1 (Who?) so far as it applies to the *Consumer Duty*; and

(2) except to the extent that the *Consumer Duty* applies to that *firm* under *PRIN* 3.1.

1A.4 To whom does it apply? (Which conduct rules apply to which staff?)

~~1.1.3~~ 1A.4.1 R *Rules* 1 to 6 in *COCON* 2.1 apply to all *conduct rules staff*.

~~1.1.4~~ 1A.4.2 R (1) *Rules* SC1 to SC4 in *COCON* 2.2 apply to all *senior conduct rules staff members* (subject to (2)).

(2) SC1 to SC3 in *COCON* 2.2 do not apply to a *senior conduct rules staff member* within ~~paragraph (d) of the definition of *senior conduct rules staff member*~~ row (5) of Part A of the table in *COCON* 1A.2.2R (a *board director* of a *UK SMCR firm*) (P) unless:

(a) P also falls into one of the other ~~paragraphs~~ rows of Part A of that ~~definition~~ table; or

(b) P would fall within row (2), (3) or (9) of Part A of ~~the~~ that table ~~in *COCON* 1.1.2R (Table: To whom does COCON apply?)~~ if P were an *employee*.

1A.5 To what conduct does it apply? Basic provisions

Summary of the rules about the kind of conduct to which COCON applies

1A.5.1 G This section sets out the basic description of the kinds of conduct to which *COCON* applies.

1A.5.2 G *COCON* 1A.6 to *COCON* 1A.8 then set out further material about the type of conduct to which *COCON* applies as follows:

(1) *COCON* 1A.6.1R narrows the scope of *COCON* as set out in this section in the case of staff of all *firms* except staff of an *SMCR banking firm* or of certain *pure benchmark SMCR firms*.

(2) *COCON* 1A.6.2R narrows the scope of *COCON* as set out in this section in the case of staff of certain *pure benchmark SMCR firms*.

(3) *COCON* 1A.7 substantially reduces the exclusion in (1) and (2) in the case of harassment. The *rules* described in this section continue to apply to such conduct.

(4) *COCON* 1A.8 has special provisions relating to the consumer duty in Rule 6 in *COCON* 2.1 and other material about the kind of conduct to which *COCON* applies.

To what conduct does it apply? (Basic rules: Limitations in the Act: Firms)

~~1.1.6~~ 1A.5.3 R For a *person* (P) who is an ~~*approved person*~~ *approved or notified person*, *COCON* applies to the conduct of P in relation to the performance by P of functions relating to the carrying on of activities (whether or not *regulated activities*) by the *firm* (Firm A) on whose application approval was given, or by whom the *SMF notification* was made, with respect to P.

[**Note:** sections 64A(4) and (5)(a) of the *Act* (Rules of conduct)]

~~1.1.6A~~ 1A.5.4 R For a *person* (P) who is a *board director* of a *firm* (Firm A) but is not an ~~*approved person*~~ *approved or notified person* of Firm A, *COCON* applies to the conduct of P in relation to the performance by P of functions relating to the carrying on of activities (whether or not *regulated activities*) by Firm A.

[**Note:** sections 64A(4) and (5)(ab) of the *Act* (Rules of conduct)]

~~1.1.7~~ 1A.5.5 R For a *person* (P) who:

(1) comes within Part A of the table in *COCON* 1A.2.2R (Table: To whom does COCON apply?); and

(2) does not come within *COCON* 1A.5.3R, *COCON* 1A.5.4R or *COCON* 1A.5.6R,

~~(1) For a *person* (P) subject to *COCON* who is not an *approved person*,~~ *COCON* applies to the conduct of P in relation to the performance by P of functions relating to the carrying on of activities (whether or not *regulated activities*) by P's *employer* (Firm A).

~~(2) This *rule* does not apply where *COCON* 1.1.6A applies.~~

[**Note:** sections 64A(4) and (5)(b) of the *Act* (Rules of conduct)]

1A.5.6 R For a *sole trader* (P), *COCON* applies to the conduct of P in relation to the performance by P of functions relating to the carrying on of activities (whether or not *regulated activities*) by P.

[**Note:** sections 64A(4) and (5)(ab) of the *Act* (Rules of conduct)]

To what conduct does it apply? (Basic rules: Limitations in the Act: Appointed representatives)

1A.5.7 [*Editor's note*: Placeholder for possible changes relating to appointed representatives]

1A.5.8 [*Editor's note*: Placeholder for possible changes relating to appointed representatives]

Definition of COCON firm activities

~~1.1.7 A~~ 1A.5.9 R (1) The term "*COCON firm activities*" means (in relation to conduct of P in relation to Firm A) the corresponding activities of Firm A as referred to in ~~*COCON* 1.1.6R~~ *COCON* 1.5.3R to ~~*COCON* 1.1.7R~~ *COCON* 1A.5.5R ~~(To what conduct does it apply?)~~.

(2) A *person* is a member of the *conduct rules staff* of Firm A if they meet the description of P in relation to that *firm* in ~~*COCON* 1.1.6R~~ *COCON* 1A.5.3R to ~~*COCON* 1.1.7R~~ *COCON* 1A.5.5R and come within Part A of the table in *COCON* 1A.2.2R (Table: To whom does COCON apply?).

(3) The terms "P" and "Firm A" have the same meaning as they do in ~~*COCON* 1.1.6R~~ *COCON* 1A.5.3R to ~~*COCON* 1.1.7R~~ *COCON* 1A.5.5R.

1A.5.10 R (1) This *rule* applies to a *sole trader* (P).

(2) The term "*COCON firm activities*" in relation to P means the activities of P as referred to in *COCON* 1A.5.6R.

(3) A *sole trader* is treated as being a member of the *conduct rules staff* of their own *firm*.

1A.5.11 [*Editor's note*: Placeholder for possible changes relating to appointed representatives]

1A.5.12 [*Editor's note*: Placeholder for possible changes relating to appointed representatives]

~~To what conduct does it apply? (Relationship between the exclusions)~~

~~1.1.5B R (1) The restrictions of the scope of *COCON* in *COCON* 1.1.7AR to *COCON* 1.1.7FR (when they apply) are in addition to those in *COCON* 1.1.6R to *COCON* 1.1.7R.~~

~~(2) The restrictions of the scope of *COCON* in *COCON* 1.1.7AR to *COCON* 1.1.7FR (when they apply) are cumulative.~~

~~1.1.5C G The effect of *COCON* 1.1.5BR is shown in section 3 of *COCON* 1 Annex 2 (What conduct COCON applies to).~~

1A.6 To what conduct does it apply? (Other limitations: Non-banks)

~~To what conduct does it apply? (Other limitations: Non-banks)~~ General limitation for non-banks

~~1.1.7A~~ 1A.6.1 R (1) ~~Where~~ This *rule* applies where Firm A as described in ~~*COCON* 1.1.6R to *COCON* 1.1.7R~~ (5) is an *SMCR firm* other than an *SMCR banking firm*~~, the application of *COCON* is further restricted by this *rule*, subject to *COCON* 1.1.7FR~~.

(2) *COCON* only applies to conduct that forms part of, or is for the purpose of, any of the following:

(a) the *SMCR financial activities* of Firm A; or

(b) any activities of Firm A that have, or might reasonably be regarded as likely to have, a negative effect on:

(i) the integrity of the *UK financial system*; ~~or~~

(ii) the ability of Firm A to meet the "fit and proper" test in threshold condition 2E and 3D (Suitability); or

(iii) the ability of Firm A to meet the applicable requirements and standards under the *regulatory system* relating to Firm A's financial resources.

(3) This *rule* does not apply where ~~*COCON* 1.1.7BR~~ *COCON* 1A.6.2R applies.

(4) This *rule* does not apply to *Rule* 6 in *COCON* 2.1 (You must act to deliver good outcomes for retail customers).

(5) 'Firm A' refers to Firm A in *COCON* 1A.5.3R to *COCON* 1A.5.5R and P in *COCON* 1A.5.6R.

~~To what conduct does it apply? (Other limitations: Benchmark~~ Limitation for benchmark firms~~)~~

~~1.1.7B~~ 1A.6.2 R (1) Where a member (M) of the *conduct rules staff* of Firm A as described in ~~*COCON* 1.1.6R to *COCON* 1.1.7R~~ (4) meets the condition in (c) and Firm A meets the conditions in (a) and (b), the application of *COCON* to the conduct of M in relation to Firm A is further restricted by this *rule* ~~(subject to *COCON* 1.1.7FR)~~:

(a) the *firm* is a *pure benchmark SMCR firm*;

(b) the *firm* is an *Annex II benchmark administrator* (whether or not it also administers other benchmarks); and

(c) M does not perform any functions described in ~~*COCON* 1.1.6R~~ *COCON* 1A.5.3R to ~~*COCON* 1.1.7R~~ *COCON* 1A.5.6R in relation to Firm A with respect to any *benchmark* that the *firm* administers except a *benchmark* that is subject to Annex II to the *benchmarks regulation.*

(2)

(a) The only conduct to which the following *rules* apply is the conduct described in (2)(b):

(i) the *rules* in *COCON* 2.1 (Individual conduct rules); and

(ii) *rule* SC4 in *COCON* 2.2 (You must disclose appropriately any information of which the *FCA* or *PRA* would reasonably expect notice).

(b) The *rules* in (2)(a) apply only to any of the following:

(i) the performance of a function by M in relation to the carrying on of a *regulated activity* by Firm A;

(ii) (if M is an *SMF manager*) the performance by M of a *controlled function* in relation to Firm A (whether or not approval has been sought and granted or notification made).

(3) *Rules* SC1 to SC3 in *COCON* 2.2 (Senior manager conduct rules) apply only to conduct:

(a) that comes within (2)(b); or

(b) that comes within ~~*COCON* 1.1.7AR~~ *COCON* 1A.6.1R, but this paragraph (3)(b) only applies in a *prudential context*.

(4) 'Firm A' refers to Firm A in *COCON* 1A.5.3R to *COCON* 1A.5.5R and P in *COCON* 1A.5.6R.

1A.7 To what conduct does it apply? (Other limitations: Non-banks: Harassment)

~~To what conduct does it apply? (Other limitations: Non-banks: Harassment)~~

~~1.1.7F~~ 1A.7.1 R (1) This *rule* applies in relation to an *SMCR firm* other than an *SMCR banking firm*.

(2) Its purpose is to extend the scope of *COCON* beyond the scope set out in ~~*COCON* 1.1.7AR and *COCON* 1.1.7BR~~ *COCON* 1A.6 (To what conduct does it apply? (Other limitations: Non-banks)).

(3) *COCON* applies to the conduct of a member of the *conduct rules staff* of a *firm* (Firm A) of a kind described in (4) in relation to any of the following individuals:

(a) an *employee* of Firm A or of a member of its *group*;

(b) an individual who performs a function of Firm A or of a member of its *group*;

(c) an individual who provides services to Firm A or to a member of its *group*;

(d) an *employee* of a *person* who provides services to Firm A or to a member of Firm A's *group*;

(e) an individual who performs a function of a *person* who provides services to Firm A or to a member of Firm A's *group*; or

(f) an individual when performing an activity that forms part of an activity of Firm A.

(4) The kind of conduct to which this *rule* applies as referred to in (3) is unwanted conduct of the following kinds in relation to an individual referred to in (3) ('B'):

(a) conduct that has the purpose or effect of:

(i) violating B's dignity; or

(ii) creating an intimidating, hostile, degrading, humiliating or offensive environment for B; or

(b) conduct that is violent to B.

(5) If Firm A carries on businesses some of which involve *SMCR financial activities* and the others of which do not, conduct is not within the scope of this *rule* if it only relates to a business of Firm A that does not involve *SMCR financial activities*.

~~1.1.7G~~ 1A.7.2 G *COCON* 4.3 (Specific guidance on harassment) gives *guidance* on the kind of conduct covered by ~~*COCON* 1.1.7FR~~ *COCON* 1A.7.1R, including the

point that ~~*COCON* 1.1.7FR~~ *COCON* 1A.7.1R only covers conduct that is serious.

1A.7.3 G Conduct of the kind described in this section is only within the scope of *COCON* if it is also within the scope of *COCON* 1A.5 (To what conduct does it apply? Basic provisions).

1A.8 To what conduct does it apply? (Supplemental rules)

To what conduct does it apply? (Other limitations: Rule 6 in COCON 2.1)

~~1.1.7C~~ 1A.8.1 R The conduct of a member of the *conduct rules staff* of a *firm* is not within the scope of *Rule* 6 in *COCON* 2.1 (You must act to deliver good outcomes for retail customers) unless the corresponding *COCON firm activities* of the *firm* are within the scope of *PRIN* 3.2 (What?) so far as it applies to *Principle* 12.

~~1.1.7D~~ 1A.8.2 G The effect of ~~*COCON* 1.1.7C~~ *COCON* 1A.8.1R is that a *person's* conduct is not within the scope of *Rule* 6 in *COCON* 2.1 if the related activities of the *firm* fall outside the scope of *Principle* 12. If *Principle* 12 applies, *Rule* 6 in *COCON* 2.1 only applies if the conduct is also within the scope of the other relevant *COCON* application *rules* (although one of the *COCON* application rules (~~*COCON* 1.1.7AR~~ *COCON* 1A.6.1R) does not apply to *Rule* 6).

~~1.1.7E~~ 1A.8.3 R To the extent that *Rule* 6 in *COCON* 2.1 (You must act to deliver good outcomes for retail customers) applies to the conduct of a *person*, *Rule* 4 in *COCON* 2.1 (You must pay due regard to the interests of customers and treat them fairly) does not apply to that conduct of that *person*.

[To what conduct does it apply? (Appointed representatives)]

[1.1.8A] [R] [*Editor's note*: As explained in the note at the start of this draft instrument, this rule is not included in this consultation.]

~~To what conduct does it apply? (~~Performing several roles~~)~~

~~1.1.8~~ 1A.8.4 G (1) More than one of ~~*COCON* 1.1.6R~~ *COCON* 1A.5 to ~~*COCON* 1.1.7ER~~ *COCON* 1A.8 may apply to the same individual performing several roles.

(2) For example, say that an individual (A) is an ~~*approved person*~~ *approved or notified person* for *firm* X and is employed by *firm* Y in a role that does not involve a *controlled function* or being a director.

(3) ~~*COCON* 1.1.6R~~ *COCON* 1A.5.3R applies to A's role with *firm* X and ~~*COCON* 1.1.7R~~ *COCON* 1A.5.5R applies to A's role with *firm* Y.

1A.9 Where does it apply? (Basic rules)

~~Where does it apply?~~

~~1.1.8B R The restrictions of the scope of *COCON* in *COCON* 1.1.9R to *COCON* 1.1.10R on the one hand and *COCON* 1.1.11C on the other are cumulative.~~

~~1.1.8C G The effect of *COCON* 1.1.8BR is shown in section 4 of *COCON* 1 Annex 2 (Territorial scope).~~

Territorial scope: Basic rules

~~1.1.9~~ 1A.9.1 R ~~(1)~~ *COCON* applies to the conduct of ~~*conduct rules staff* set out in (2)~~ a *senior conduct rules staff member* wherever it is performed.

~~(2) This *rule* applies to:~~

~~(a) a *senior conduct rules staff member*; and~~

~~(b) a *certification employee* performing *FCA certification function* (6) (material risk takers) in the table in *SYSC* 27.7.3R for a *UK SMCR firm*.~~

~~1.1.9A G (1) This paragraph deals with how *COCON* 1.1.9R applies to a *certification employee* (P) who performs the material risk taker *FCA certification function* and another *FCA certification function* for the same *UK SMCR firm*.~~

~~(2) If P's conduct relates to both *FCA certification functions* (because for example those two functions cover the same activities) *COCON* applies without territorial limitation to P's conduct.~~

~~(3) If part of P's conduct relates to the material risk taker *FCA certification function* and the rest of P's conduct relates to the other *FCA certification function*, *COCON* only applies without territorial limitation to P's conduct in relation to the material risk taker *FCA certification function*.~~

~~1.1.10~~ 1A.9.2 R (1) This *rule* applies to members of a *firm's conduct rules staff* apart from *conduct rules staff* in ~~*COCON* 1.1.9R~~ *COCON* 1A.9.1R.

(2) Subject to (3), *COCON* only applies to the conduct of *persons* to whom this *rule* applies (as set out in (1)) if that conduct:

(a) is performed from an establishment maintained in the *United Kingdom* by the *SMCR firm*; or

(b) involves dealing with a *client* of the *firm* in the *United Kingdom* from an establishment overseas.

(3) Paragraph (2)(b) only applies in relation to a *UK SMCR firm*.

~~1.1.11~~ 1A.9.3 G The *FCA* interprets the phrase 'dealing with' in ~~*COCON* 1.1.10R~~ *COCON* 1A.9.2R as including having contact with *customers* and extending beyond 'dealing' as used in the phrase 'dealing in investments'. 'Dealing in' is used in Schedule 2 to the *Act* to describe, in general terms, the *regulated activities* which are specified in Part II of the *Regulated Activities Order*.

~~1.1.11A~~ 1A.9.4 G The *FCA* interprets the phrase 'a *client* of the *firm* in the *United Kingdom*' in ~~*COCON* 1.1.10R~~ *COCON* 1A.9.2R as referring to:

(1) for a *client* which is a body corporate, its office or *branch* in the *United Kingdom*; or

(2) for a *client* who is an individual, a *client* who is in the *United Kingdom* at the time of the dealing.

1A.10 Where does it apply? (Supplemental rules)

Consumer duty

~~1.1.11C~~ 1A.10.1 R The conduct of a member of the *conduct rules staff* of a *firm* is not within the scope of *Rule* 6 in *COCON* 2.1 (You must act to deliver good outcomes for retail customers) unless the corresponding *COCON firm activities* of the *firm* are within the scope of *PRIN* 3.3 (Where?) so far as it applies to *Principle* 12.

~~1.1.11D~~ 1A.10.2 G ~~The effect of *COCON* 1.1.8BR and *COCON* 1.1.11CR is that conduct~~ Conduct of a member of a *firm's conduct rules staff* is only within the territorial scope of *Rule* 6 in *COCON* 2.1 if it is within the scope of ~~*COCON* 1.1.9R to *COCON* 1.1.10R~~ *COCON* 1A.9 (Where does it apply? (Basic rules)) and the corresponding activity of their *firm* is within the territorial scope of the *Consumer Duty* as set out in *PRIN* 3.3.

Effect of the RAO

~~1.1.11B~~ 1A.10.3 G (1) The *Regulated Activities Order* has an effect on the territorial scope of *COCON*.

(2) This is because whether or not conduct involves *regulated activities* may affect how and whether *COCON* applies. Therefore, where

overseas activities are excluded from being *regulated activities* by the *Regulated Activities Order*, that will have an effect on *COCON*.

(3) An example of (1) is the territorial restriction relating to *regulated claims management activities*.

(4) As explained in *PERG* 2.4A (Link between regulated claims management activities and Great Britain), a claims management activity specified in the *Regulated Activities Order* is only a *regulated activity* if it is carried on by way of business in *Great Britain*.

(5) The result is that a claims management activity specified in the *Regulated Activities Order* carried on outside *Great Britain* is an *unregulated activity* for the purposes of *COCON*.

(6) This restriction:

(a) applies to *conduct rules staff* coming within ~~*COCON* 1.1.9R~~ *COCON* 1A.9.1R (Territorial scope: Basic rules) as well as to other *conduct rules staff*; and

(b) applies in addition to the restriction in ~~*COCON* 1.1.10R~~ *COCON* 1A.9.2R.

1A.11 Other provisions about scope and related matters

EU law

~~1.1.12~~ 1A.11.1 R A *person* will not be subject to *COCON* to the extent that this would be contrary to the requirements of an *EU* measure passed or made before *IP completion day*, to the extent that those requirements continue to have effect after *IP completion day* under the *EUWA*.

Non-executive directors

~~1.1.14~~ 1A.11.2 G ~~*COCON* 1 Annex 1~~ *COCON* 1A Annex 1 has *guidance* on the role and responsibilities of *non-executive directors* to whom *COCON* applies.

1A.12 Purpose

~~Purpose~~

~~1.1.13~~ 1.12.1 G The purpose of this ~~chapter~~ sourcebook is to set out *rules* for *conduct rules staff* and to provide *guidance* about those *rules* ~~to *firms* whose staff are subject to them~~.

1A.12.2 G The purpose of this sourcebook is also to set out requirements for *firms* to make staff aware of the *rules* in *COCON* that apply to them.

[*Editor's notes*:

(1) COCON 1 Annex 1 (Guidance on the role and responsibilities of non-executive directors of SMCR firms) will become COCON 1A Annex 1 but will otherwise not be changed and so the text is not set out in this consultation.

(2) For the purposes of this consultation, COCON 1A Annex 2 is shown marked up against the version of COCON 1 Annex 2 that existed before it was deleted. Deletions are shown with strikethrough and additions with underlining. The flow diagrams in COCON 1A Annex 2 are unchanged from those in the current COCON 1 Annex 1, except as described in Editor's notes below.]

~~1 Annex 2~~ 1A Annex 2 **How the application rules in ~~COCON 1.1~~ COCON 1A (Application and purpose) work**

Section 1: Purpose of this Annex and introduction

~~1 Annex 2 1.1~~ G The purpose of this Annex is to describe how ~~*COCON* 1.1~~ *COCON* 1A (Application) works in the form of flow diagrams.

1A Annex 2 1.1

~~1 Annex 2 1.2~~ G *COCON* does not apply unless all the following conditions are met:

1A Annex 2 1.2

(1) the person whose conduct is in question is of a kind to whom *COCON* applies (section 2 of ~~*COCON* 1 Annex 2~~ this Annex deals with this);

(2) the conduct is of a kind to which *COCON* applies (section 3 of ~~*COCON* 1 Annex 2~~ this Annex deals with this); and

(3) the conduct is within the territorial scope of *COCON* (section 4 of ~~*COCON* 1 Annex 2~~ this Annex deals with this).

~~1 Annex 2 1.3~~ G In this Annex:

1A Annex 2 1.3

(1) 'P' means the person whose conduct is in question;

(2) 'F' means the *firm* P works for;

(3) the 'consumer duty rule' means *Rule* 6 in *COCON* 2.1; and

(4) the 'harassment rule' means ~~*COCON* 1.1.7FR~~ *COCON* 1A.7.1R.

~~1 Annex 2 1.4~~

1A Annex 2 1.4

G If a flow diagram in one section of this Annex says that *COCON* does not apply, there is no need to look any further in that flow diagram or in any later flow diagram or section of this Annex.

~~1 Annex 2 1.5~~

1A Annex 2 1.5

G This Annex deals with the 3 sets of *rules* in ~~*COCON* 1.1~~ *COCON* 1A (Who?, What? and Where?) in the same order as ~~*COCON* 1.1~~ *COCON* 1A. However, a person wanting to see whether conduct is within the scope of *COCON* can apply them in any order. For example, if conduct takes place outside the *UK*, a person may wish to apply the territorial scope *rules* first. If the answer is that the conduct is outside the territorial scope of *COCON*, *COCON* does not apply and there is no need to look at any other part of ~~*COCON* 1.1~~ *COCON* 1A.

~~1 Annex 2 1.6~~

1A Annex 2 1.6

G *COCON* 4 Annex 1 contains more detailed flow diagrams dealing with conduct within the harassment rule.

Section 2: Who does COCON apply to?

~~1 Annex 2 2.1~~

1A Annex 2 2.1

G This section deals with the types of people *COCON* applies to. It is *guidance* on ~~*COCON* 1.1.1AR~~ *COCON* 1A.2 to ~~*COCON* 1.1.5AR~~ *COCON* 1A.4.

~~1 Annex 2 2.2~~

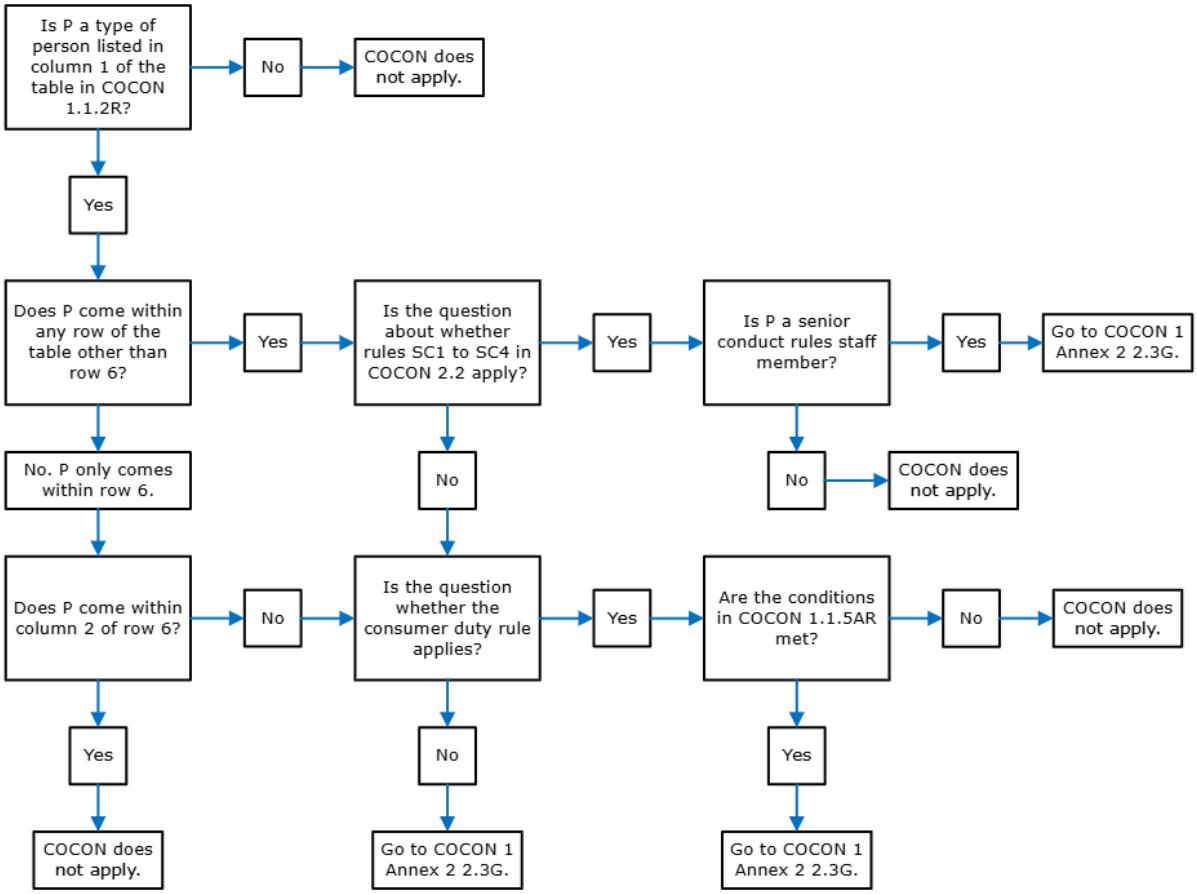
1A Annex 2 2.2

G Flow diagram: Who COCON applies to

[*Editor's note*: The flow diagram to be included in COCON 1A Annex 2 2.2G will be the same as the current version in COCON 1 Annex 2 (which is included here for convenience of the reader) but with the following amendments to the text in the boxes:

- References to the table in COCON 1.1.2R are to the table in COCON 1A.2.2R.

- References to row 6 of the table in COCON 1.1.2R are to row 4 of Part A of the table in COCON 1A.2.2R.
- References to COCON 1 Annex 2 2.3G are to COCON 1A Annex 2 2.3G.
- References to COCON 1.1.5AR are to COCON 1A.3.2R.]



~~1 Annex 2 2.3~~

1A Annex 2 2.3

G The flow diagram in ~~*COCON* 1 Annex 2 2.2G~~ *COCON* 1A Annex 2 2.2G does not cover ~~*COCON* 1.1.4R(2)~~ *COCON* 1A.4.2R.

~~1 Annex 2 2.4~~

1A Annex 2 2.4

G ~~*COCON* 1.1.4R(2)~~ *COCON* 1A.4.2R says that the only senior manager conduct *rule* in *COCON* 2.2 that applies to a director of a *UK SMCR firm* who is not an *SMF manager* and does not perform the functions of one is *rule* SC4. In particular, that means that the only senior manager conduct *rule* that applies to many *non-executive directors* is SC4.

Section 3: What conduct COCON applies to: Introduction

~~1 Annex 2 3.1~~

1A Annex 2 3.1

G This section deals with the types of conduct *COCON* applies to. It is *guidance* on ~~*COCON* 1.1.5BR~~ *COCON* 1A.5 to ~~*COCON* 1.1.8AR~~ *COCON* 1A.8. ~~In particular, it explains *COCON* 1.1.5BR.~~

~~1 Annex 2 3.2~~

1A Annex 2 3.2

G ~~*COCON* 1 Annex 2 3.4G~~ *COCON* 1A Annex 2 3.4G contains the first part of the flow diagram. If this part of the flow diagram says that *COCON* does not apply, that means that the conduct in question is not within the scope of *COCON*. There is no need to go further in the flow diagram.

~~1 Annex 2 3.3~~

1A Annex 2 3.3

G After that, the flow diagram splits into 3 parts, depending on what kind of *firm* F is.

What conduct COCON applies to: Questions applicable to all firms

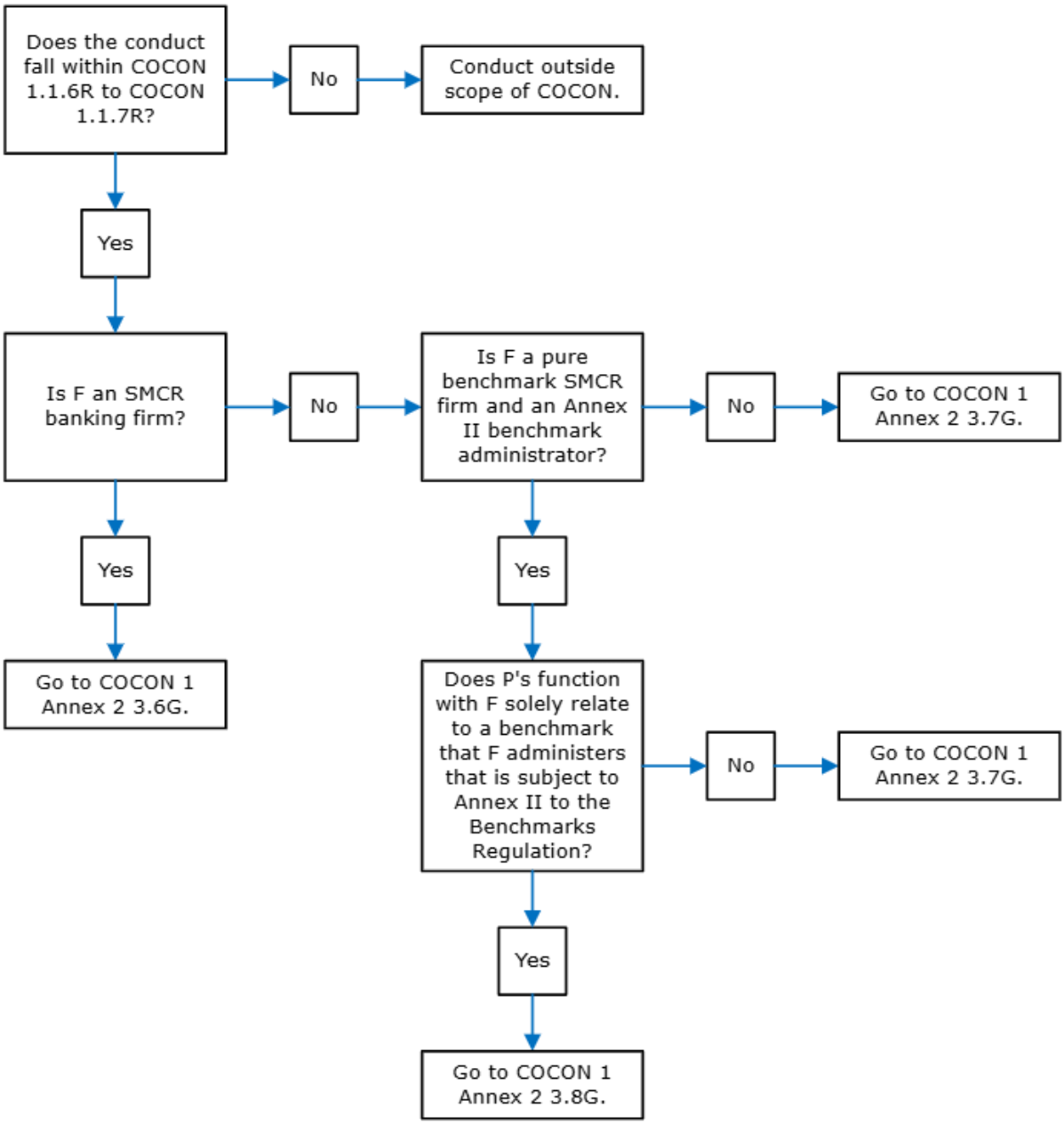
~~1 Annex 2 3.4~~

1A Annex 2 3.4

G Flow diagram: What conduct COCON applies to: Questions applicable to all firms

[*Editor's note*: The flow diagram to be included in COCON 1A Annex 2 3.4G will be the same as the current version in COCON 1 Annex 2 (which is included here for convenience of the reader) but with the following amendments to the text in the boxes:

- References to COCON 1 Annex 2 3.6G are to COCON 1A Annex 2 3.6G.
- References to COCON 1 Annex 2 3.7G are to COCON 1A Annex 2 3.7G.
- References to COCON 1 Annex 2 3.8G are to COCON 1A Annex 2 3.8G.
- References to COCON 1.1.6R to COCON 1.1.7R are to COCON 1A.5.]



~~1 Annex 2 3.5~~

~~*COCON* 1.3.2G~~ *COCON* 1B.3.2G to ~~*COCON* 1.3.9G~~ *COCON* 1B.3.9G contain *guidance* on ~~*COCON* 1.1.6R to *COCON* 1.1.7R~~ *COCON* 1A.5 as referred to in the flow diagram in ~~*COCON* 1 Annex 2 3.4G~~ *COCON* 1A Annex 2 3.4G.

1A Annex 2 3.5

What COCON applies to: SMCR banking firms

~~1 Annex 2 3.6~~

G Flow diagram: SMCR banking firms

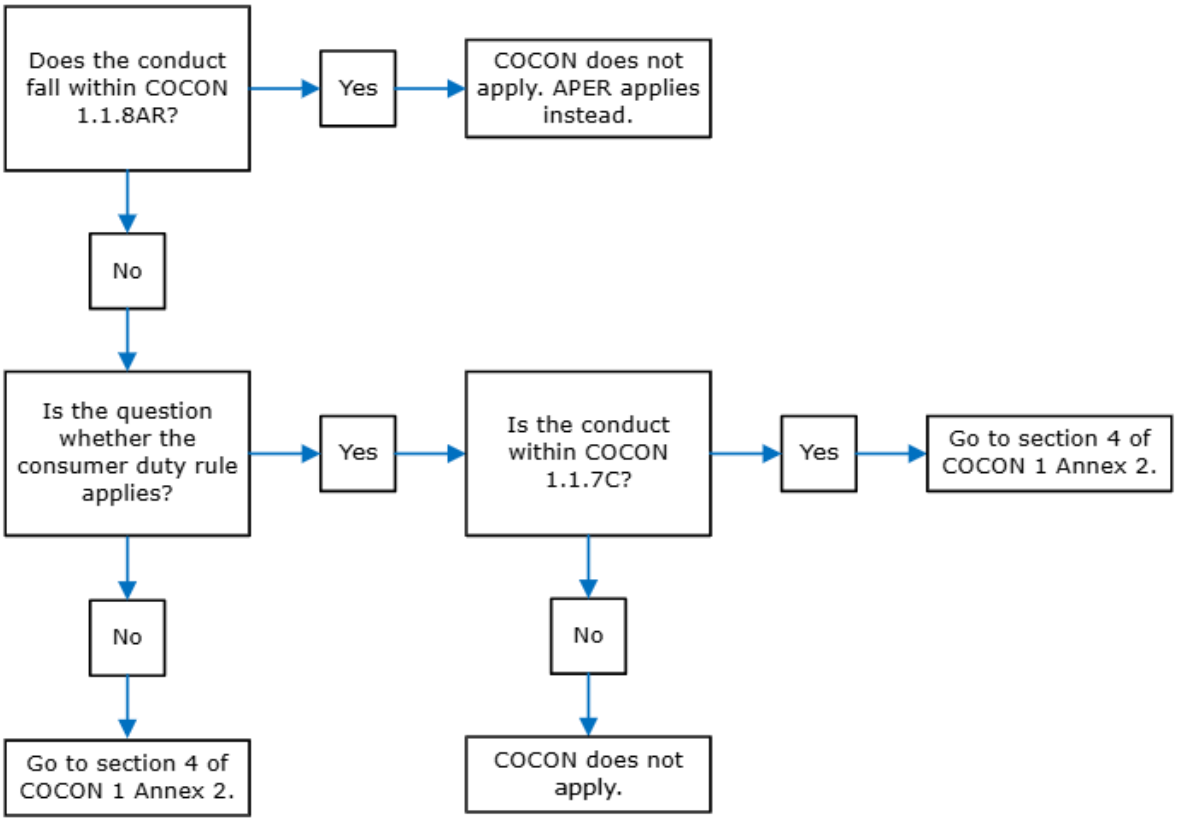
1A Annex
2 3.6

[*Editor's notes*:

(1) The flow diagram to be included in COCON 1A Annex 2 3.6G will be the same as the current version in COCON 1 Annex 2 (which is included here for convenience of the reader) but with the following amendments to the text in the boxes:

- References to COCON 1 Annex 2 are to COCON 1A Annex 2.
- References to COCON 1.1.7C are to COCON 1A.8.1R.

(2) As explained in the note at the start of this draft instrument, COCON 1.1.8AR is not included in this consultation and so it has been left unamended in the flow diagram.]



What COCON applies to: Firms other than SMCR banking firms and benchmark administrators

~~1 Annex 2 3.7~~ G Flow diagram: Firms other than SMCR banking firms or benchmark administrators

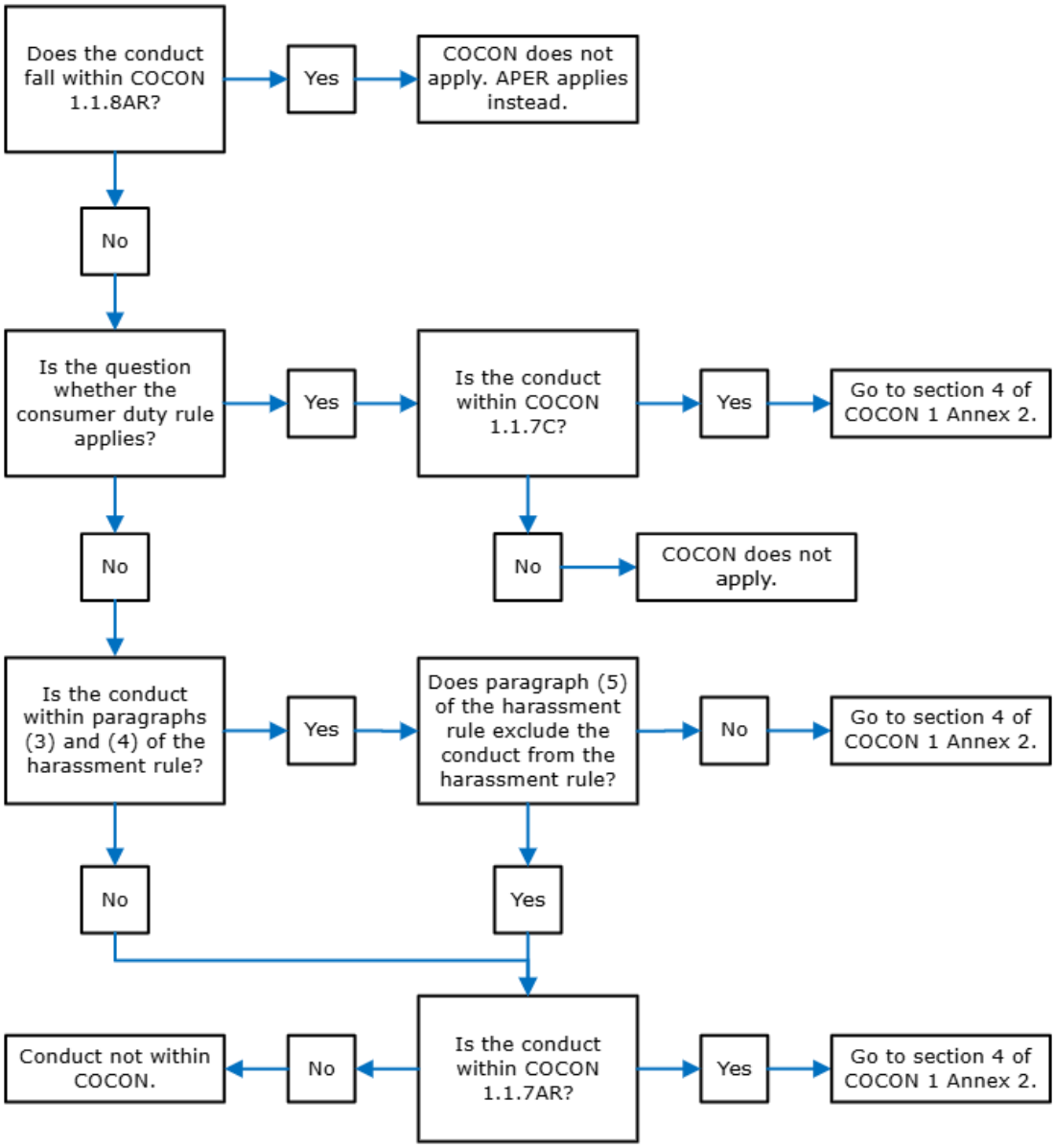
1A Annex
2 3.7

[*Editor's notes*:

(1) The flow diagram to be included in COCON 1A Annex 2 3.7G will be the same as the current version in COCON 1 Annex 2 (which is included here for convenience of the reader) but with the following amendments to the text in the boxes:

- References to COCON 1 Annex 2 are to COCON 1A Annex 2.
- References to COCON 1.1.7C are to COCON 1A.8.1R.
- References to COCON 1.1.7AR are to COCON 1A.6.1R.

(2) As explained in the note at the start of this draft instrument, COCON 1.1.8AR is not included in this consultation and so it has been left unamended in the flow diagram.]



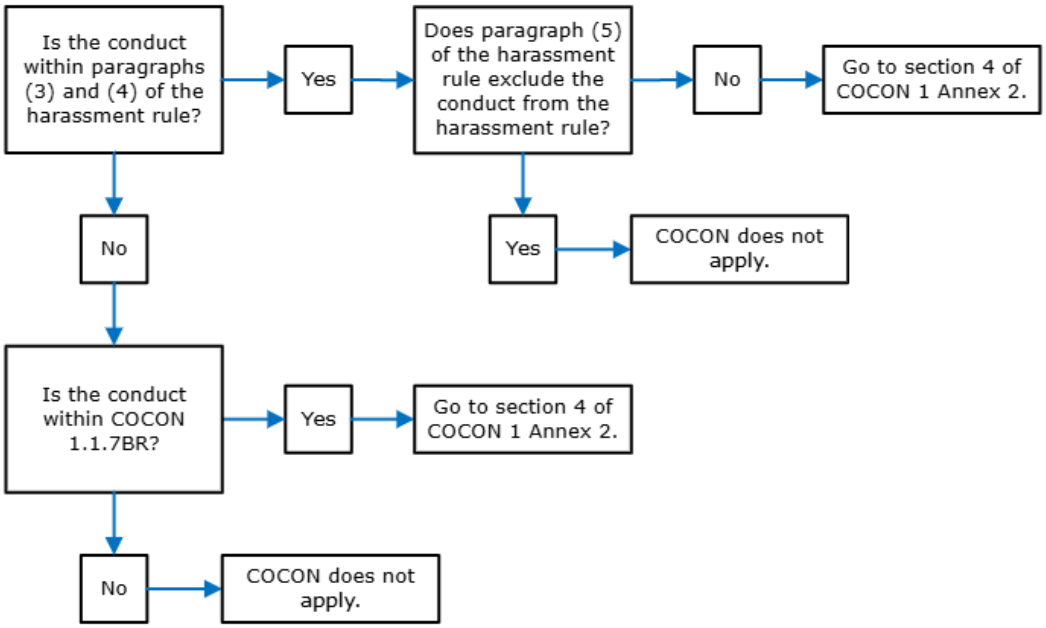
What COCON applies to: Benchmark administrators

~~1 Annex 2 3.8~~ G Flow diagram: Benchmark administrators

1A Annex 2 3.8

[*Editor's note*: The flow diagram to be included in COCON 1A Annex 2 3.8G will be the same as the current version in COCON 1 Annex 2 (which is included here for convenience of the reader) but with the following amendments to the text in the boxes:

- References to COCON 1 Annex 2 are to COCON 1A Annex 2.
- References to COCON 1.1.7BR are to COCON 1A.6.2R.]



Section 4: Territorial scope

~~1 Annex 2 4.1~~ G This section deals with the territorial scope of *COCON*. It is *guidance* on ~~*COCON* 1.1.8BR~~ *COCON* 1A.9 to ~~*COCON* 1.1.11DR~~ *COCON* 1A.10.

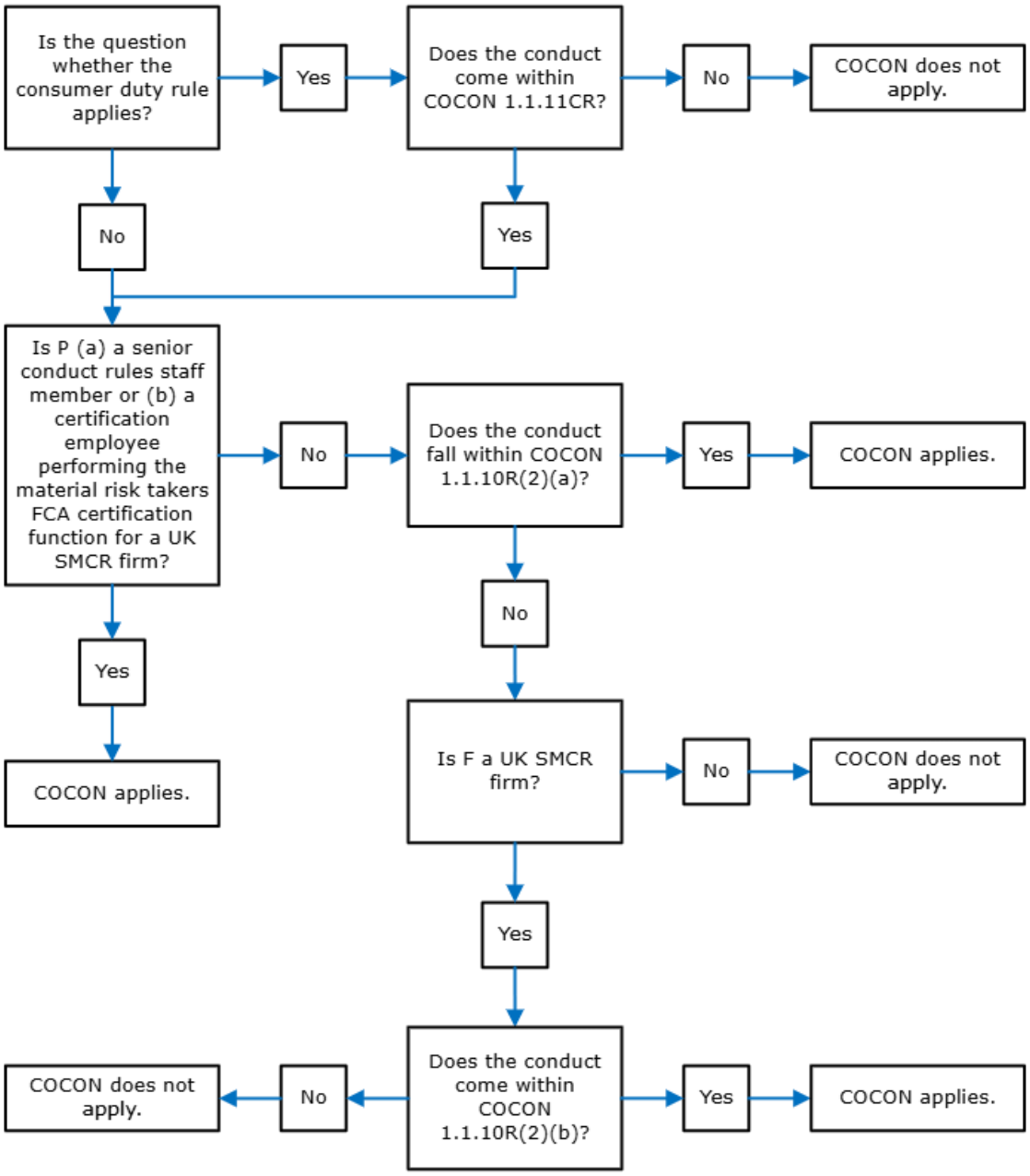
1A Annex 2 4.1

~~1 Annex 2 4.2~~ G Flow diagram: Territorial scope

1A Annex 2 4.2

[*Editor's note*: The flow diagram to be included in COCON 1A Annex 2 4.2G will be the same as the current version in COCON 1 Annex 2 (which is included here for convenience of the reader) but with the following amendments to the text in the boxes:

- References to COCON 1.1.11CR are to COCON 1A.10.1R.
- References to COCON 1.1.10R(2)(a) and (b) are to COCON 1A.9.2R(2)(a) and (b).
- The reference to the material risk takers certification function will be removed in the final version.]



Section 5: Topics not covered

~~1 Annex 2 5.1~~

G This Annex does not cover the effect described in ~~*COCON* 1.1.11BG~~ *COCON* 1A.10.3G (effect on the territorial scope of *COCON* of the *Regulated Activities Order*) or ~~*COCON* 1.1.12R~~ *COCON* 1A.11.1R (requirements of an *EU* measure passed or made before *IP completion day*).

1A Annex 2 5.1

1B Further material about the scope of COCON

1B.1 What this chapter covers

1B.1.1 G The purpose of this chapter is to set out further material explaining the scope of *COCON*.

1B.1.2 G *COCON* 1B.2 explains the use of the term 'investment' in *COCON*.

1B.1.3 G *COCON* 1B.3 has detailed *guidance* about the application of *COCON* to:

(1) private life; and

(2) the staff of *SMCR firms* that are not banks.

1B.1.4 G *COCON* 1B.3 has in particular an explanation of how the topics in *COCON* 1B.1.3G apply to harassment.

~~1.2~~ Investments

1B.2

~~1.2.1~~ 1B.2.1 G *COCON* refers in a number of places to '*investments*'. The *Glossary* meaning of *investment* is wide and is not just limited to the ordinary dictionary meaning.

~~1.2.2~~ 1B.2.2 G Therefore, for example, an ~~*approved person*~~ *approved or notified person* performing *controlled functions* in a *Solvency II firm* or a *small non-directive insurer* should note that that term includes rights under a contract of insurance, meaning they should also take into account those parts of *COCON* which provide *guidance* on individual conduct rules that refer to '*investments*'.

~~1.2.3~~ 1B.2.3 G Where *guidance* refers to risks associated with *investments*, that will include risks applicable to rights under a contract of insurance including for example the risk of inadequate cover.

~~1.3~~ Scope of COCON

1B.3

Introduction

~~1.3.1~~ 1B.3.1 G This section deals with ~~the restrictions on the scope of *COCON* based on~~:

(1) the restrictions on the scope of *COCON* based on the activities of the *firm* in ~~*COCON* 1.1.6R to *COCON* 1.1.7R (To what conduct does it apply? (Limitations in the Act))~~ *COCON* 1A.5 (To what conduct does it apply? Basic provisions) (~~*COCON* 1.3.2G~~ *COCON* 1B.3.2G to ~~*COCON* 1.3.9G~~ *COCON* 1B.3.9G deal with this);

(2) the restrictions on the scope of *COCON* based on the *SMCR financial activities* of a *firm* in ~~*COCON* 1.1.7AR (To what conduct does it apply? (Other limitations: Non-banks))~~ *COCON* 1A.6.1R (General limitation for non-banks) (~~*COCON* 1.3.10G~~ *COCON* 1B.3.10G to ~~*COCON* 1.3.16G~~ *COCON* 1B.3.16G deal with this); and

(3) ~~*COCON* 1.1.7BR (To what conduct does it apply? (Other limitations: Benchmark firms))~~ the restrictions on the scope of *COCON* based on *COCON* 1A.6.2R (Limitation for benchmark firms) (~~*COCON* 1.3.17G~~ *COCON* 1B.3.17G deals with this).

COCON does not cover private or personal life

~~1.3.2~~ 1B.3.2 G ~~*COCON* 1.1.6R to *COCON* 1.1.7R limit~~ *COCON* 1A.5 (To what conduct does it apply? Basic provisions) limits the application of *COCON* to conduct that relates to a function carried out by a member of the *conduct rules staff* where in turn that function relates to the carrying on of an activity by the *firm*. The *firm's* activity may be a *regulated activity* or an *unregulated activity*. This limitation on the scope of *COCON* applies in relation to all *firms*.

~~1.3.3~~ 1B.3.3 G (1) The effect of ~~*COCON* 1.1.6R to *COCON* 1.1.7R~~ *COCON* 1A.5 is that conduct relating to the *conduct rules staff* member's private or personal life is outside the scope of *COCON*.

(2) However, this does not mean that a *senior conduct rules staff member* is not required to disclose information about their private or personal life under *COCON* 2.2.4R (SC4). A *senior conduct rules staff member* should disclose such matters if they are material to an assessment of fitness and propriety under *FIT*. *COCON* 4.2.33G (SC4: You must disclose appropriately any information of which the FCA or PRA would reasonably expect notice) gives examples of matters that should be disclosed.

~~1.3.4~~ 1B.3.4 G Factors that point towards conduct being within the scope of ~~*COCON* 1.1.6R to *COCON* 1.1.7R~~ *COCON* 1A.5 include:

(1) the conduct occurred when the *conduct rules staff* member was present on the *firm's* premises;

(2) the conduct occurred when the *conduct rules staff* member was working on the *firm's* business;

(3) the conduct involved a client, a professional acquaintance, another member of the *firm's* staff or someone the *conduct rules staff* member had dealt with on behalf of their *firm*;

(4) the conduct was carried out using equipment supplied by or made available by the *firm* or by involving the *firm's* staff;

(5) the conduct arose in a business context, including an official or an informal event organised or supported by the *firm* or in which the *firm* participates, whether it is held at the *firm's* premises or at another location;

(6) the position of the *conduct rules staff* member as a *conduct rules staff* member of the *firm* helped them to carry out the conduct; or

(7) the purpose (misguided or not) of the conduct was to benefit the *firm*.

~~1.3.5~~ 1B.3.5 G (1) Whether conduct is within the scope of *COCON* depends on the specific facts of each case. It is therefore not possible to set out scenarios in the *Handbook* and say whether in all cases the conduct in question will be within the scope of *COCON*.

(2) Paragraph (1) means that:

(a) the list of factors in ~~*COCON* 1.3.4G~~ *COCON* 1B.3.4G is not exhaustive; and

(b) the presence or absence of one of the factors in ~~*COCON* 1.3.4G~~ *COCON* 1B.3.4G is not by itself conclusive.

(3) Another result of (1) is that:

(a) when the table in ~~*COCON* 1.3.7G~~ *COCON* 1B.3.7G says that conduct is generally within the scope of *COCON*, that means that the facts of the scenario are ones that point towards the conduct coming within the scope of *COCON*; and

(b) when the table in ~~*COCON* 1.3.7G~~ *COCON* 1B.3.7G says that conduct is generally outside the scope of *COCON*, that means that the facts of the scenario are ones that point against the conduct coming within the scope of *COCON*,

but that in an individual case all the other features of the case are also relevant.

~~1.3.6~~ 1B.3.6 G (1) The table in ~~*COCON* 1.3.7G~~ *COCON* 1B.3.7G sets out examples of when a *person's* conduct is outside the scope of *COCON* because it is part of their private or personal life and when it is not excluded for that reason (subject to ~~*COCON* 1.3.5G~~ *COCON* 1B.3.5G).

(2) As explained in Note (2) to the table, conduct to which 'Yes' applies is not necessarily within the scope of *COCON* as it may be excluded by

one of the other scope *rules* in ~~*COCON* 1.1 (Application)~~ this chapter. For example, it may be excluded by the exclusion in ~~*COCON* 1.1.7AR (To what conduct does it apply? (Other limitations: Non-banks))~~ *COCON* 1A.6.1R (General limitation for non-banks).

(3) Another example of the point in (2) is that if M (as referred to in the notes to the table) is based in an overseas office of the *firm* and carries out the conduct from there (or from their home in the country where the overseas office is located), the conduct will be outside the scope of *COCON* under ~~*COCON* 1.1.10R (Where does it apply?)~~ *COCON* 1A.9.2R (Territorial scope: Basic rules) unless M comes within ~~*COCON* 1.1.9R~~ *COCON* 1A.9.1R (which deals with *senior conduct rules staff members* ~~and material risk takers~~) or within ~~*COCON* 1.1.10R(2)(b)~~ *COCON* 1A.9.2R(2)(b) (which deals with *clients* in the *United Kingdom*).

~~1.3.7~~ G Table: Private or personal life and COCON

1B.3.7

Description of conduct	**Whether generally within the scope of ~~COCON 1.1.6R to COCON 1.1.7R~~ COCON 1A.5**
Misconduct by M in relation to a fellow member of the workforce while both are on their *firm's* premises.	Yes
Misconduct by M in relation to a fellow member of the workforce while M is working remotely for their *firm*.	Yes
Misconduct by M in relation to a family member while M is working remotely for their *firm*.	No
Misconduct by M in relation to a member of the public while M is commuting to or from their *firm's* place of business for work.	No
Misconduct by M in relation to a fellow member of the workforce when both are travelling to a	Yes

meeting in which they will represent their *firm*.	
Misconduct by M in relation to a client at a business meeting in which M is representing their *firm*.	Yes
Misconduct by M in relation to a fellow member of the workforce at a social occasion organised by their *firm*.	Yes
Misconduct by M in relation to a fellow member of the workforce at a social occasion organised by M or another member of the workforce in their personal capacity.	No However: (1) An occasion organised by a manager may be within the scope of *COCON*, taking into account that the manager's direct reports may feel obliged to attend. (2) If the event takes place after a *firm* event but at a separate location or venue, it may be within the scope of *COCON* if it is a continuation of the first event or if the conduct started at the first event and continued in the new venue. Otherwise, *COCON* is likely to cease to apply because the connection between the event and the activities of the *firm* has been lost.
Misconduct by M at a social occasion, a meeting, a round table, an awards ceremony, a training course or a workshop, in each case organised by a client of their *firm*, another *firm*, an industry body, a training organisation or a regulator, in which they will represent their *firm* or where the main reason for the invitation is their working for their *firm*.	Yes
M is a member of a profession (such as an accountant, actuary or lawyer) and practises that profession in their job with their	Yes

firm. M carries out misconduct at an event organised by a third party to meet the professional requirements of that profession or by the regulator of that profession.	
M publishes material on a personal social media account (including sending it on a messaging app) held by M. As this table only covers whether conduct takes place in M's private life (and hence is outside the scope of *COCON* under ~~*COCON* 1.1.6R to *COCON* 1.1.7R~~ *COCON* 1A.5), this example assumes that the publication would otherwise breach *COCON*.	This is an example of how it is not possible to give a definitive answer to a scenario based on a single element. Factors to take into account include: • whether the material is directed at a fellow member of the workforce (if it is, that points towards the conduct being within scope); • whether there is another connection between M and the subject of the misconduct that is not based on M's work with their *firm* (if there is such a connection, that may point away from the application of *COCON*); • whether it is part of a course of conduct that includes other incidents that are more closely connected with M's work at the *firm*; • whether the content of the social media posts is related to work at the *firm*; • whether M uses a work-issued device. The fact that M uploads the posts during working hours or while on the *firm's* premises is not a strong factor pointing towards the application of *COCON*. If the conduct takes place over the *firm's* systems (for instance through the *firm's* e-mail system) it is likely to be within the scope of *COCON*.
Notes	
(1) 'M' refers to the member of a *firm's conduct rules staff* carrying out the conduct in question.	
(2) 'Yes' means that, in accordance with ~~*COCON* 1.3.5G(3)(a)~~ *COCON* 1B.3.5G(3)(a), the scenario is based on a factor that points towards the	

conduct being within ~~*COCON* 1.1.6R to *COCON* 1.1.7R~~ *COCON* 1A.5 and thus within the scope of *COCON* unless excluded by ~~*COCON* 1.1.1AR to *COCON* 1.1.5AR (To whom does it apply?)~~ *COCON* 1A.2 (To whom does it apply? (Main rules)) or *COCON* 1A.3 (To whom does it apply? (Supplemental rules)), ~~*COCON* 1.1.7AR~~ *COCON* 1A.6 (To what conduct does it apply? (Other limitations: Non-banks)) to ~~*COCON* 1.1.7FR~~ *COCON* 1A.8 (To what conduct does it apply? (Supplemental rules)) or by ~~*COCON* 1.1.8BR to *COCON* 1.1.11CR (Where does it apply?)~~ *COCON* 1A.9 (Where does it apply? (Basic rules)) or *COCON* 1A.10 (Where does it apply? (Supplemental rules)).
(3) 'No' means that, in accordance with ~~*COCON* 1.3.5G(3)(b)~~ *COCON* 1B.3.5G(3)(b), the scenario is based on a factor that points towards the conduct being outside ~~*COCON* 1.1.6R to *COCON* 1.1.7R~~ *COCON* 1A.5 and thus outside the scope of *COCON*.

~~1.3.8~~ 1B.3.8 G However, conduct excluded from *COCON* as described in the table in ~~*COCON* 1.3.7G~~ *COCON* 1B.3.7G can still be relevant to fitness and propriety, as described in *FIT* 1.3 (Assessing fitness and propriety).

~~1.3.9~~ 1B.3.9 G The scope of *COCON* is not limited to conduct that is authorised by the *firm* or carried out with a view (misguided or not) that it is for the *firm's* benefit. Conduct is not excluded from the scope of *COCON* just because the *firm* forbids it (for instance, in a staff handbook) or it is calculated to harm the *firm*. Thus, for example, the following conduct is within the scope of ~~*COCON* 1.1.6R to *COCON* 1.1.7R~~ *COCON* 1A.5:

(1) misappropriating a client's or the *firm's* assets;

(2) providing false or inaccurate details about the member of the *conduct rules staff's* training, qualifications, past employment record or experience;

(3) misusing the assets or confidential information of a client or the *firm* to make a personal profit;

(4) misconduct against a client;

(5) harassment of a fellow member of the workforce; and

(6) maliciously sabotaging a *firm's* information technology systems or altering or erasing its data.

SMCR financial activities

~~1.3.10~~ G ~~*COCON* 1.3.11G~~ *COCON* 1B.3.11G to ~~*COCON* 1.3.16G~~ *COCON* 1B.3.16G deal with a *conduct rules staff* member for whom the scope of *COCON* is

1B.3.10 limited to conduct in relation to their *firm's SMCR financial activities* by ~~*COCON* 1.1.7AR~~ *COCON* 1A.6.1R.

~~1.3.11~~ 1B.3.11 G When *COCON* is restricted to *SMCR financial activities*, it covers more than conduct involving direct dealings with counterparties and customers (and potential ones) or their assets at the point of sale or at the time of the transaction or service. It can also cover matters such as the following:

(1) conduct arising out of such direct dealings, such as record-keeping, valuations and reporting;

(2) after-sale or post-transaction activities such as settlement, queries, dealing with the exercise of rights by the *firm* or the customer, complaints, cancellations, renewals and generally dealing with the customer or counterparty through the lifecycle of the product or relationship;

(3) designing and operating policies and procedures relating to the conduct of the *firm's* relationship with counterparties and customers, such as:

(a) product or services design;

(b) policies and procedures about what services and products to sell or buy;

(c) policies and procedures about product distribution;

(d) policies and procedures for the conduct of the relationship between the *firm* and a customer in relation to products and services already sold or delivered; and

(e) policies and procedures for the monitoring of customer outcomes for products and services already sold or delivered; and

(4) management and monitoring of these activities.

~~1.3.12~~ 1B.3.12 G *COCON* is not restricted to the activities in ~~*COCON* 1.3.11G~~ *COCON* 1B.3.11G. For example, it covers:

(1) participation in meetings of the *firm's governing body* and its committees and other management forums;

(2) conduct in relation to internal systems, controls and operations supporting the activities in ~~*COCON* 1.3.11G~~ *COCON* 1B.3.11G;

(3) conduct in relation to acquisition and management of resources used to support the activities in ~~*COCON* 1.3.11G~~ *COCON* 1B.3.11G; and

(4) conduct in relation to systems and controls to monitor and control risks such as liquidity, operational, solvency, market and trading risks.

~~1.3.13~~ 1B.3.13 G (1) Conduct of an individual is not within the scope of *COCON* just because it is carried on in relation to an activity of their *firm* that is connected to an *SMCR financial activity* that is carried on by the *firm* but that is not itself an *SMCR financial activity*.

(2) For example, the misconduct of the *employee* in the following examples is not within the scope of *COCON*:

(a) A *firm's* main business is to sell physical goods. It sells some of them on credit and so has *permission* for consumer credit. An *employee* steals some of the *firm's* stock.

(b) A *firm's* main business is to sell cars. It also sells connected insurance and so has *permission* for *insurance distribution activities*. An *employee* commits a serious driving offence while moving one of the cars the *firm* sells.

(3) However, conduct in (2) is relevant to the fitness and propriety under *FIT* of the *employee*, if the *employee* is subject to *FIT*.

~~1.3.14~~ 1B.3.14 G (1) ~~*COCON* 1.1.7FR~~ *COCON* 1A.7.1R says that the restriction of the scope of *COCON* to conduct in relation to a *firm's SMCR financial activities* under ~~*COCON* 1.1.7AR~~ *COCON* 1A.6.1R does not apply to harassment or similar conduct in relation to a fellow member of the workforce. Instead, ~~*COCON* 1.1.7FR(5)~~ *COCON* 1A.7.1R(5) excludes such conduct if it clearly only relates to a part of the *firm's* business that does not carry on *regulated activities* or other *SMCR financial activities*, as illustrated further in the table in ~~*COCON* 1.3.15G~~ *COCON* 1B.3.15G.

(2) ~~*COCON* 1.3.15G~~ *COCON* 1B.3.15G gives examples of how the exclusion in ~~*COCON* 1.1.7FR(5)~~ ~~*COCON* 1.1.7FR(5)~~ *COCON* 1A.7.1R(5) applies to conduct of a *conduct rules staff* member in relation to a fellow member of the workforce when a *firm* has both a financial services business and a non-financial services business.

(3) The example relates to internal audit. The example corresponds to the example in *SYSC* 25.3.4G (Management responsibilities maps: Exclusion of non-financial services activities for some firms).

~~1.3.15~~ G Table: Application of COCON to a firm with mixed businesses

1B.3.15

Description of business	Whether generally within the scope of COCON
(1) F's internal audit function covers its entire business without separating the parts that deal with its financial services business and its other business. The *conduct rules staff* member carrying out the misconduct and the subject of the misconduct work in the internal audit function.	The conduct is within scope.
(2) Same as (1) except that the subject of the misconduct works outside the internal audit function.	The conduct is within scope even if the subject of the misconduct works for the non-financial services part of the business.
(3) F separates the part of its internal audit function that deals with its financial services business from the part that deals with the other part of its business. Both the *conduct rules staff* member carrying out the misconduct and the subject of the misconduct work in the part of the internal audit function that does not deal with the financial services business.	The conduct is outside scope. It would be within scope if either the *conduct rules staff* member carrying out the conduct or the subject of the conduct work in the part of the internal audit function that deals with the financial services business.
(4) F's internal audit function covers its entire business as described in (1). Within the function, certain individuals deal with the financial services business, and other individuals deal with the non-financial services business. The *conduct rules staff* member carrying out the misconduct deals with the financial services part of F's business and the subject of the misconduct deals with the non-financial services business or vice versa.	The conduct is within scope.
(5) F's internal audit function covers F's and the rest of its *group's* entire business without separating the parts	The conduct is within scope.

that deal with the *group's* financial services business and the *group's* other business. The *conduct rules staff* member carrying out the misconduct works in the internal audit function and the subject of the misconduct works in another company in F's *group*.	
(6) F's internal audit function covers the whole of its *group's* activities. F separates the part of the internal audit function that deals with the *group's* financial services business from the part that deals with the other part of the *group's* business. The *conduct rules staff member* carrying out the misconduct works in the part of the internal audit function that does not deal with the financial services business. The subject of the misconduct works in another company in the *firm's group*.	The conduct is outside scope. It is outside scope even if the subject of the misconduct's job involves *SMCR financial activities* carried out by another company in F's *group*. This is because, even if the conduct relates to *SMCR financial activities*, it does not relate to *SMCR financial activities* carried on by F.
Notes	
(1) When the table says that conduct is outside scope, that means that ~~*COCON* 1.1.7FR~~ *COCON* 1A.7.1R does not apply and instead ~~*COCON* 1.1.7AR or *COCON* 1.1.7BR~~ *COCON* 1A.6 applies.	
(2) When the table says that conduct is within scope, that means that ~~*COCON* 1.1.7FR~~ *COCON* 1A.7.1R applies and the conduct is within the scope of *COCON* unless excluded by ~~*COCON* 1.1.1AR to *COCON* 1.1.5AR (To whom does it apply?)~~ *COCON* 1A.2 (To whom does it apply? (Main rules)) or *COCON* 1A.3 (To whom does it apply? (Supplemental rules)), ~~*COCON* 1.1.6R to *COCON* 1.1.7R (To what conduct does it apply? (Limitations in the Act))~~ *COCON* 1A.5 (To what conduct does it apply? Basic provisions) or by ~~*COCON* 1.1.8BR to *COCON* 1.1.11CR (Where does it apply?)~~ *COCON* 1A.9 (Where does it apply? (Basic rules)) or *COCON* 1A.10 (Where does it apply? (Supplemental rules)).	
(3) See *COCON* 4.3.16G (Subject of the misconduct) for the meaning of the phrase 'subject of the conduct'.	
(4) 'F' refers to the *firm* for which the member of the *conduct rules staff* carrying out the conduct in question works.	

~~1.3.16~~ 1B.3.16 G The flow diagram in *COCON* 4 Annex 1 3.7G gives further *guidance* on how ~~*COCON* 1.1.7FR~~ *COCON* 1A.7.1R works.

Benchmark firms

~~1.3.17~~ 1B.3.17 G ~~*COCON* 1.1.7FR~~ *COCON* 1A.7.1R also applies to a *pure benchmark SMCR firm* to which the restrictions in ~~*COCON* 1.1.7BR~~ *COCON* 1A.6.2R apply. The flow diagram in *COCON* 4 Annex 1 3.7G gives further *guidance* on how ~~*COCON* 1.1.7FR~~ *COCON* 1A.7.1R works for such a *firm*.

Amend the following as shown.

2 Individual conduct rules

…

2.3 Firms: ~~training~~ awareness of staff and breaches

2.3.1 ~~G~~ (1) This section applies to *SMCR firms*.

R

(2) ~~Under section 64B of the *Act*, an~~ An *SMCR firm* must ensure that all *persons* subject to the *rules* in *COCON* are notified of:

~~(1)~~ (a) ~~ensure that all *persons* subject to the *rules* in *COCON* are notified of~~ the *rules* in *COCON* that apply to them; and

~~(2)~~ (b) ~~take all reasonable steps to ensure that those *persons* understand how~~ the consequences of a breach of those *rules* ~~in *COCON* apply to them~~.

2.3.2 G ~~(1) The steps that an *SMCR firm* must take to ensure that its *conduct rules staff* understand how the *rules* in *COCON* apply to them include the provision of suitable training.~~ [deleted]

~~(2) Suitable training should always ensure that those who are subject to the *rules* in *COCON* have an awareness and broad understanding of all of the *rules* in *COCON*, and that they also have a deeper understanding of the practical application of the specific *rules* which are relevant to their work.~~

~~(3) For example:~~

~~(a) for individuals who trade in the markets, *rule* 5 in *COCON* 2.1.5R may apply in various circumstances arising in the~~

~~individual's day-to-day activities and additional training may be appropriate to ensure that the individual knows how that *rule* applies to those activities in those various circumstances; or~~

~~(b) for individuals who deal directly with *customers*, *rule* 4 in *COCON* 2.1.4R may apply in various circumstances which makes additional training appropriate for such individuals.~~

…

4 Specific guidance on conduct rules

4.1 Specific guidance on individual conduct rules

…

Acting with due skill, etc as a manager (rule 2): General

…

4.1.8 G The following is a non-exhaustive list of examples of conduct by a manager that would be in breach of *rule* 2.

…

(3) Failing to take reasonable steps to maintain an appropriate level of understanding about an issue or part of the business that the manager has delegated to an individual or individuals (whether in-house or outside contractors). However, maintaining an appropriate level of understanding does not require a detailed or technical understanding of all aspects of the delegated activity. The appropriate level will depend on:

(a) the materiality and risk of the activity;

(b) the competence and seniority of the delegate; and

(c) the effectiveness of the *firm's* governance and reporting arrangements.

…

4.2 Specific guidance on senior manager conduct rules

…

SC3: You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person and that you oversee the discharge of the delegated responsibility effectively

…

4.2.20 G *Senior conduct rules staff members* will not always manage the business on a day-to-day basis themselves. The extent to which they do so will depend on a number of factors, including the nature, scale and complexity of the business and their position within it. ~~The larger and more complex the business, the greater the need for clear and effective delegation and reporting lines, which may involve documenting the scope of that delegation and the reporting lines in writing. The *FCA* will look to the *senior conduct rules staff member* to take reasonable steps to ensure that systems are in place to ensure that issues are being addressed at the appropriate level. When issues come to their attention, they should deal with them in an appropriate way.~~ The *FCA* recognises that, particularly in large or complex *firms*, *senior conduct rules staff members* may delegate the day-to-day management of substantial parts of the business, including matters for which they have overall responsibility. In these circumstances, compliance with SC3 does not require the *senior conduct rules staff member* to be involved in the routine or operational management of the delegated activities, provided that:

(1) the delegation framework is appropriate having regard to the nature, scale and complexity of the business; and

(2) the *senior conduct rules staff member* maintains oversight at a level commensurate with the risks of the activity, but this does not require detailed operational involvement.

4.2.20A G The *FCA* would not generally expect a *senior conduct rules staff member* to:

(1) review all decisions taken under delegated authority; or

(2) replicate the role of the delegate.

4.2.20B G The larger and more complex the business, the greater the need for clear and effective delegation and reporting lines, which may involve documenting the scope of that delegation and the reporting lines in writing. The *FCA* will look to the *senior conduct rules staff member* to take reasonable steps to ensure that systems are in place to ensure that issues are being addressed at the appropriate level. When issues come to their attention, they should deal with them in an appropriate way.

…

4.2.23 G …

4.2.23A G Examples of behaviour in relation to delegation that is consistent with *rule* SC3 may include:

(1) delegating responsibility for a business unit to a suitably senior head of function and exercising oversight primarily through management information, governance forums, risk committees or control functions without involvement in day-to-day decisions; or

(2) relying on *group* or shared service functions where appropriately governed.

…

SC4: You must disclose appropriately any information of which the FCA or PRA would reasonably expect notice

…

4.2.33 G *Rule* SC4 is not limited to information about the *SMF manager's firm*. It also covers information about the *SMF manager* themselves. As explained in ~~*COCON* 1.3.3G(2)~~ *COCON* 1B.3.3G(2), this includes matters relating to the *SMF manager's* personal life as well as their work life. For example, the *SMF manager* should disclose the following to the *FCA*:

…

4.3 Specific guidance on harassment

…

Summary

4.3.3 G *COCON* 3.1 (General factors for assessing compliance) is the starting point for deciding whether there has been a breach of *COCON*. Subject to that, behaviour of the kind in *COCON* 4.3.1G is a breach of Individual Conduct *Rule* 1 or Individual Conduct *Rule* 2 if:

(1) the conduct is of the type described in ~~*COCON* 1.1.7FR(4)~~ *COCON* 1A.7.1R(4); and

…

…

Application to banks

4.3.5 G …

(2) This section cross refers to ~~*COCON* 1.1.7FR~~ *COCON* 1A.7.1R (To what conduct does it apply? (Other limitations: Non-banks:

Harassment)) even though that *rule* does not apply to an *SMCR banking firm*.

(3) The reason that this section cross-refers to that *rule* in the case of *SMCR banking firms* as well as other kinds of *SMCR firm* is that behaviour of the kind in *COCON* 4.3.1G is only capable of coming within *COCON* if it is of a kind described in ~~*COCON* 1.1.7FR(4)~~ *COCON* 1A.7.1R(4). This is the case for both an *SMCR banking firm* and for any other kind of *SMCR firm*.

(4) Therefore this section applies ~~*COCON* 1.1.7FR(4)~~ *COCON* 1A.7.1R(4) to an *SMCR banking firm* as *guidance* for the purpose of this section.

(5) The rest of ~~*COCON* 1.1.7FR~~ *COCON* 1A.7.1R is not relevant to an *SMCR banking firm*.

Harassment

4.3.6 G The factors to take into account in deciding whether conduct comes within ~~*COCON* 1.1.7FR(4)~~ *COCON* 1A.7.1R(4) include:

…

Seriousness

4.3.7 G ~~*COCON* 1.1.7FR(4)~~ *COCON* 1A.7.1R(4) only covers conduct that is serious.

…

Effect of the conduct

4.3.12 G In deciding whether conduct has the effect in ~~*COCON* 1.1.7FR(4)(a)~~ *COCON* 1A.7.1R(4)(a), it is necessary to take into account all the circumstances of the case. *COCON* 4.3.13G and *COCON* 4.3.14G cover 2 factors that are always relevant.

4.3.13 G One of those factors is the perception of the subject of the misconduct. The result of this subjective question is that if the subject of the conduct does not perceive their dignity to have been violated, or any of the other things referred to in ~~*COCON* 1.1.7FR(4)(a)~~ *COCON* 1A.7.1R(4)(a) to have occurred, then the conduct should not be found to have had that effect.

4.3.14 G The second of the factors referred to in *COCON* 4.3.12G is whether it is reasonable for the conduct to have had the effect in ~~*COCON* 1.1.7FR(4)(a)~~ *COCON* 1A.7.1R(4)(a). The result of this objective question is that if it was not reasonable for the conduct to be regarded as violating the dignity of the subject of the conduct or creating any of the other effects in ~~*COCON* 1.1.7FR(4)(a)~~ *COCON* 1A.7.1R(4)(a), then it should not be found to have done so.

Purpose of the conduct

4.3.15 G The purpose of conduct as well as its effect is relevant to whether it is of the type described in ~~*COCON* 1.1.7FR(4)(a)~~ *COCON* 1A.7.1R(4)(a). ~~*COCON* 1.1.7FR(4)(a)~~ *COCON* 1A.7.1R(4)(a) covers conduct whose purpose is to violate dignity or to cause any of the other effects described in that *rule* even if the conduct does not actually have that effect. For example, a person may breach *COCON* if they send a hostile and intimidatory communication that is intercepted by the employing *firm* before it is received by the person to whom it is sent.

Subject of the misconduct

4.3.16 G (1) If behaviour has the effect described in ~~*COCON* 1.1.7FR(4)(a)~~ *COCON* 1A.7.1R(4)(a) on an individual listed in ~~*COCON* 1.1.7FR(3)~~ *COCON* 1A.7.1R(3), it can still be a breach of *COCON* if it is targeted at someone else or it is not targeted at anyone.

…

Single incident

4.3.17 G Conduct can come within ~~*COCON* 1.1.7FR(4)~~ *COCON* 1A.7.1R(4) whether it consists of a single incident, several incidents or a course of conduct.

Physical acts

4.3.18 G Conduct within ~~*COCON* 1.1.7FR(4)~~ *COCON* 1A.7.1R(4) covers a wide range of behaviour. It is not limited to words, communications and gestures. For example, it can also cover physical violence.

Individual Conduct Rule 1

…

4.3.20 G While this section does not set out a complete explanation of what integrity means, one consequence of *COCON* 4.3.19G is that misconduct in relation to a fellow member of the workforce falls outside the scope of *rule* 1 if the *conduct rules staff* member:

…

(2) did not intend to have an effect on the subject of the misconduct of the kind described in ~~*COCON* 1.1.7FR(4)~~ *COCON* 1A.7.1R(4), did not know that they were doing so and was not reckless about the effect of their conduct.

…

Individual Conduct Rule 2

4.3.23 G …

(2) For example, a *conduct rules staff* member carrying out conduct falling within ~~*COCON* 1.1.7FR(4)(a)~~ *COCON* 1A.7.1R(4)(a) will not breach the *rule* if a reasonable person with the skills that the *conduct rules staff* member carrying out the conduct has and ought to have:

(a) would have thought that the conduct would not have the effects described in ~~*COCON* 1.1.7FR(4)~~ *COCON* 1A.7.1R(4) on the subject of the conduct; or

…

Repeated conduct

4.3.24 G …

(2) Nevertheless, repeated instances of the same misconduct could make it less likely that the *conduct rules staff* member did not know that it would have the effects described in ~~*COCON* 1.1.7FR(4)~~ *COCON* 1A.7.1R(4) (in the case of Individual Conduct *Rule* 1) or that it would be reasonable to believe that (Individual Conduct *Rule* 2).

…

…

4 Annex 1 How COCON applies to harassment

Section 1: Purpose of this Annex and introduction

…

4 Annex 1 1.3 G In this Annex:

…

(3) ‘the harassment rule’ means ~~*COCON* 1.1.7FR~~ *COCON* 1A.7.1R.

4 Annex 1 1.4 G This Annex deals with the 3 sets of *rules* in ~~*COCON* 1.1~~ *COCON* 1A (Who?, What? and Where?) in the same order as ~~*COCON* 1.1~~ *COCON* 1A. However, a person wanting to see whether conduct is within the scope of *COCON* can apply them in any order. For example, if conduct takes place outside the *UK*, a person may wish to apply the territorial scope *rules* first. If

the answer is that the conduct is outside the territorial scope of *COCON*, *COCON* does not apply and there is no need to look at any other part of ~~*COCON* 1.1~~ *COCON* 1A.

4 Annex 1 1.5	G	This Annex is based on the flow diagrams in ~~*COCON* 1 Annex 2~~ *COCON* 1A Annex 2 (How the application rules in ~~*COCON* 1.1~~ *COCON* 1A (Application and purpose) work) with parts not relevant to the harassment rule removed and with more detail about harassment added.

Section 2: Who does COCON apply to?

…

4 Annex 1 2.2	G	Flow diagram: Who COCON applies to

[*Editor's note*: The flow diagram is unamended except for the following amendments to the text in the boxes:

- References to the table in COCON 1.1.2R are to the table in COCON 1A.2.2R.
- References to row 6 of the table in COCON 1.1.2R are to row 4 of Part A of the table in COCON 1A.2.2R.]

Section 3: What does COCON apply to?

…

4 Annex 1 3.4	G	Flow diagram: Conduct COCON applies to: Flow diagram applying to all firms

[*Editor's note*: The flow diagram is unamended except for the following amendment to the text in the boxes:

- The reference to COCON 1.1.6R to COCON 1.1.7R is to COCON 1A.5.]

4 Annex 1 3.5	G	~~*COCON* 1.3.2G~~ *COCON* 1B.3.2G to ~~*COCON* 1.3.9G~~ *COCON* 1B.3.9G contain *guidance* on ~~*COCON* 1.1.6R to *COCON* 1.1.7R~~ *COCON* 1A.5 as referred to in the flow diagram in *COCON* 4 Annex 1 3.4G.
4 Annex 1 3.6	G	…

(2) ~~*COCON* 1.1.7FR(3)~~ *COCON* 1A.7.1R(3) (To what conduct does it apply? (Other limitations: Non-banks: Harassment)) deals with that restriction in the case of an *SMCR firm* that is not an *SMCR banking*

firm and that restriction is reflected in the flow diagrams in this Annex.

(3) ~~*COCON* 1.1.7FR(3)~~ *COCON* 1A.7.1R(3) does not apply to an *SMCR banking firm*. In the case of an *SMCR banking firm*, the *rules* in *COCON* do not have a restriction based on whether conduct relates to a work colleague. Therefore, the flow diagrams in this Annex do not reflect the restriction of the scope of this Annex described in (1) in the case of an *SMCR banking firm*.

4 Annex 1 3.7	G	Flow diagram: Conduct COCON applies to: Firms other than SMCR banking firms

[*Editor's note*: The flow diagram is unamended except for the following amendment to the text in the boxes:

- The reference to COCON 1.1.7FR(3) is to COCON 1A.7.1R(3).]

…

4 Annex 1 3.10	G	Flow diagram: Where the harassment rule does not apply

[*Editor's note*: The flow diagram is unamended except for the following amendments to the text in the boxes:

- The reference to COCON 1.1.7BR(3) is to COCON 1A.6.2R(3).
- The reference to COCON 1.1.7AR(2)(b) is to COCON 1A.6.1R(2)(b).]

Section 4: Territorial scope of COCON

…

4 Annex 1 4.2	G	Flow diagram: Territorial scope

[*Editor's note*: The flow diagram is unamended except for the following amendments to the text in the boxes:

- The reference to COCON 1.1.10R(2)(a) is to COCON 1A.9.2R(2)(a).
- The reference to COCON 1.1.10R(2)(b) is to COCON 1A.9.2R(2)(b).]

Section 5: Final questions

…

4 Annex 1 5.2	G	Flow diagram: Remaining questions

[*Editor's note*: The flow diagram is unamended except for the following amendments to the text in the boxes:

- The reference to COCON 1.1.7FR(4)(a) is to COCON 1A.7.1R(4)(a).
- The reference to COCON 1.1.7FR(4)(b) is to COCON 1A.7.1R(4)(b).]

4 Annex 1 5.3	G	*COCON* 4.3.6G to *COCON* 4.3.18G deal with whether conduct is of the kind described in ~~*COCON* 1.1.7FR(4)(a)~~ *COCON* 1A.7.1 R(4)(a).
4 Annex 1 5.4	G	*COCON* 4.3.17G to *COCON* 4.3.18G deal with aspects of whether conduct is of the kind described in ~~*COCON* 1.1.7FR(4)(b)~~ *COCON* 1A.7.1 R(4)(b).

…

Annex D

Amendments to the Threshold Conditions sourcebook (COND)

In this Annex, underlining indicates new text and striking through indicates deleted text.

2 The threshold conditions

…

2.5 Suitability

…

Paragraph 3D to Schedule 6 of the Act

…

2.5.3 G (1) The emphasis of the *threshold conditions* set out in paragraphs 2E and 3D of Schedule 6 of the *Act* is on the suitability of the *firm* itself. ~~The suitability of each *person* who performs a *controlled function* will be assessed by the *FCA* and/or the *PRA*, as appropriate, under the *approved persons* regime (in relation to an *FCA-approved person*, see *SUP* 10A (FCA Approved Persons in Appointed Representatives), *SUP* 10C (FCA senior managers regime for approved persons in SMCR firms) and *FIT*).~~ In certain circumstances, however, the *FCA* may consider that the *firm* is not suitable because of doubts over the individual or collective suitability of *persons* connected with the *firm*.

…

…

2.5.6 G Examples of the kind of particular considerations to which the *FCA* may have regard when assessing whether a *firm* will satisfy, and continue to satisfy, this *threshold condition* include, but are not limited to, whether:

…

(7) the *firm* has put in place procedures which are reasonably designed to:

…

(b) ensure that its ~~*approved persons*~~ <u>*approved or notified persons*</u> and the rest of its *conduct rules staff* are aware of those requirements and standards under the *regulatory*

system applicable to them, whether or not they are employed by the *firm*;

…

(d) determine that its ~~*approved persons*~~ *approved or notified persons* and the rest of its *conduct rules staff*~~,~~ are adhering to those requirements and standards;

…

…

Annex E

Amendments to the Fit and Proper test for Employees and Senior Personnel sourcebook (FIT)

In this Annex, underlining indicates new text and striking through indicates deleted text.

1 General

1.1 Application and purpose

1.1.1 G *FIT* applies to:

(1) an *SMCR firm*;

(2) an applicant for *Part 4A permission* that will be an *SMCR firm* if the application succeeds; and

…

(4) ~~an *approved person* performing an *FCA controlled function*;~~ a *person* whose fitness and propriety is assessed as described in the table in *FIT* 1.1.5G.

(5) ~~a *candidate* for an *FCA controlled function*;~~ [deleted]

(6) ~~a *certification employee* performing an *FCA certification function*;~~ [deleted]

(7) ~~a *person* whom an *SMCR firm* is proposing to certify to perform an *FCA certification function*; and~~ [deleted]

(8) ~~a *board director* as set out in *FIT* 1.1.2G(1)(e).~~ [deleted]

1.1.2 G The purpose of *FIT* is to set out and describe the criteria that:

(1) an *SMCR firm* should consider ~~when:~~ for the purposes described in Part A of the table in *FIT* 1.1.5G; and

~~(a) assessing the fitness and propriety of a *candidate* whom the *firm* is proposing to put forward for approval as an *FCA-approved SMF manager*;~~

~~(b) assessing the continuing fitness and propriety of a *person* approved to perform the function of an *FCA-approved SMF manager*, including for formulating an opinion about whether there are any grounds on which the regulator could withdraw~~

~~the approval given to that individual to perform that function under section 63(2A) of the *Act*;~~

~~(c) assessing the fitness and propriety of a *person* whom the *firm* is proposing to certify to perform an *FCA certification function*;~~

~~(d) assessing the continuing fitness and propriety of a *person* whom the *firm* has certified to perform an *FCA certification function*; and~~

~~(e) (in the case an *FCA authorised person* that is not a *limited scope SMCR firm*) assessing the fitness of a *non-SMF board director* under the *competent employees rule*, any *onshored regulation*, *SYSC* 23.4.1AR (Checks for certain directors) or any other requirement of the *regulatory system*.~~

(2) the *FCA* will or may consider for the purposes described in Part B of the table in *FIT* 1.1.5G ~~when assessing the fitness and propriety of a *candidate* for a *controlled function*, including a *designated senior management function* (see generally *SUP* 10A and *SUP* 10C on *approved persons*), and may consider when assessing the continuing fitness and propriety of *approved persons*~~.

…

1.1.4 G …

1.1.5 G Table: fitness and propriety requirements covered by FIT

Part A: Assessment of fitness and propriety requirement by an SMCR firm	
Person being assessed and purpose of assessment	**Background in the Act and Handbook**
Assessing the fitness and propriety of a *candidate* whom the *firm* is proposing to put forward for approval as an *FCA-approved or notified person*.	Under section 60A(1) of the *Act*, before a *firm* may make an application for the *FCA's* approval of a *controlled function*, the *firm* must be satisfied that the *person* for whom the application is made is a fit and proper *person* to perform that function.
Assessing the fitness and propriety of a *person* in respect of whom the *firm* is proposing to make an *SMF notification* to the *FCA*.	Under section 60A(1) of the *Act*, before a *firm* may make an *SMF notification* to the *FCA*, the *firm* must be satisfied that the *person* in respect of whom the notification is made is a

	fit and proper *person* to perform the *controlled function* in question.
Assessing the continuing fitness and propriety of an *approved or notified person*.	This includes making an assessment for the purpose of formulating an opinion about whether there are any grounds on which the *FCA* could withdraw the approval, or invalidate the notification, in respect of that *person* under section 63(2A) of the *Act*.
(In the case of an *FCA-authorised person* that is not a *limited scope SMCR firm*) assessing the fitness of a *non-SMF board director*.	The assessment is required by *SYSC* 23.4.1AR (Checks for certain directors).
A *firm* should ensure that an individual appointed as described in *SUP* 10C.3A.6R(1) is fit and proper to perform that role.	This refers to a temporary replacement for an *SMF manager* appointed under *SUP* 10C.3A (The 18-week rule). The fitness requirement is in *SUP* 10C.3A.13R. As described in that section, the fitness assessment may take into account the temporary nature of the appointment.
Part B: Assessment of fitness and propriety requirement by the FCA	
Assessing the fitness and propriety of a *candidate* whom a *firm* has put forward for approval as an *FCA-approved or notified person*.	Under section 61(1) of the *Act* (Determination of applications), the *FCA* may grant an application for approval made under section 60 (Applications for approval) of the *Act* only if it is satisfied that the *candidate* is fit and proper to perform the *controlled function* to which the application relates. This row does not apply to a *candidate* who is subject to an *SMF notification*. The effectiveness of an *SMF notification* is not subject to the *FCA* reaching any view about the fitness and propriety of the *SMF manager* to perform the function.
Assessing the continuing fitness and propriety of an *approved or notified person*.	*FIT* sets out factors that the *FCA* may consider when assessing the continuing fitness and propriety of *approved or notified person*.
Formulating an opinion about whether there are any grounds on which the *FCA* could withdraw the approval, or invalidate the notification, in respect of an *approved or*	Under section 63(1) of the *Act* (Withdrawal of approval or invalidation of notification), the *FCA* may withdraw an approval or invalidate a notification given by or to the *FCA* or the

notified person under section 63(2A) of the *Act*.	*PRA* under section 59 if it considers that the *person* is not a fit and proper *person* to perform the *controlled function*.

1.2 Introduction

1.2.-1 G ~~Under section 60A(1) of the *Act*, before a *firm* may make an application for the *FCA's* approval of a *controlled function* the *firm* must be satisfied that the *person* for whom the application is made is a fit and proper *person* to perform that function.~~ [deleted]

1.2.1 G ~~Under section 61(1) of the *Act* (Determination of applications), the *FCA* may grant an application for approval made under section 60 (Applications for approval) of the *Act* only if it is satisfied that the *candidate* is fit and proper to perform the *controlled function* to which the application relates.~~ [deleted]

1.2.1A G ~~Under section 63F of the *Act*, a *firm* may issue a certificate to a person to perform a *certification function* only if it is satisfied that the *person* is a fit and proper *person* to perform that function.~~ [deleted]

1.2.1B G Under ~~sections~~ section 60A ~~and 63F~~ of the *Act*, in assessing whether a *person* is a fit and proper person to perform an *FCA designated senior management function* ~~or an *FCA certification function*~~, a *firm* must have particular regard to whether that *person*:

…

…

1.2.3A G ~~Under section 63(1) of the *Act* (Withdrawal of approval), the *FCA* may withdraw an approval under section 59 given by the *FCA* or the *PRA* in relation to the performance by a person of a function if it considers that the *person* is not a fit and proper *person* to perform the function.~~ [deleted]

…

1.3 Assessing fitness and propriety

General matters

…

1.3.4A G A *firm* assessing the continuing fitness and propriety of an ~~*approved person*~~ *approved or notified person* is required to notify the *FCA* under section 63(2A) of the *Act* if it forms the opinion that there are grounds on which the *FCA* could withdraw its approval (see ~~*SUP* 10C.14.24R~~ *SUP*

10C.14.24G). In discharging its obligation to notify the *FCA*, a *firm* should take into account how relevant and how important the matter is that comes to its attention which suggests an ~~*approved person*~~ *approved or notified person* might not be fit and proper before determining that a notification should be made.

1.3.4AA G In relation to a *firm* assessing continuing fitness and propriety of an ~~*approved person*~~ *approved or notified person* under section 63(2A) of the *Act* during a temporary absence, see the *guidance* at *SUP* 10C.14.5GG.

…

Relevance of behaviour in private or personal life

1.3.15 G (1) *COCON* is limited to conduct related to a *firm's* activities (see ~~*COCON* 1.1.6R to *COCON* 1.1.7R~~ *COCON* 1.5 (To what conduct does it apply? Basic provisions)) and sometimes only to a part of its activities (for example, see ~~*COCON* 1.1.7AR~~ *COCON* 1A.6.1R). An assessment of fitness and propriety should not be limited in that way.

(2) That means that conduct is potentially relevant to an assessment of fitness and propriety even though ~~*COCON* 1.3~~ *COCON* 1B.3 (Scope of COCON) says that it is generally outside the scope of *COCON* because:

…

(3) For example, conduct described in the table in ~~*COCON* 1.3.7G~~ *COCON* 1B.3.7G (Table: Private or personal life and COCON) as generally being outside the scope of *COCON* may be relevant to fitness and propriety.

…

Annex F

Amendments to the Training and Competence sourcebook (TC)

In this Annex, striking through indicates deleted text unless otherwise specified.

2 Competence

2.1 Assessing and maintaining competence

…

Exemption from appropriate qualification requirements

2.1.9 R …

(2) The conditions are that a *firm* should be satisfied that an *employee*:

…

but (b) and (c) do not apply to an *employee* who is benefiting from the "30-day rule" exemption in *SUP* 10A.10.8R ~~or the "30-day rule" exemption in *SYSC* 27.5.3R~~, unless the *employee* benefits from that rule because they are giving *personal recommendations* to *retail clients* on *retail investment products*, are providing *advice on P2P agreements* to *retail clients* or are a *broker fund adviser*.

…

…

Annex G

Amendments to the General Provisions sourcebook (GEN)

In this Annex, underlining indicates new text and striking through indicates deleted text.

1 FCA approval and emergencies

…

1.2 Referring to approval by the FCA

…

1.2.2A R …

(2) Paragraph (1) does not apply to statements that explain, in a way that is fair, clear and not misleading, that:

…

(f) the *firm's* ~~*approved persons*~~ *approved or notified persons* have been approved by, or notified to, the *appropriate regulator* for the purposes of section 59 of the *Act* (Approval and notification for particular arrangements);

…

…

1.2.2B G For the purposes of *GEN* 1.2.2AR(2)(f), a statement is likely to be misleading if it states or implies that:

(1) a *person* has been approved by the *appropriate regulator*; or

(2) the fitness and properness of an *approved or notified person* has been assessed by the *appropriate regulator*,

in relation to a *controlled function* for which an *SMF notification* has been made.

…

2 Interpreting the Handbook

…

2.2 Interpreting the Handbook

…

Application of provisions where there are commensurate PRA provisions

2.2.23 R (1) This *rule* applies to *Handbook* provisions where the *PRA* have made commensurate provisions in the *PRA* Rulebook. It may affect their application by the *FCA* to *PRA authorised persons* and ~~*PRA approved persons*~~ *PRA-approved or notified persons*.

…

…

The effect of the General Rules

2.2.37 G …

(2) The *FCA* has decided in certain cases specifically to apply rules to *TP firms*, for example:

…

(h) in relation to the senior managers and ~~certification~~ conduct rules regime, the main provisions so applied are listed in the Senior Management Arrangements, Systems and Controls sourcebook (*SYSC*) at *SYSC* 23.3.3G.

…

…

Sch 4 Powers exercised

…

Sch 4.2 G Powers to make rules

The following powers and related provisions in or under the *Act* have been exercised by the *FCA* to make the rules in *GEN*:	
	Section 59 (Approval and notification for particular arrangements)
	Section 60A (Vetting of candidates by authorised persons)
	~~Section 63F (Issuing of certificates)~~
	…

…

Sch 4.4 G ~~Powers to make codes~~ [deleted]

~~The following powers and related provisions in the *Act* have been exercised by the *FCA* to issue the parts of the codes in *GEN*:~~	
	~~Section 64(2) (Conduct: statements and codes)~~

Sch 4.5 G Powers to issue statements

The following powers and related provisions in the *Act* have been exercised by the *FCA* to issue the parts of the statements in *GEN*:	
	…
	~~Section 64 (Conduct: statements and codes)~~
	…

…

Sch 4.7 G Powers to direct, require or specify

The following powers and related provisions in the *Act* have been exercised by the *FCA* in *GEN* to direct, require or specify:	
	…
	Section 60 (Applications for approval)
	Section 60ZA (Notifications under section 59)
	Section 60A (Vetting of candidates by authorised persons)
	Section 61 (Determination of applications)
	~~Section 62A (Changes to responsibilities of senior managers)~~
	~~Section 63ZA (Variation of senior manager's approval at request of authorised person)~~

	~~Section 63ZB (Variation of senior manager's approval on initiative of regulator)~~
	~~Section 63E (Certification of employees by authorised persons)~~
	~~Section 64C (Requirement for authorised persons to notify regulator of disciplinary action)~~
	…

…

Annex H

Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text and striking through indicates deleted text.

3 Application, Notification and Vetting Fees

…

3.2 Obligation to pay fees

…

3.2.7 R Table of application, notification, vetting and other fees payable to the FCA

Part 1A: Application, notification and vetting fees		
(1) Fee payer	(2) Fee payable (£) by reference to the pricing category in *FEES* 3 Annex 1AR.	Due date
…		
(f) Persons making an application referred to in *FEES* 3 Annex 15R – Transaction fees: … (vi) Applications in respect of controlled functions under the Senior Managers and ~~Certification~~ Conduct Rule Regime (SMCR), including applications by *principal firms* in respect of SMCR functions in *appointed representatives*.	…	…
…		

…

3 Annex 15 FCA Transaction Fees

3 Annex R
15

	Application type	Pricing category in FEES 3 Annex 1AR or amount of fee (£)	Due date
…			
6	Applications other than where the applicant is a *credit union*, • in respect of controlled functions under the Senior Managers and ~~Certification~~ Conduct Rules Regime (SMCR); or …	…	…
…			

Annex I

Amendments to the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU)

In this Annex, underlining indicates new text and striking through indicates deleted text.

2 Responsibility for insurance distribution and MCD credit intermediation activity

…

2.2 Allocation of the responsibility for insurance distribution activity or MCD credit intermediation activity

Responsibility for insurance distribution activity or MCD credit intermediation activity

…

2.2.1A G …

(2) The person could, for example, be~~:~~

~~(a)~~ a *SMF manager* who holds the *executive director function* (SMF 3) ~~or the *other overall responsibility function* (SMF 18); or~~

~~(b) a person who holds a significant management *FCA certification function*,~~

in relation to, as relevant, *insurance distribution* business or *MCD credit intermediation* business.

2.2.1B R (1) The *firm* must notify the *FCA* in a timely manner of the allocation in *MIPRU* 2.2.1R in accordance with (2) or (3).

(2) Where the person allocated responsibility under *MIPRU* 2.2.1R~~,~~ is~~:~~ an *SMF manager* and the allocation is made at the same time as the *firm* is required to submit an application for approval or a *SMF notification* in respect of that *SMF manager* under *SUP* 10C, the *firm* must include details of that allocation in the relevant application or notification.

~~(a) a *SMF manager*, then notification must be made in the following way:~~

~~(i) in Form A (Application to perform controlled functions) (see *SUP* 10C Annex 3D), Form D (Notification: Changes to personal information/application details and conduct breaches/disciplinary action related to conduct) (see *SUP* 10C Annex 6R) or Form E (Internal transfer of a person performing a controlled function) (see SUP 10C Annex 7D); and~~

~~(ii) included in (as relevant):~~

~~(A) a *statement of responsibilities*; or~~

~~(B) revised *statement of responsibilities* sent to the *FCA* as described in *SUP* 10C.11.7D (Revised statements of responsibilities: Procedure); or~~

~~(b) a *Directory person*, the notification is included in the *Directory person* report (see *SUP* 16 Annex 47AR (Directory persons report)); or~~

~~(c) a person other than a person in (a) and (b), then notification may be emailed to 'firm.queries@fca.org.uk' or made using a method as set out in *SUP* 15.7.4R (Method of notification).~~

(3) Where (2) does not apply, the *firm* must notify the *FCA* of the allocation by online submission through the *FCA's* website or by email to 'firm.queries@fca.org.uk' or by a method as set out in *SUP* 15.7.4R (Method of notification).

…

Annex J

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text and striking through indicates deleted text.

18 Specialist Regimes

…

18.12 Operating an electronic system in relation to lending

…

Monitoring of the risk management framework

18.12.20 R A *firm* with a *risk management framework* must:

…

(5) allocate to an ~~*approved person*~~ *approved or notified person* overall responsibility within the *firm* for the establishment and maintenance of an effective *risk management framework* and record that allocation.

…

Annex K

Amendments to the Insurance: Conduct of Business sourcebook (ICOBS)

In this Annex, underlining indicates new text and striking through indicates deleted text.

8 Claims handling

…

8 Annex 1 Employers' liability register

8 Annex 1 See *ICOBS* 8.4.4R (1)(a).

Part 1 In relation to information to be included in the employers' liability register				
…				
1.1D	G	(1)	To help to demonstrate that it has used its best endeavours, a *firm* should consider:	
			(a)	appointing an ~~*approved person*~~ *approved or notified person* with appropriate seniority within the *firm* to be responsible for agreeing and signing off the *firm's* approach to obtaining employee reference numbers;
			…	
		…		
…				

Annex L

Amendments to the Claims Management: Conduct of Business sourcebook (CMCOB)

In this Annex, underlining indicates new text.

2 Conduct of business

2.1 General principles

…

Requirements relating to firms with relevant connections to the claim or potential claim

…

2.1.18 G (1) For the purposes of *CMCOB* 2.1.17R to *CMCOB* 2.1.21R:

…

(b) a *person* may be responsible for the carrying on of an activity without being approved <u>by or notified to the *FCA* to perform a *designated senior management function*</u> as an *SMF manager*;

…

…

…

Annex M

Amendments to the Funeral Plan: Conduct of Business sourcebook (FPCOB)

In this Annex, underlining indicates new text and striking through indicates deleted text.

17 Application of other parts of the Handbook

17.1 Application and purpose

…

17.1.2 G Application of other parts of the Handbook and of Regulatory Guides

Module	Relevant to Funeral Plan *Firms*
…	
Senior Management Arrangements, Systems and Controls (*SYSC*)	*SYSC* 1, *SYSC* 4 to *SYSC* 10, *SYSC* 18, *SYSC* 19F.3, *SYSC* 21, *SYSC* 22, *SYSC* 23, *SYSC* 24~~,~~ ~~*SYSC* 27~~ and *SYSC* 28A apply to *firms* carrying out *regulated funeral plan activities*.
Code of Conduct (*COCON*)	This contains *rules* and *guidance* that are directly applicable to a *firm's SMF managers*~~,~~ ~~*certification employees*~~ and other *conduct rules staff*. It also contains *guidance* for *firms* on ~~giving~~ making their staff ~~training~~ aware about the *COCON rules* that apply to them and general factors to which the *FCA* will have regard when assessing compliance with the *COCON rules*.
…	
The *Fit* and Proper test for Employees and Senior Personnel (*FIT*)	The purpose of *FIT* is to set out and describe the criteria that a *firm* should consider when assessing the fitness and propriety of a *person*: (1) in respect of whom an application is being made for approval ~~to undertake a *controlled function*~~ as an *FCA-approved or notified SMF manager* under the senior managers regime; (1A) in respect of whom the *firm* is proposing to make an *SMF notification* to the *FCA*; or

	(2) who has already been approved~~;~~ by or notified to the *FCA*. ~~(3) who is a *certification employee*; or~~ ~~(4) whom a *firm* is considering appointing to be a *certification employee*.~~ It also sets out and describes criteria that the *FCA* will consider when assessing the fitness and propriety of a *candidate* ~~for a *controlled function* position~~ as an *FCA-approved or notified SMF manager* and that it may consider when assessing the continuing fitness and propriety of ~~*approved persons*~~ *approved or notified persons*.
…	

Annex N

Amendments to the Pensions Dashboards: Conduct of Business sourcebook (PDCOB)

In this Annex, underlining indicates new text and striking through indicates deleted text.

17 Application of other parts of the Handbook

17.1 Application of other parts of the Handbook

…

17.1.2 G The application of other parts of the Handbook and of Regulatory Guides is set out in the following table.

Module	**Relevant to *firms* carrying out *regulated pensions dashboard activity***	
…		
Senior Management Arrangements, Systems and Controls sourcebook (*SYSC*)	*SYSC* 1, *SYSC* 4 to *SYSC* 10, *SYSC* 18~~,~~ and *SYSC* 21 to *SYSC* 24 ~~and *SYSC* 27~~ apply to *firms* carrying out *regulated pensions dashboard activity*. *Insurers* carrying out *regulated pensions dashboard activity* will be subject to the provisions of *SYSC* applicable to *insurers* when carrying out that activity.	
Code of Conduct sourcebook (*COCON*)	This contains *rules* and *guidance* that are directly applicable to a *firm's SMF managers*~~,~~ ~~*certification employees*~~ and other *conduct rules staff*. It also contains *guidance* for *firms* on ~~giving~~ making their staff ~~training~~ aware about the *COCON rules* that apply to them and general factors to which the *FCA* will have regard when assessing compliance with the *COCON rules*.	
…	…	
Fit and Proper test for Employees and Senior Personnel sourcebook (*FIT*)	The purpose of *FIT* is to set out and describe the criteria that a *firm* should consider when assessing the fitness and propriety of a *person*:	
	(1)	in respect of whom an application is being made for approval ~~to undertake a~~

		~~*controlled function*~~ as an *FCA-approved or notified SMF manager* under the senior managers regime;
	(1A)	in respect of whom the *firm* is proposing to make an *SMF notification* to the *FCA*; or
	(2)	who has already been approved~~;~~ by or notified to the *FCA*.
	~~(3)~~	~~who is a *certification employee*; or~~
	~~(4)~~	~~whom a *firm* is considering appointing to be a *certification employee*.~~
	FIT also sets out and describes criteria that the *FCA* will consider when assessing the fitness and propriety of a *candidate* ~~for a *controlled function* position~~ as an *FCA-approved or notified SMF manager* and that it may consider when assessing the continuing fitness and propriety of ~~*approved persons*~~ *approved or notified persons*.	
…		

Annex O

Amendments to the Client Assets sourcebook (CASS)

In this Annex, underlining indicates new text and striking through indicates deleted text.

1A CASS firm classification and operational oversight

…

1A.3 Responsibility for CASS operational oversight

…

1A.3.1-A G The material in *CASS* 1A.3.1BG about how *CASS* 1A.3 fits into the *FCA* senior managers and ~~certification~~ conduct rules regime for *SMCR firms* also applies to a *CASS small firm* that is an *SMCR firm* and the function in *CASS* 1A.3.1R.

The senior managers regime and ~~the certification~~ conduct rules regime

…

1A.3.1B G (1)

(a) This paragraph *CASS* 1A.3.1BG describes how *CASS* 1A.3.1AR applies to *SMCR firms*.

(b) The function in *CASS* 1A.3.1AR is not a separate *controlled function* and performing that function does not require approval or notification as an ~~*approved person*~~ *approved or notified person*.

…

(1A) ~~There are three elements~~ The element of the regime for *SMCR firms* that ~~are~~ is particularly relevant to *CASS* 1A, although ~~they do~~ it does not ~~all~~ apply to all *SMCR firms*~~:~~, is

~~(a)~~ a *firm's* obligation to allocate certain responsibilities to its *SMF managers* (see *SYSC* 24 (Senior managers and ~~certification~~ conduct rules regime: Allocation of prescribed responsibilities))~~;~~.

~~(b) a *firm's* obligation to ensure that one or more of its *SMF managers* have overall responsibility for each of its activities, business areas and management functions (see~~

~~*SYSC* 26 (Senior managers and certification conduct rules regime: Overall and local responsibility)); and~~

~~(c)~~ ~~the certification regime (the certification regime is explained in *SYSC* 27 (Senior managers and certification regime: Certification regime) and *SYSC* TP 7 (Bank of England and Financial Services Act 2016: Certification and regulatory references) explains that the certification regime comes into force sometime after other parts of the senior managers and certification regime).~~

(2)

(a) This paragraph (2) explains how *CASS* 1A.3.1AR applies to an *SMCR firm* to which *SYSC* 24 ~~and *SYSC* 26 both apply~~ applies.

…

(d) ~~The *firm* may allocate the *CASS FCA-prescribed senior management responsibility* described in (b) to an *SMF manager* who does not perform any other function coming within the *FCA* regime for *SMF managers* in *SMCR firms*. See *SUP* 10C.7 (Other overall responsibility function (SMF18)) and *SUP* 10C.8.1R (Other local responsibility function (SMF22)) for details. Where this is the case, the manager will be performing the other *overall responsibility function* or the *other local responsibility function*.~~ [deleted]

(e) The *firm* may choose to allocate the function in *CASS* 1A.3.1AR to someone who is not an ~~*approved person*~~ *approved or notified person* and *SMF manager*. If so~~:~~.

~~(i)~~ ~~that *person* will be subject to the employee certification regime described in *SYSC* 27 (Senior managers and certification regime: (Certification Regime);~~

(ii) that *person* will be subject to supervision by the *SMF manager* in (b)~~; and~~.

~~(iii)~~ ~~the function in *CASS* 1A.3.1AR will be the *CASS* oversight *FCA certification function* in *SYSC* 27.8.1R.~~

(3) ~~In relation to an *SMCR firm* to which *SYSC* 24 applies but *SYSC* 26 does not apply, the *guidance* in sub-paragraphs (2)(b), (2)(c), and~~

~~2(e) applies, but the *guidance* in sub-paragraph (2)(d) does not apply.~~ [deleted]

(4)

(a) The position of an *SMCR firm* to which ~~neither~~ *SYSC* 24 ~~nor *SYSC* 26~~ does not apply is slightly different.

…

(d) Where (c) applies, ~~the *person* performing the function in *CASS* 1A.3.1AR will fall into the certification regime. The function in *CASS* 1A.3.1AR will be the *CASS* oversight *FCA certification function* in *SYSC* 27.8.1R~~ there is no specific requirement under the senior managers and conduct rules regime to allocate responsibility for supervising that *person* to a specific *SMF manager*.

…

11 Debt management client money chapter

…

11.3 Responsibility for CASS operational oversight

CASS small debt management firm other than a not-for-profit debt advice body

…

11.3.1A G *CASS* 11.3.3G(5) to (11) also apply to a *CASS small debt management firm* that is an *SMCR firm* and the function in *CASS* 11.3.1R. ~~However:~~

~~(1) the function in *CASS* 11.3.1R is not a separate *FCA certification function*; and~~

~~(2) the *person* performing that function will not necessarily be subject to the employee certification regime described in *SYSC* 27 (Senior managers and certification regime: Certification regime).~~

CASS small debt management firm that is a not-for-profit debt advice body

…

11.3.2A G (1) *CASS* 11.3.3G(5) to (11) do not apply to a *CASS small debt management firm* that is a *not-for-profit debt advice body*. This is because ~~neither~~ *SYSC* 24 (Senior managers and ~~certification~~ conduct rules regime: Allocation of prescribed responsibilities) ~~nor *SYSC* 26~~

~~(Senior managers and certification regime: Overall and local responsibility)~~ does not apply to it.

…

(3) ~~The function in *CASS* 11.3.2R is not a separate *FCA certification function* and the *person* performing that function will not necessarily be subject to the employee certification regime described in *SYSC* 27 (Senior managers and certification regime: Certification Regime).~~ [deleted]

CASS large debt management firms

11.3.3 G …

(4A) For an *SMCR firm*, the function in *CASS* 11.3.4R is not a separate *controlled function* and performing that function does not require approval or notification as an ~~*approved person*~~ *approved or notified person*. Paragraphs (5) to (11) describe how *CASS* 11.3.4R applies to such *firms*.

(4B) ~~There are three elements~~ The element of the regime for *SMCR firms* that ~~are~~ is particularly relevant to *CASS* 11.3, although ~~they do~~ it does not ~~all~~ apply to all *SMCR firms*~~:~~, is

~~(a)~~ a *firm's* obligation to allocate certain responsibilities to its *SMF managers* (see *SYSC* 24 (Senior managers and ~~certification~~ conduct rules regime: Allocation of prescribed responsibilities))~~;~~.

~~(b) a *firm's* obligation to ensure that one or more of its *SMF managers* have overall responsibility for each of its activities, business areas and management functions (see *SYSC* 26 (Senior managers and certification regime: Overall and local responsibility)); and~~

~~(c) the certification regime (the certification regime is explained in *SYSC* 27 (Senior managers and certification regime: Certification regime) and *SYSC* TP 7 (Bank of England and Financial Services Act 2016: Certification and regulatory references) explains that the certification regime comes into force sometime after other parts of the senior managers and certification regime).~~

(5) ~~Paragraphs (6) to (9) explain how *CASS* 11.3.4R applies to an *SMCR firm* to which *SYSC* 24 and *SYSC* 26 apply.~~ [deleted]

…

(8) ~~The *SMCR firm* may allocate the *CASS FCA-prescribed senior management responsibility* described in (6) to an *SMF manager* who does not perform any other function coming within the *FCA* regime for *SMF managers* in *SMCR firms*. See *SUP* 10C.7 (Other overall responsibility function (SMF18)) and *SUP* 10C.8.1R (Other local responsibility function (SMF22)) for details.~~ [deleted]

(9) The *SMCR firm* may choose to allocate the function in *CASS* 11.3.4R to someone who is not an ~~*approved person*~~ *approved or notified person* and *SMF manager*. If so~~:~~,

~~(a)~~ ~~that *person* will be subject to the employee certification regime described in *SYSC* 27 (Senior managers and certification regime: Certification regime);~~

~~(b)~~ that *person* will be subject to supervision by the *SMF manager* in (6)~~; and~~.

~~(c)~~ ~~the function in *CASS* 11.3.4R will be the *CASS* oversight *FCA certification function* in *SYSC* 27.8.1R.~~

(10) ~~In relation to an *SMCR firm* to which *SYSC* 24 applies but *SYSC* 26 does not apply the *guidance* in paragraphs (6), (7) and (9) applies, but the *guidance* in paragraph (8) does not apply.~~ [deleted]

(11)

(a) The position of an *SMCR firm* to which ~~neither~~ *SYSC* 24 ~~nor *SYSC* 26~~ does not apply is slightly different.

…

(d) Where (c) applies, ~~the *person* performing the function in *CASS* 11.3.4R will fall into the certification regime. The function in *CASS* 1A.3.1AR will be the *CASS* oversight *FCA certification function* in *SYSC* 27.8.1R~~ there is no specific requirement under the senior managers and conduct rules regime to allocate responsibility for supervising that *person* to a specific *SMF manager*.

…

…

13 Claims management: client money

…

13.2 Organisational requirements and responsibility for CASS operational oversight

…

13.2.5 G (1) This paragraph *CASS* 13.2.5G explains how *CASS* 13.2.3R fits into the senior managers and ~~certification~~ conduct rules regime. This paragraph does not deal with a firm that is a *PRA-authorised person*.

(2) The senior managers and ~~certification~~ conduct rules regime is summarised in *SYSC* 23.3 (Overview of the senior managers and ~~certification~~ conduct rules regime).

(3) The function in *CASS* 13.2.3R is not a separate *controlled function* and performing that function does not require approval or notification as an ~~*approved person*~~ *approved or notified person*.

(4) ~~There are three elements~~ The element of the senior managers and ~~certification~~ conduct rules regime that ~~are~~ is particularly relevant to *CASS* 13.2.3R, although ~~they do~~ it does not ~~all~~ apply to all *SMCR firms*~~:~~, is

~~(a)~~ a *firm's* obligation to allocate certain responsibilities to its *SMF managers* (see *SYSC* 24 (Senior managers and ~~certification~~ conduct rules regime: Allocation of prescribed responsibilities))~~;~~.

~~(b) a *firm's* obligation to ensure that one or more of its *SMF managers* have overall responsibility for each of its activities, business areas and management functions (see *SYSC* 26 (Senior managers and certification regime: Overall and local responsibility)); and~~

~~(c) the certification regime (the certification regime is explained in *SYSC* 27 (Senior managers and certification regime: Certification regime) and *SYSC* TP 7 (Bank of England and Financial Services Act 2016: Certification and regulatory references) explains that the certification regime comes into force sometime after other parts of the senior managers and certification regime).~~

(5)

…

(b) ~~Neither~~ *SYSC* 24 ~~nor *SYSC* 26 applies~~ does not apply to a *limited scope SMCR firm*.

…

(e) Where (d) applies, ~~the *person* performing the function in *CASS* 13.2.3R will fall into the certification regime. The function in *CASS* 13.2.3R will be the *CASS* oversight *FCA certification function* in *SYSC* 27.8.1R~~ there is no specific requirement under the senior managers and conduct rules regime to allocate responsibility for supervising that *person* to a specific *SMF manager*.

(6)

(a) This paragraph (6) explains how *CASS* 13.2.3R applies to a *core SMCR firm* or an *enhanced scope SMCR firm*.

(b) *SYSC* 24 applies to a *core SMCR firm* and an *enhanced scope SMCR firm* ~~but *SYSC* 26 does not~~.

…

(e) The *firm* may choose to allocate the function in *CASS* 13.2.3R to someone who is not an *SMF manager*. If so~~:~~,

~~(i)~~ ~~that *person* will be subject to the certification regime described in *SYSC* 27 (Senior managers and certification regime: Certification regime);~~

~~(ii)~~ that *person* will be subject to supervision by the *SMF manager* in (c)~~; and~~.

~~(iii)~~ ~~the function in *CASS* 13.2.3R will be the *CASS* oversight *FCA certification function* in *SYSC* 27.8.1R.~~

(7) [deleted]

~~(a)~~ ~~This paragraph (7) explains how *CASS* 13.2.3R applies to an *enhanced scope SMCR firm*.~~

~~(b)~~ ~~Both *SYSC* 24 and *SYSC* 26 apply to an *enhanced scope SMCR firm*.~~

~~(c)~~ ~~*CASS* 13.2.5G(6) applies to an *enhanced scope SMCR firm*.~~

~~(d)~~ ~~In addition, the *firm* may allocate the *CASS FCA-prescribed senior management responsibility* to an *SMF manager* who does not perform any other function coming within the *FCA* regime for *SMF managers* in *SMCR firms*. See *SUP* 10C0.7 (Other overall responsibility function (SMF18)) and *SUP* 10C.8.1R (Other local responsibility function (SMF22)) for details. Where this is the case, the manager will be performing the *other overall responsibility function* or the *other local responsibility function*.~~

…

Annex P

Amendments to the Supervision manual (SUP)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Part 1: Comes into force on [*date 1*]

2 Information gathering by the FCA or PRA on its own initiative

…

2.4 'Mystery shopping'

…

2.4.5 G The *FCA* may use the information it obtains from mystery shopping in support of both its supervisory functions and its enforcement functions. This includes sharing any information so obtained with *firms* and ~~*approved persons*~~ *approved or notified persons*.

…

4 Actuaries

…

4.2 Purpose

…

4.2.3 G The functions described by *SUP* 4.2.2G(1) are performed by one or more *actuaries* who are required to hold office continuously and must be ~~*approved persons*~~ *approved or notified persons*. *Solvency II firms* are required to have an actuarial function. *Solvency II firms* are not required to appoint an external actuary to fulfil the actuarial function for the purposes of rule 6 of the PRA Rulebook: Solvency II firms: Conditions Governing Business, but they must do so if they do not have the internal capability (see PRA Rulebook: Solvency II Firms: Actuaries). Whoever has responsibility for the actuarial function (whether internal or external) will need to be approved by or notified to the *PRA* as a Chief Actuary. *Solvency II firms* carrying on *with-profits business* are required to appoint a qualified *with-profits actuary* (whether internal or external). Whoever has responsibility for advising the *governing body* of the firm on the exercise of discretion affecting the *firm's with-profits business* will need to be approved by or notified to the *PRA* as a With-Profits Actuary. The principal

duty of an *actuary* appointed to perform these functions is to advise the *firm* (see *SUP* 4.3.13 R to *SUP* 4.3.18 G for the rights and duties of such an *actuary*).

…

6 Applications to vary and cancel Part 4A permission and to impose, vary or cancel requirements

…

6.3 Applications for variation of permission and/or imposition, variation or cancellation of requirements

…

How a variation of permission may affect the firm's approved or notified persons

6.3.8 G (1) Where a *firm* is submitting an application for variation of *Part 4A permission* which would lead to a change in the *controlled functions* of its ~~*approved persons*~~ *approved or notified persons*, it should, at the same time and as appropriate:

(a) make an application for ~~an internal transfer of an *approved person*, Form E (Internal transfer of a person performing a controlled function), or make an application for an individual to perform additional *controlled functions*, the relevant Form A (Application to perform senior management functions); see:~~ approval or a *SMF notification* for the individual to perform the relevant *controlled functions*; or

~~(i) *SUP* 10A.13.3D to *SUP* 10A.13.5G (for a *firm* that has *appointed representatives*);~~

~~(ii) *SUP* 10C.10 (for an *SMCR firm*); or~~

~~(iii) the corresponding *PRA* requirements;~~

(b) notify the *FCA* or *PRA* of any ~~*approved person*~~ *approved or notified person* who has ceased to perform a *controlled function* specified by that regulator~~, Form C (Notice of ceasing to perform controlled functions (including senior management functions)); see:~~.

~~(i) *SUP* 10A.14 (for a *firm* that has *appointed representatives*);~~

~~(ii) *SUP* 10C.14 (for an *SMCR firm*); or~~

~~(iii) the corresponding *PRA* requirements.~~

(2) ~~If the *firm* intends to recruit new individuals to perform *controlled functions*, it should apply for approval of the individuals as *approved persons* as soon as possible using Form A (Application to perform senior management functions); see:~~ [deleted]

~~(a) *SUP* 10A.13 (for a *firm* that has *appointed representatives*);~~

~~(b) *SUP* 10C.10 (for an *SMCR firm*); or~~

~~(c) the corresponding *PRA* requirements.~~

SMCR firm status

6.3.9 G A variation of a *firm's Part 4A permission* may mean that it becomes an *SMCR firm* or that it changes from one type of *SMCR firm* to another. This would have a number of significant consequences, which include:

(1) the application of the special powers in relation to misconduct by ~~*approved persons*~~ *approved or notified persons* (see *DEPP* 6.2.9-AG);

…

(4) the other elements of the regime for *SMCR firms* described in *SYSC* ~~23.4~~ 23.3 (Overview of the senior managers and ~~certification~~ conduct rules regime) apply (which differ depending on the type of *SMCR firm*).

…

…

Information which may be required. See SUP 6.3.24 G

6.3.25 G

Type of business	Information which may be required
All	…
	…
	3. Organisation charts and details of individuals transferring or being recruited to perform new *controlled functions* (see *SUP* 10A and *SUP*

	10C, and the corresponding *PRA* requirements for details of the application or transfer procedures under the ~~*approved persons*~~ *approved or notified persons* or senior managers regime).
…	

…

6.4 Applications for cancellation of permission

…

Approved or notified persons

6.4.18 G (1) A *firm* which is applying for cancellation of *Part 4A permission* and which is not otherwise *authorised* by, or under, the *Act* should, at the same time:

…

(b) notify the ~~the~~ *FCA* or *PRA* of persons ceasing to perform *controlled functions* specified by that regulator.

(2) These ~~forms~~ notifications should give the effective date of withdrawal, if known (see *SUP* 10A and *SUP* 10C (*FCA's* regimes for ~~approved persons~~ approved or notified persons)).

…

6B Variation and cancellation of permission and imposition of requirements on the FCA's own initiative and intervention against incoming firms

…

6B.8 Supervisory notices varying a firm's Part 4A permission, imposing a requirement or varying an approval on the FCA's own initiative (see DEPP 8) and supervisory notices imposing a direction under regulation 74C of the Money Laundering Regulations on the FCA's own initiative (see ENFG App 2.2)

6B.8.1 G It is important that the *FCA* maintains an accurate public record. One of the ways the *FCA* does this is by publishing the reasons for variations of *Part 4A permission*, the imposition of requirements, variations of the approval or notification of *SMF managers* and the imposition and variation of directions under regulation 74C(5) of the *Money Laundering Regulations*.

The *FCA* will always aim to balance the interests of *consumers* and the possibility of unfairness to the *person* subject to the *FCA's* action. The *FCA* will publish relevant details of fundamental and non-fundamental variations of *Part 4A permission* and requirements which it imposes on *firms*, variations of approval or notification of *SMF managers* and directions under regulation 74C(5) of the *Money Laundering Regulations*. But it will use its discretion not to do so if it considers this to be unfair to the *person* on whom the variation or direction is imposed, prejudicial to the interests of *consumers*, or detrimental to the stability of the *UK financial system*. Publication will generally include placing the notice on the *FCA* website and this may be accompanied by a press release. As with warning notice statements, *decision notices* and *final notices*, *supervisory notices* and related press releases that are published on the *FCA's* website will be reviewed upon request. The *FCA* will determine at that time whether continued publication is appropriate, or whether notices and related press releases should be removed or amended. The *FCA* expects usually to conclude that *supervisory notices* and related press releases that have been published for less than 6 years should not be removed from the website.

6B.8.2 G The *FCA* will amend the *Financial Services Register* to reflect a *firm's* actual *Part 4A permission*, the terms of an *SMF manager's* actual approval or notification under section 59 of the *Act* following any variation or the terms of a direction imposed under regulation 74C of the *Money Laundering Regulations*.

…

10C FCA senior managers regime for approved and notified persons in SMCR firms

10C.1 Application

General

…

10C.1.2 G This chapter is also relevant to ~~*FCA-approved SMF managers*~~ *FCA-approved or notified SMF managers* of an *SMCR firm*.

…

Overseas firms: general

10C.1.5 A G (1) Generally, where an overseas manager of an *overseas SMCR firm* has responsibilities in relation to its *branch* in the *United Kingdom* that are strategic only, they will not need to be an ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager*.

…

…

10C.2 Purpose

10C.2.1 G The purpose of *SUP* 10C is:

(1) to specify, under section 59 of the *Act*, descriptions of the *FCA-designated senior management functions* for *SMCR firms*, which are listed in *SUP* 10C.4.3R; ~~and~~

(2) to ~~specify~~ give some details about the manner in which a *firm* must apply for the *FCA's* approval under section 59 of the *Act* ~~and other procedures for *FCA-approved SMF managers*~~;

(3) to specify those *FCA-designated senior management functions* to which the *SMF notification procedure* applies and to give some details about that process;

(4) to explain that a *firm* should apply for the *FCA's* approval under section 59 of the *Act* for the performance of any *FCA-designated senior management function* not subject to the *SMF notification procedure*;

(5) to describe the processes for varying approvals for and notifications of the performance of *designated senior management functions* and making them subject to conditions and limitations; and

(6) describing various other procedures for *FCA-approved or notified SMF managers*.

…

10C.2.3 G (1) The *FCA* has certain powers in relation to ~~*PRA-approved persons*~~ the exercise by the *PRA* of its powers in relation to *PRA-approved or notified persons*, such as the requirement for *FCA* consent to the *PRA* granting approval for the performance of a *PRA controlled function*. *SUP* 10C does not deal with these.

…

…

10C.3 General material about the definition of controlled functions

…

Definition of FCA controlled function: arrangements

10C.3.6 R In accordance with section 59 of the *Act* (Approval and notification for particular arrangements), a function specified in this chapter is an *FCA controlled function* only to the extent that it is performed under an *arrangement* entered into by:

…

10C.3.7 G Section 59(1) and (2) of the *Act* provide that approval by or notification to the *FCA* is necessary for an *FCA controlled function* which is performed under an *arrangement* entered into by a *firm*, or its contractor (typically an *appointed representative*), in relation to a *regulated activity*.

…

10C.3A The ~~12-week~~ 18-week rule

Purpose

10C.3A.1 G This section enables cover to be given for temporary absences and ~~reasonably unforeseen~~ permanent departures. It applies whether the absence is foreseen or unexpected, subject to *SUP* 10C.3A.15R (Reasonable use of the rules).

10C.3A.2 G If an *SMF manager* permanently ~~and unexpectedly~~ leaves a *firm*, the purpose of this section is to allow the *firm* to replace them temporarily, without needing to get approval for the temporary replacement, while the *firm* applies to the *FCA* for approval, or makes an *SMF notification*, for or of someone to act as a permanent replacement. The temporary replacement can stay in place:

(1) for up to ~~12~~ 18 weeks; or

(2) up to the time when the *FCA* determines the application for the approval of the permanent replacement or, as the case may, when the *SMF notification* of the permanent replacement becomes effective, as long as that application or *SMF notification* is made within the first ~~12~~ 18 weeks following departure.

10C.3A.3 G If an *SMF manager* permanently ~~and unexpectedly~~ leaves a *firm*, the *firm* may want to replace them for an interim period with another *person* and seek approval from the *FCA* or, as the case may be, make an *SMF notification*, for or of that interim appointee while the *firm* looks for a long-term replacement. This section allows the *firm* to appoint a temporary replacement in the ways described in *SUP* 10C.3A.2G without the need for

FCA approval or notification while it is seeking approval for the interim replacement or until that *SMF notification* becomes effective.

10C.3A.4 G If an *SMF manager* is temporarily absent, the purpose of this section is to allow the *firm* to replace them temporarily without needing to get approval or, as the case may be, making an *SMF notification*, for or of the replacement. The replacement can be in place for up to ~~12~~ 18 weeks. In many cases, that is all that the *firm* will need. However, that period can be extended to cover ~~unexpected~~ longer absences in the same way as for permanent departures.

10C.3A.5 G See *SUP* 10C.12.7G to *SUP* 10C.12.14G (time-limited approvals) for procedures for temporary appointments longer than the period permitted by this section.

The ~~12-week~~ 18-week rule: The main rules

10C.3A.6 R If:

(1) a *firm* appoints an individual (I) who is a member of the *conduct rules staff* of the *firm* to perform a function which, but for this *rule*, would be an *FCA-designated senior management function*;

(2) the appointment is to provide cover for an *SMF manager* who is an individual; and ~~whose absence is:~~

~~(a) temporary; or~~

~~(b) reasonably unforeseen; and~~

(3) the appointment is for less than ~~12~~ 18 weeks in a consecutive 12-month period (subject to *SUP* 10C.3A.8R);

the description of the relevant *FCA-designated senior management function* does not relate to those activities of that individual.

…

10C.3A.8 R (1) ~~This *rule* deals with an appointment by a *firm* under *SUP* 10C.3A.6R where:~~ [deleted]

~~(a) the absence is reasonably unforeseen; or~~

~~(b) an absence of over 12 weeks is reasonably unforeseen.~~

(2) If, before the period under *SUP* 10C.3A.6R(3) would have expired but for this *rule*, the *firm* makes a valid and complete application for

the approval or, as the case may, makes a valid and complete *SMF notification*, for or of the performance by a *person* of the *FCA-designated senior management function* that was performed by the absent manager:

(a) the period for which the function performed by the temporary replacement is not an *FCA-designated senior management function* is extended until:

(i) that application is finally determined; or, as the case may be,

(ii) the *SMF notification* becomes fully effective or is withdrawn; and

(b) the period for which the temporary replacement may perform the function without approval is extended accordingly.

…

(4) …

(5) References to granting an application include, in the case of a *permitted conditional SMF application*, granting it subject only to conditions, or for a limited period, requested in the application (or both) in accordance with section 61(3ZA) of the *Act* (Determination of applications).

10C.3A.9 G The reference in *SUP* 10C.3A.8R(3) to 'not granted' includes a situation where the *FCA* has granted an application subject to conditions or for a limited period (or both), subject to *SUP* 10C.3A.8R(5).

…

Examples of when the rule can be used

…

10C.3A.12 G Table: Examples of the operation of the ~~12-week~~ 18-week rule

Firm can use the rule	Firm may not use the rule or the rule is subject to restricted use
(1) S gives long notice in accordance with S's contract of	(1) S and F agree a retirement plan for S a year before S leaves, including the

employment. F did not foresee this. Immediately after S gives the notice, S stops performing their *designated senior management function*. Instead, S stays on as a consultant to help with the handover. S leaves F altogether when the notice expires. F knows that S will leave F a long time in advance before S leaves. However, for the purposes of the *rule*, S's absence begins when S stops performing the *designated senior management function*. F had very little notice of the absence on this basis, and so it is reasonable under *SUP* 10C.3A.15R to use the *rule*.	retirement date. S, in accordance with the retirement plan, gives short notice of retirement and leaves when the notice expires. A key feature of whether the use of the *rule* is reasonable as referred to in *SUP* 10C.3A.15R is whether it would be reasonable to expect F to have contingency plans in place for S's departure that enable F to get a replacement approved before S leaves. Factors include how much notice F has of S's likely departure. Therefore, in this case F should not use the *rule*.
(2) S takes parental leave with only short notice. … However, a *firm* should try to avoid the need to use the *rule* or minimise use of the *rule* (see ~~*SUP* 10C.3A.15G~~ *SUP* 10C.3A.15R). In the case of long-term leave, a *firm* should have systems in place to deal with parental leave that will enable it to identify a replacement to fill in for S during S's absence at once and apply for their approval in sufficient time for the replacement to have been approved by the *FCA* by the time S goes on leave.	…
…	(3) S gives long notice that S is going to take extended leave of 1 year. After S goes on leave, S resigns by giving the notice required by S's contract of

	employment. F does not foresee the resignation. ~~F may not treat the absence as unexpected for the purpose of *SUP* 10C.3A.8R after S resigns as F foresaw an absence exceeding 12 weeks. *SUP* 10C.3A.8R applies if F did not foresee any absence or only foresaw an absence of under 12 weeks.~~ ~~In addition, although the resignation is treated as unexpected permanent absence for the purpose of *SUP* 10C.3A.6R,~~ F should not use the ~~fixed 12-week period in *SUP* 10C.3A.6R(3)~~ *rule* as F should have put someone in place to cover S's expected long-term temporary absence immediately after S goes on leave.
(4) S gives long notice that S is going to take a short career break. Shortly after S goes on leave, S resigns by giving the notice required by S's contract of employment. F does not foresee the resignation. ~~F may treat the absence as unexpected for the purpose of *SUP* 10C.3A.6R and *SUP* 10C.3A.8R once S resigns. F foresaw a short absence (under 12 weeks) but not a permanent absence.~~ It may be reasonable for F to use the *rule* as referred to in *SUP* 10C.3A.15R if F considered that it would be unreasonable for it to have the temporary replacement approved because of the shortness of the expected absence. Even if F did line up a temporary replacement, F may consider that the temporary replacement was suitable to fill in for a short absence but not for a long one or	…

that the temporary replacement is not available for the extended period.	
(5) S leaves F. F appoints R to fill in for S until a permanent replacement is approved. F makes an application to the *FCA* ~~5~~ 6 weeks after R is appointed. However, F withdraws the application for approval of the *candidate* ~~2~~ 6 weeks later. Two weeks after that, F makes an application for the approval of someone else. The *FCA* grants its approval 8 weeks later. That means that R performs the function for ~~17~~ 22 weeks. F would not be able to use the extended period in *SUP* 10C.3A.8R if the second application was made more than ~~12~~ 18 weeks after R is appointed.	(5) S takes extended leave. ~~F expects this.~~ F appoints R1 to fill in for S. After 10 weeks, F wishes to replace R1 with R2. F can use the *rule* for R2 as well as for R1. However, F can only appoint R2 for ~~2~~ 8 weeks under the *rule*. If F has sufficient warning, it should find a replacement for S before S leaves and should not use the *rule*.
(6) S1 leaves F. R acts as a temporary replacement for 10 weeks. Shortly afterwards, S2 is absent and R acts as a temporary replacement for 11 weeks. This is permissible because the 18-week limit is calculated by reference to the absent *SMF manager*, not the temporary replacement.	
(7) S is temporarily absent from F for 8 weeks. Later in the same year, S leaves F permanently. R may act as a temporary replacement in respect of the second absence for 10 weeks. This 10-week period may be	

extended as long as F makes an application or notification as referred to in *SUP* 10C.3A.8R within that remaining 10-week period.	
In this table: 'S' (and S1 and S2) refers to the absent *SMF manager* referred to in *SUP* 10C.3A.6R; 'F' refers to the *firm* in question; and 'R' (and R1 and R2) refers to the individual providing cover referred to in *SUP* 10C.3A.6R. In order to simplify the drafting of the table, it is assumed that the *SMF notification procedure* does not apply to the functions in question.	

Fit and proper

…

10C.3A.14 G …

(3) A *firm* should ensure that the replacement has the skills, personal characteristics, knowledge and expertise necessary for the discharge of the responsibilities allocated to them under *SUP* 10C.3A.6R, including any *FCA-prescribed senior management responsibilities* or any responsibilities under *SYSC* 26 (Senior managers and ~~certification~~ conduct rules regime: Overall and local responsibility) re-allocated from the absent manager.

Reasonable use of the rules

10C.3A.15 ~~G~~ A *firm* ~~should~~ must:

R

(1) use *SUP* 10C.3A.6R and *SUP* 10C.3A.8R reasonably; and

(2) ~~not~~ limit its use of those *rules* ~~unless it needs to, even if the *firm* is otherwise entitled to use them;~~ to the extent reasonably practicable.

(3) ~~use those *rules* as infrequently as reasonably possible; and~~ [deleted]

(4) ~~limit the time a substitute is in place under the *rules* to as short a time as reasonably possible.~~ [deleted]

10C.3A.15A G A *firm* should:

(1) not use *SUP* 10C.3A.6R and *SUP* 10C.3A.8R unless it needs to, even if the *firm* is otherwise entitled to use them;

(2) use those *rules* as infrequently as reasonably possible; and

(3) limit the time a substitute is in place under the *rules* to as short a time as reasonably possible.

10C.3A.16 G The steps that a *firm* should take to achieve the things in ~~*SUP* 10C.3A.15G~~ *SUP* 10C.3A.15R and *SUP* 10C.3A.15AG include:

(1) having in place and operating effective and up-to-date succession plans for each of its *SMF managers*;

(2) using notice periods effectively to identify *candidates* to fill the place of the departing *SMF manager* and to apply for approval for, or give an *SMCR notification* of, the replacement quickly;

(3) submitting an application for the approval or notification of the individual who is to fill the place of the absent or departing *SMF manager* as soon as reasonably possible; and

(4) ensuring that the application in (3) is of good quality and, in particular, ensuring that the *FCA* does not have to ask for explanations of the material submitted under the application or to request further information.

10C.3A.17 G A *firm* could also take the following steps to achieve the things in ~~*SUP* 10C.3A.15G~~ *SUP* 10C.3A.15R and *SUP* 10C.3A.15AG:

…

Notification of absence

10C.3A.18 G (1) A *firm* may be required to notify the *FCA* of the absence of an *SMF manager* ~~using a Form C or D~~ under *SUP* 10C.14 (Changes to an FCA-approved or notified person's details) but it is not otherwise required routinely to report the use of *SUP* 10C.3A.6R or *SUP* 10C.3A.8R (The ~~12-week~~ 18-week rule: The main rules).

…

Re-allocation of overall and local responsibilities

10C.3A.19 G (1) A *firm* to which *SYSC* 26 (Senior managers and ~~certification~~ conduct rules regime: Overall and local responsibility) applies may have allocated responsibilities under that chapter to an *SMF manager* who is absent under *SUP* 10C.3A.6R or *SUP* 10C.3A.8R (The ~~12-week~~ 18-week rule: The main rules).

(2) *SYSC* 26.4.6R (Exclusion where the ~~12-week~~ 18-week rule applies) deals with how those responsibilities may be reallocated during the *SMF manager's* absence.

(3) ~~*SYSC* 26.4.8G explains that *SYSC* 26.4.6R, *SUP* 10C.3A.6R and *SUP* 10C.3A.8R apply to a person performing the *other overall responsibility function* or the *other local responsibility function* as well as to other *designated senior management functions*.~~ [deleted]

Re-allocation of prescribed responsibilities

10C.3A.20 G …

Recording the arrangements for absences

10C.3A.21 G If the responsibilities of an absent *SMF manager* are re-allocated during their absence, it should be clear (and the *firm's* records should show) who has those responsibilities, even if the re-allocation is temporary.

10C.4 Specification of functions

10C.4.1 R …

(2) In accordance with section 59(6A) of the *Act* (Approval and notification for particular arrangements), the *FCA* designates each function in (1) as a *senior management function*.

10C.4.2 R *SUP* 10C Annex 1 (What functions apply to what type of firm) sets out:

(1) which of the functions in *SUP* 10C.4.3R apply to which kind of *firm*~~.~~; and

(2) which of the functions in *SUP* 10C.4.3R are subject to the *SMF notification procedure*.

10C.4.3 R Table of FCA-designated senior management functions for SMCR firms

Type	SMF	Description of FCA controlled function
…		
FCA required functions	…	
	~~SMF 18~~	~~*Other overall responsibility function*~~
	~~SMF22~~	~~*Other local responsibility function*~~
	…	
…		

…

10C.4A FCA governing functions: General

PRA-authorised persons

10C.4A.1 G *SUP* 10C.9 (Minimising overlap with the PRA approved or notified persons regime) explains that in many cases a *person* performing one of the functions set out in *SUP* 10C.5 or *SUP* 10C.5A for a *PRA-authorised person* will not in fact require approval from or notification to the *FCA* to perform the function and will just require *PRA* approval or notification.

Sole traders

10C.4A.2 G (1) An individual *sole trader* themselves will not need approval or to be notified to perform any of the *FCA governing functions*. Therefore the *FCA governing functions* do not apply to a *sole trader* with no employees.

…

10C.5 FCA governing functions: Executive

…

Executive director function: Adjustment of definition for non-directive friendly societies

…

10C.5.10 G …

(3) The individual in (2) may, for example, have the title of chief executive or similar. The individual would (subject to *SUP* 10C.5.11G) have to be an ~~*FCA-approved person*~~ *FCA-approved or notified person* under *SUP* 10C.5.9R.

…

Partner function: When partners and members do not require approval

…

10C.5.20 G …

(2) A partner whose only *regulated activities* are incidental to their professional services, in a *firm* whose principal purpose is to carry on other than *regulated activities*, need not be an ~~*FCA-approved person*~~ *FCA-approved or notified person*.

…

…

10C.5A FCA governing functions: Oversight

Non-executive directors

10C.5A.1 G ~~(1)~~ ~~As explained in *SUP* 10C.7.4G, the *FCA* does not expect a *non-executive director* ever to perform the *other overall responsibility function*.~~

~~(2)~~ ~~Therefore, a~~ A *non-executive director* will not need to be approved or notified to perform any *FCA-designated senior management function* unless they perform one of the *FCA-designated senior management functions* set out in this section.

…

10C.5B FCA governing functions: Group entities

Group entity senior manager function (SMF7)

10C.5B.1 R …

(3) …

(4) This *controlled function* only applies if the *person* in (3) has the function of:

(a) having responsibility for the conduct of the whole of the business of the *firm*, its *group* or a part of that *group* that contains the *firm*;

(b) having responsibility for management of the financial resources of, and of the financial affairs of, the *firm*, its *group* or a part of that *group* that contains the *firm*;

(c) having responsibility for overall management of the risk controls of, and of the risk management arrangements of, the *firm*, its *group* or a part of that *group* that contains the *firm*;

(d) having responsibility for the internal operations and technology of the *firm*, its *group* or a part of that *group* that contains the *firm*;

(e) having responsibility for chairing, and overseeing the performance of the role of, the *governing body* of a *parent undertaking* or *holding company* of the *firm*;

(f) having responsibility for the overall management of the *compliance requirements for SMCR firms* for the *firm*, its *group* or a part of that *group* that contains the *firm*; or

(g) having responsibility for overall management of the functions described in the definition of *money laundering reporting officer* for the *firm*, its *group* or a part of that *group* that contains the *firm*.

10C.5B.1A G …

Guidance on aspects of the definition

10C.5B.1B G The *guidance* in *SUP* 10C.6B (Systems and controls functions: Other) on the meaning of internal operations and technology is also relevant to the meaning of those terms as used in *SUP* 10C.5B.1R(4)(d).

10C.5B.1C G A *person* who has joint responsibility for any of the functions referred to in *SUP* 10C.5B.1R(4) can fall within *SUP* 10C.5B.1R(4). A *person* (P) has joint responsibility for a function with another if P has responsibility for the whole function, such as in a job share. It does not include a case where the function is divided between them.

10C.5B.1D G *SUP* 10C.5B.1R(4) refers to a part of a *group* that contains the *firm*. That phrase is not limited to a *sub-group* containing the *firm* headed by the *firm* or another member of the *group*. A *firm* and another member of the *group*

can be in the same part of the *group* even if the only connection between them is membership of that *group*.

…

When the group entity senior manager function applies

…

10C.5B.6 G (1) *SUP* 10C.5B.1R(2) means that an individual who is approved to perform another *designated senior management function* for a *firm* (or whose performance of another *designated senior management function* for the *firm* has been notified) will often not need to be approved to perform the *group entity senior manager function* for that *firm* as well.

…

(3) Similarly an individual who is approved to perform another *designated senior management function* for the *firm* (or whose performance of another *designated senior management function* for the *firm* has been notified) may have influence that comes from holding that post in matters falling outside the core duties of that post. For example, a chief finance officer of a *firm* will have important input into decisions that fall outside the core financial control function. That influence does not mean that they are performing the *group entity senior manager function*.

…

10C.5B.9 G …

(2) This does not mean that it is limited to having direct influence on the conduct of *regulated activities*. It simply reflects the link that section 59 of the *Act* (Approval and notification for particular arrangements) requires between a *senior management function* and *regulated activities*. It emphasises the point made by *SUP* 10C.3.6R (Definition of FCA controlled function: arrangements).

…

10C.5B.10 G Thus, for example, the influence of a *person* performing the *group entity senior manager function* may relate to the *firm's*:

(1) financial resources (so that the *firm's group's* chief financial officer may be within the scope of the function); or

(2) technology (so that the *firm's group's* chief information and technology officer may be within the scope of the function)~~; or~~.

(3) ~~human resources (so that the *firm's group's* head of human resources may be within the scope of the function).~~ [deleted]

…

10C.6B Systems and controls functions: Other

…

The chief operations function (SMF24)

…

10C.6B.8 G Table: Examples of how the chief operations function applies

Example	Comments
…	
(4) *Firm* A splits overall responsibility for its internal operations between various individuals. A separate individual is responsible for human resources, business continuity, procurement and outsourcing, buildings and the remaining parts of internal operations. *Firm* A also has a Chief Information & Technology Officer (CITO) with responsibility for all the *firm's* technology. Each individual is equally senior.	The CITO performs the *chief operations function*. None of the others perform the *chief operations function*. This is because none of them has responsibility for the *firm's* internal operations as a whole or for all the internal operations of a part of the business. *Firm* A has divided the responsibility based on function rather than business line. ~~However those others may be performing the *other overall responsibility function*.~~
…	

SUP 10C.7 (Other overall responsibility function (SMF18)) and SUP 10C.8 (The other local responsibility function (SMF22)) are deleted. The deleted text is not shown but the sections are marked '[deleted]' as shown below.

10C.7 ~~Other overall responsibility function (SMF18)~~ [deleted]

10C.8 ~~The other local responsibility function (SMF22)~~ [deleted]

Amend the following as shown.

10C.8A EEA branch senior manager function (SMF21)

…

10C.8A.3 G ~~(1)~~ ~~The definition of the *EEA branch senior manager function* (SMF21) is similar to that of the significant management *FCA certification function* under *SYSC* 27.8.4R. However, only the former is an *FCA-designated senior management function*.~~ [deleted]

~~(2)~~ ~~The main differences are:~~

~~(a)~~ ~~*SUP* 10C.8A.2R(2) is not included in the significant management *FCA certification function*; and~~

~~(b)~~ ~~the overriding requirements in *SUP* 10C.3 (General material about the definition of controlled functions) do not apply to the significant management *FCA certification function*.~~

…

10C.9 Minimising overlap with the PRA approved or notified persons regime

…

Introduction

…

10C.9.3 G If a *person's* job for a *firm* involves performing:

(1) an *FCA-designated senior management function*, the *firm* should apply to the *FCA* for approval or, as the case may be, give the *FCA* an *SMF notification*;

(2) a *PRA-designated senior management function*, the *firm* should apply to the *PRA* for approval or, as the case may be, give the *PRA* an *SMF notification*;

(3) both an *FCA-designated senior management function* and a *PRA-designated senior management function*, the *firm* should apply to both the *FCA* and the *PRA* for approval ~~(the purpose of *SUP* 10C.9~~

~~is to cut down the need for this sort of dual approval)~~ or, as the case may be, give both the *FCA* and the *PRA* an *SMF notification* (or give notice to one and apply for approval to the other).

10C.9.3A G The purpose of *SUP* 10C.9 is to cut down the need for the kind of dual approval or notification referred to in *SUP* 10C.9.3G(3).

FCA controlled functions absorbed into PRA controlled functions

10C.9.4 G The *FCA* is under a duty, under section 59A of the *Act* (Specifying functions as controlled functions: supplementary), to exercise the power to specify any *senior management function* as an *FCA controlled function* in a way that it considers will minimise the likelihood that approvals need to be given by, or notifications need to be given to, both the *FCA* and the *PRA* for the performance by a *person* of *senior management functions* in relation to the same *PRA-authorised person*.

10C.9.5 G The *FCA* and *PRA* have coordinated their ~~*approved person*~~ *approved or notified person* regimes to reduce the amount of overlap.

10C.9.6 G (1) *SUP* 10C.9.8R applies when a *firm* is seeking approval from or, as the case may be, planning to give an *SMF notification* to, the *PRA* for a *candidate* to perform a *PRA controlled function* and the intention is that the *candidate* will also perform what would otherwise be an *FCA governing function* once the *PRA* gives its approval or the notification takes effect. *SUP* 10C.9.8R works by disapplying that *FCA governing function*.

(2) Where (1) applies, the activities within that *FCA governing function* are included in the *PRA controlled function* ~~for which~~ that the *person* ~~has approval~~ holds. ~~Chapter Two of the part of the *PRA's* rulebook titled 'Senior Management Functions' deals with this.~~ The following parts of the *PRA Rulebook* deal with this:

…

10C.9.7 G ~~(1)~~ *SUP* 10C.9.9G gives some examples of how *SUP* 10C.9.8R works.

~~(2) The examples do not cover the *other overall responsibility function* because that function does not apply if the *person* holds any other *designated senior management function* for the same *firm*. See the table in *SUP* 10C.7.3G for examples of how this works.~~

The main rule

10C.9.8 R A *person* (referred to as 'A' in this *rule*) is not performing an *FCA governing function* (referred to as the 'particular' *FCA governing function* in

this *rule*) in relation to a *PRA-authorised person* (referred to as 'B' in this *rule*), at a particular time, if:

(1) one of the following has occurred:

(a) A has been approved by the *PRA* to perform any *PRA-designated senior management function* in relation to B; or

(b) B has given an *SMF notification* to the *PRA* (which has become effective) in respect of the performance by A of any *PRA-designated senior management function* in relation to B;

(2) throughout the whole of the period between the time of the *PRA* approval in (1) or, as the case may be, the notification in (1) becoming effective, and the time in question, A has been the subject of a ~~*current PRA approved person approval* to perform~~ *current SMF approval or notification* in respect of a *PRA-designated senior management function* in relation to B;

(3) at the time of the *PRA* approval referred to in (1) or, as the case may be, the notification in (1) becoming effective, A was not subject to a ~~*current FCA approved person approval* to perform~~ *current SMF approval or notification* in respect of the particular *FCA governing function* in relation to B;

(4) as part of the application for the *PRA* approval or of the notification to the *PRA* referred to in (1), B notified the *PRA* that A would start to perform what would otherwise have been the particular *FCA governing function* (referred to as the 'potential' *FCA governing function* in this *rule*) at or around the time of the *PRA* approval in (1) or, as the case may be, of the *SMF notification* to the *PRA* in (1) becoming effective; and

(5) A started to perform the potential *FCA governing function* at, or around the time of, the *PRA* approval in (1) or, as the case may be, the *SMF notification* to the *PRA* in (1) becoming effective, and has continued to perform it up to the time in question (ignoring any occasions on which A has temporarily ceased to perform that function because, for example, of holidays or illness).

10C.9.9 G Table: Examples of how the need for dual FCA and PRA approval in relation to PRA-authorised persons is reduced

Example	Whether FCA approval required	Whether PRA	Comments

		approval required	
…			
(6) A is appointed as an executive director. Later, A takes on the chief risk officer function and remains as an executive director.	…	…	When A is appointed as chief risk officer, A is still treated as carrying on the *executive director function*. A retains the status of an ~~*FCA-approved person*~~ *FCA-approved or notified person*.
…			
(8) A is appointed as an executive director and chief risk officer at the same time. Later, A gives up the role as chief risk officer but remains as an executive director.	No, on A's first appointment (see example (1)). But when A gives up the role as chief risk officer, *FCA* approval is needed to perform the *executive director function*. ~~Form E should be used.~~ The application should state that it is being made as a result of A ceasing to perform a *PRA-designated senior management function*. ~~Form A should be used if there have been changes in A's fitness (*SUP* 10C.10.9D(4))~~	…	…
…			

(11) A is appointed to be chair of the *governing body* and chair of the nomination committee at the same time.	No. ~~A does not need approval to perform the~~ A's performance of the *chair of the nomination committee function* does not need to be notified to the *FCA*.	…	…
…			
Note 2: …			
Note 3: In order to simplify the drafting of the table, it is assumed (except in example (11)) that the *SMF notification procedure* and the *PRA* equivalent do not apply.			

…

Further guidance on the arrangements between the FCA and PRA about approvals and notifications

…

10C.9.12 G …

10C.9.13 G An *SMF notification* to the *PRA* does not need to be copied by the *firm* to the *FCA*.

10C.9.14 G No *FCA* consent is required for an *SMF notification* to the *PRA* to become effective.

10C.10 Application for approval and withdrawing an application for approval

Purpose

10C.10.1 G (1) This section explains:

(a) ~~how~~ the statutory requirements relating to an application by a *firm* ~~should apply~~ for approval for a *person* to perform an *FCA-designated senior management function*~~.~~; and

(b) certain requirements relating to such applications.

(2) However, the details of how to apply for such approval, including the application forms to be used, the information to be supplied and

the applicable directions made under the *Act*, are not included or described in this chapter. They are instead included in the section of the *FCA's* website covering SMCR applications and notifications.

(3) Every *FCA-designated senior management function* is subject to the approval procedure described in this section except for those shown as being subject to the *SMF notification procedure* in *SUP* 10C Annex 1 (What functions apply to what type of firm).

10C.10.2 ~~R~~ G Unless the context otherwise requires, in *SUP* 10C.10 (Application for approval and withdrawing an application for approval) to *SUP* 10C.15 (~~Forms and other documents~~ Notifications and how to submit them to the FCA), where reference is made to a *firm*, this includes an applicant for *Part 4A permission* and other *persons* seeking to carry on *regulated activities* as an *SMCR firm*.

10C.10.2A D ~~*SUP* 10C.10.2R applies to every direction in *SUP* 10C.10 to *SUP* 10C.15.~~ [deleted]

When to apply for approval

10C.10.3 G (1) Section 59 of the *Act* (Approval and notification for particular arrangements) says that a *firm* must take reasonable care to ensure that no one performs an *FCA controlled function* (including an *FCA-designated senior management function*) unless that *person* is acting in accordance with an approval given by the *FCA*.

(2) …

(3) However, if an *FCA-designated senior management function* is subject to the *SMF notification procedure*, a *firm* may not apply for approval. It should use the *SMF notification procedure* instead.

Failure to apply for approval

10C.10.4 G (1) If a *person* performs an *FCA controlled function* (including an *FCA-designated senior management function*) without approval where the *SMF notification procedure* does not apply, it is not only the *firm* that is accountable. Under section 63A of the *Act* (Power to impose penalties), if the *FCA* is satisfied that:

…

(2) A *person* performs a *controlled function* without approval for these purposes if that *person* is not acting in accordance with an approval given under section 59 (Approval and notification for particular arrangements).

Who should make the application?

10C.10.5 G In accordance with section 60 of the *Act* (Applications for approval), applications must be submitted by, or on behalf of, the *firm* itself, not by:

…

(2) (where the *FCA candidate* works for the *firm's parent undertaking* or *holding company*) ~~by~~ the *firm's parent undertaking* or *holding company*.

10C.10.6 G ~~(1) The *firm* that is employing the *FCA candidate* to perform the *FCA-designated senior management function* will usually make the submission itself.~~ [deleted]

~~(*SUP* 10C.10.7G describes some common situations.)~~

~~(2) Where a *firm* has outsourced the performance of an *FCA-designated senior management function*, the details of the outsourcing determines whom the *FCA* anticipates will submit the *FCA-approved persons* application forms.~~

~~(3) The *firm* which is outsourcing is referred to as 'A' and the *person* to whom the performance of the *FCA-designated senior management function* has been outsourced, or which makes the arrangement for the *FCA-designated senior management function* to be performed, is referred to as 'B'. In each situation, A must take reasonable care to ensure that, in accordance with section 59(2) of the Act, no *person* performs an *FCA-designated senior management function* under an arrangement entered into by its contractor in relation to the carrying on by A of a *regulated activity*, without approval from the *FCA*.~~

10C.10.7 G ~~Outsourcing arrangements~~ [deleted]

~~**Outsourcing arrangements**~~	~~**Explanation**~~	~~**Submitting form**~~
~~*Firm* A to *firm* B~~	~~The *FCA* will consider A to have taken reasonable care if it enters into a contract with B under which B is responsible for ensuring that the relevant *FCA-designated senior management functions* are performed by *FCA-approved SMF*~~	~~*Firm* B submits *FCA-approved persons* forms on behalf of *firm* A.~~

	~~*managers*, and that it is reasonable for A to rely on this.~~	
~~Outsourcing by A to B (both being a member of the same *United Kingdom group* and each having its registered office in the *United Kingdom*)~~	~~See *SUP* 10C.3.9G~~	~~Either A or B may submit *FCA-approved persons* forms on behalf of *firms* in the group (see *SUP* 15.7.8G).~~
~~(i) A to B, where B:~~ ~~(a) is not an *authorised person*; and~~ ~~(b) is not part of the same *group* as A; or~~ ~~(ii) A to B, where A is a *branch* of an *overseas firm* in the *United Kingdom*, and B is an *overseas undertaking* of the same *group*; or~~ ~~(iii) A to B, where A is a *UK* authorised *subsidiary* of an *overseas firm* and B is an *overseas undertaking* of the same *group*.~~	~~Responsibility for (as opposed to the performance of) any activity *outsourced* to B will remain with A. See *SYSC* 8.~~	~~A ensures that an individual approved by the *FCA* or the *PRA* to perform a *designated senior management function* has responsibility for the *outsourced arrangement* and A submits a form in relation to that individual.~~

~~How to apply for approval~~

10C.10.8 D ~~(1) An application by a *firm* for the *FCA's* approval under section 59 of the *Act* (Approval for particular arrangements) for the performance of an *FCA-designated senior management function* must be made by completing Form A (*SUP* 10C Annex 3D), except where *SUP* 10C.10.9D requires Form E.~~ [deleted]

(2) If a *firm* must make an application using Form A, it must use Form A (shortened form) in the circumstances described in *SUP* 10C.10.8AD.

10C.10.8A D If a *firm* must make an application using Form A, it must use Form A (shortened form) if: [deleted]

(1) the *candidate*:

(a) has *current approved person approval* to perform:

(i) an *FCA controlled function* that is a *significant influence function*; or

(ii) an *FCA designated senior management function*; or

(iii) a *PRA controlled function*; or

(b) has had *current approved person approval* of the type described in (a) within the previous six *months*; and

(2) there have been no matters arising in relation to the fitness and propriety of the *person* to whom the application relates which mean that the information provided to the *FCA* or the *PRA* regarding fitness and propriety in connection with the *current approved person approval* in (1)(a) or (b) may have changed since the application for that *current approved person approval* was made.

10C.10.8B D A *firm* must not use Form A (shortened form) if: [deleted]

(1) the *firm* is a *MiFID investment firm* (except a *credit institution*); and

(2) *SUP* 10C.10.9BD applies to that application.

10C.10.9 D (1) A *firm* must use Form E (*SUP* 10C Annex 7D) where an *approved person*: [deleted]

(a) is both permanently ceasing to perform one or more *controlled functions*; and

(b) needs to be approved in relation to one or more *FCA designated senior management function*;

within the same *firm* or *group*.

(2) A *firm* must not use Form E if the *approved person* has never before been approved to perform for any *firm*:

(a) an *FCA controlled function* that is a *significant-influence function*;

(b) an *FCA-designated senior management function*; or

(c) a *PRA controlled function*.

(3) A *firm* must not use Form E if the *approved person* has not been subject to a *current approved person approval* from the *FCA* or *PRA* to perform for any *firm* for more than six months:

(a) an *FCA controlled function* that is a *significant-influence function*;

(b) an *FCA-designated senior management function*; or

(c) a *PRA controlled function*.

(4) A *firm* must not use Form E if:

(a) a notification has been made or should be made:

(i) to the *FCA* under *SUP* 10C.14.18R (Changes in fitness to be notified under Form D); or

(ii) (if the *firm* is a *PRA-authorised person*) to the *PRA* under any equivalent *PRA* rule;

(iii) to the *FCA* under *SUP* 10A.14.17R (the equivalent to (i) in *SUP* 10A);

(whichever is applicable);

(b) a notification has been made or should be made to the *FCA* or (if the *firm* is a *PRA-authorised person*) *PRA* under any of the following:

(i) section 63(2A) of the *Act* (Duty to notify regulator of grounds for withdrawal of approval); or

(ii) [deleted]

(iii) section 64C of the *Act* (Requirement for relevant authorised persons to notify regulator of disciplinary action); or

(c) (if the *firm* is a *PRA-authorised person*) a notification has been made or should be made to the *PRA* under any

provision of the *PRA Rulebook* corresponding to the requirements in (b); or

(d) any of the circumstances in *SUP* 10C.14.7R (Qualified Form C) apply;

in relation to any:

(e) *controlled functions* which that *person* is ceasing to perform (as referred to in (1)); or

(f) any *controlled function* that they are continuing to perform for that *firm* or a *firm* in the same *group*.

10C.10.9A G (1) The *MiFID authorisation and management body change notification ITS* requires that *MiFID investment firms* (except *credit institutions*) submit the Annex III information on a specified template (which is based on one prepared by *ESMA* and which is available at https://www.fca.org.uk/publication/forms/mifid-changes-management-body-form.docx ('Annex III template')) where there is a change to a member of the *management body* or a *person* who effectively directs the business. [deleted]

(2) *MiFID investment firms* (except *credit institutions*) need to submit this Annex III template within ten *business days* of the change in the *online notification and application system* (also known as Connect).

(3) *SUP* 10C.10.9BD explains how this requirement fits in with the requirement to submit a Form A or Form E.

(4) [deleted]

10C.10.9AA G (1) The *MiFID authorisation and management body change notification ITS* requires that a *person* applying to be a *MiFID investment firm* (except a *credit institution*) should notify the *appropriate regulator* of information about members of its *management body* by filling in the template set out in Annex II of the appropriate part of the *MiFID authorisation and management body change notification ITS*. [deleted]

(2) This applies whether:

(a) the *person* is applying for *authorisation*; or

(b) the *person* is a *firm* applying for a variation of its *permission* that would turn it into a *MiFID investment firm*.

(3) There is no requirement to fill in the MiFID Article 4 SMR Information Form referred to in *SUP* 10C.10.9BD along with a Form A or Form E.

10C.10.9B D Where: [deleted]

(1) there is a change to a member of the *management body* or *person* who directs the business of a *MiFID investment firm* (except a *credit institution*) that the *firm* must notify to the *appropriate regulator* under Annex III of the appropriate part of the *MiFID authorisation and management body change notification ITS*; and

(2) that change also requires the *firm* to apply for approval for that member or *person* to perform an *FCA-designated senior management function*;

the *firm* must submit to the *FCA* the completed form found in *SUP* 10C Annex 11D (MiFID Article 4 SMR Information Form) at the same time as submitting the Form A or Form E about the *candidate*.

10C.10.9C G *MiFID investment firms* (except *credit institutions*) who submit: [deleted]

(1) Form A or Form E; and

(2) the MiFID Article 4 SMR Information Form;

about a *candidate* can complete the Annex III template outlined in *SUP* 10C.10.9AG by cross-referring to any information required by the template that has been included in the relevant Form A or Form E. The template should be annexed to the relevant Form A or Form E.

10C.10.10 G *SUP* 10C.15 (Forms and other documents and how to submit them to the FCA) explains how applications should be submitted. [deleted]

10C.10.10A G (1) A *firm* should only use a Form E (*SUP* 10C Annex 7D) when the *candidate* is ceasing to perform a *controlled function* in a way that means that the *candidate* will cease to be approved for that *controlled function*. [deleted]

(2) See *SUP* 10C.14.5AG to *SUP* 10C.14.5DG for the difference between temporarily ceasing to perform a *controlled function* (which means that approval for the performance of that *controlled function* continues) and permanently ceasing to perform a *controlled function* (which means that approval for the performance of that *controlled function* lapses).

(3) (1) and (2) are the reason that *SUP* 10C.10.9D refers to permanently ceasing to perform a *controlled function*.

Statements of responsibilities

10C.10.11 G An application by a *firm* for the *FCA's* approval under section 59 of the *Act* (Approval for particular arrangements) for the performance of an *FCA-designated senior management function* should be accompanied by a *statement of responsibilities* about the *candidate*. [deleted]

10C.10.12 G *SUP* 10C.11 (Statements of responsibilities) contains more material about *statements of responsibilities*, including (in particular) about a *statement of responsibilities* submitted under an application under *SUP* 10C.10. [deleted]

Other material to be included in an application

10C.10.13 G A *firm* to which *SYSC* 25.9 (Handover procedures and material) applies should include in an application a reasonable summary of: [deleted]

(1) any handover certificate; and

(2) any other handover material;

referred to in *SYSC* 25.9 that relates to the responsibilities that the *candidate* is to perform.

10C.10.13A D A *firm* to which *SYSC* 25.2 (Management responsibilities maps: Main rules) applies must include in an application for the *FCA's* approval under section 59 of the *Act* (Approval for particular arrangements) for the performance of an *FCA-designated senior management function* the latest version of the *firm's management responsibilities map*. [deleted]

10C.10.13B G (1) This provision deals with a *firm* required to submit a *management responsibilities map* with an application to the *FCA*. [deleted]

(2) A *firm* may make a number of closely linked changes to its senior management arrangements of which the application is part. The *firm* need not submit a different version of the *management responsibilities map* showing the position after each change. Instead, the *firm* may produce a single version showing the position after all the relevant changes have been carried out.

(3) A series of changes may be linked because some are conditional on the others going ahead. However, changes can be linked in other circumstances, too.

~~(4) The following are examples of closely linked changes as part of a re-organisation project:~~

~~(a) the *firm* intends to appoint a number of new *SMF managers*;~~

~~(b) the *firm* intends to appoint a number of existing *SMF managers* to perform new *designated senior management functions*; or~~

~~(c) the *firm* re-allocates responsibilities among its *SMF managers*.~~

~~(5) If there is a significant time gap between linked changes, the *FCA* would expect the *firm* to produce a single version of the *management responsibilities map* for each phase of the changes.~~

Vetting of candidates by the firm

…

10C.10.15 G …

10C.10.15A G In deciding the question in *SUP* 10C.10.14G, an *SMCR firm* making a *permitted conditional SMF application* may have regard to any conditions or limited periods requested in the application.

Criminal records checks and verifying fitness and properness

10C.10.16 R (1) This *rule* applies to an application by a *firm* for the *FCA's* approval under section 59 of the *Act* (Approval and notification for particular arrangements) for the performance of an *FCA-designated senior management function*.

…

(3) This *rule* does not apply:

…

(b) if the *candidate* is already ~~performing, and has approval for the performance of a *designated senior management function*~~ subject to a *current SMF approval or notification* for the *firm* or another *firm* in the same *group*;

(c) if the *candidate* ~~was performing, and had approval for the performance of, a *designated senior management function*~~ was subject to a *current SMF approval or notification* for the

firm or another *firm* in the same *group* within 1 *month* before the submission of the application for approval in (1); or

…

…

…

10C.10.18 G The section of the *FCA's* website covering SMCR applications and notifications deals with when and whether a *firm* should ~~not~~ send a copy of the certificate to the *FCA* ~~unless required to do so under *SUP* 10C.10.18AG or~~. A *firm* should also send it if required to do so under the requirements summarised in *SUP* 10C.10.28G (requests for additional information).

10C.10.18A G ~~*MiFID investment firms* (except *credit institutions*) should provide a copy of the certificate to the *FCA* in cases where they disclose, in accordance with the *MiFID authorisation and management body change notification ITS*, the existence of a criminal conviction in response to the questions in:~~ [deleted]

~~(a) Long Form A; or~~

~~(b) the MiFID Article 4 SMR Information Form.~~

…

10C.10.23A G …

(2) The requirement in section 63(2A) of the *Act* is summarised in *SUP* 10C.14.24G (Table: Explanation of the sections of the Act and Handbook mentioned in SUP 10C.14.22R).

Processing an application

…

10C.10.25 G In any case where the application for approval is made by a *person* applying for a *Part 4A permission*, the *FCA* has until the end of whichever of the following periods ends last:

…

(2) the period of ~~three~~ 2 months from the time it receives a properly completed application.

10C.10.26 G In any other case, it is the period of ~~three~~ 2 months from the time it receives a properly completed application.

10C.10.27 G ~~The *FCA* will deal with cases more quickly than this whenever circumstances allow and will try to meet the standard response times published on the website and in its Annual Report. However, the processing time will be longer than the published standard response times if:~~ [deleted]

~~(1) an application is incomplete when received; or~~

~~(2) the *FCA* has knowledge that, or reason to believe that, the information is incomplete.~~

10C.10.28 G Before making a decision to grant the application or give a *warning notice*, the *FCA* may ask the *firm* for more information about the *FCA candidate*. If it does this, the ~~three-month~~ 2-month period in which the *FCA* must determine a completed application:

…

10C.10.29 G ~~If there is a delay in processing the application within the standard response time, the *FCA* will tell the *firm* making the application as soon as this becomes apparent.~~ [deleted]

10C.10.30 G (1) Application forms must always be completed fully and honestly. ~~Further notes on how to complete the form are contained in each form.~~

…

…

Decisions on applications

10C.10.33 G The *FCA* must do one of the following in response to a valid and complete application:

(1) grant the application without conditions or limitations (if the application is not a *permitted conditional SMF application*);

(1A) (in the case of a *permitted conditional SMF application*) grant the application subject to the conditions or limitations applied for;

(1B) (in the case of a *permitted conditional SMF application*) grant the application but without some or all of the conditions or limitations applied for;

(2) (if the application is not a *permitted conditional SMF application*) grant the application subject to conditions or limitations ~~(see *SUP* 10C.12 for more information)~~; ~~or~~

(2A) (in the case of a *permitted conditional SMF application*) grant the application subject to conditions or limitations in addition to or instead of the conditions or limitations applied for; or

(3) refuse the application.

10C.10.34 G Whenever it grants an application in accordance with *SUP* 10C.10.33G(1), *SUP* 10C.10.33G(1A) or *SUP* 10C.10.33G(1B), the *FCA* will confirm this in writing to all *interested parties*.

10C.10.35 G If the *FCA* proposes to take the steps in *SUP* 10C.10.33G(2), *SUP* 10C.10.33G(2A) or *SUP* 10C.10.33G(3) in relation to one or more *FCA-designated senior management functions*, it must follow the procedures for issuing *warning* and *decision notices* to all *interested parties*. The requirements relating to warning and decision notices are in *DEPP* 2.

10C.10.35A G See *SUP* 10C.12 for more information about conditional and time-limited approvals.

Withdrawing an application for approval

10C.10.36 R A *firm* notifying the *FCA* of its withdrawal of an application for approval must ~~use Form B (*SUP* 10C Annex 4R).~~ include the following in the notice in addition to the information required by *SUP* 10C.15.15R (Standard information for all notifications):

(1) the reasons for the withdrawal (such as the resignation of or termination of employment of the *candidate* or the *firm* deciding that the *candidate* was not a fit and proper *person* to perform the function to which the application relates);

(2) the consents required by section 61(5) of the *Act* (Determination of applications) or copies of them; and

(3) information that will enable the *FCA* to identify the application, such as its reference number.

…

10C.10.38 G *SUP* 10C.15 (~~Forms and other documents~~ Notifications and how to submit them to the FCA) explains how a notice of withdrawal should be submitted.

Insert the following new section, SUP 10C.10A, after SUP 10C.10 (Application for approval and withdrawing an application for approval). The text is all new and is not underlined.

10C.10A Notification of the performance of an FCA-designated senior management function

Purpose

10C.10A.1 G (1) This section explains:

(a) the statutory procedure by which a *firm* may permit a *person* to perform an *FCA-designated senior management function* by notifying the *FCA* rather than by applying for the *FCA's* approval as described in *SUP* 10C.10 (Application for approval and withdrawing an application for approval);

(b) when that notification procedure applies; and

(c) certain requirements relating to such applications.

(2) However, the details of how to make such a notification, including the notification forms to be used, the information to be supplied and the applicable directions made under the *Act*, are not included or described in this chapter. They are instead included in the section of the *FCA's* website covering SMCR applications and notifications.

When the SMF notification procedure applies

10C.10A.2 R *SUP* 10C Annex 1 (What functions apply to what type of firm) sets out the *FCA-designated senior management functions* to which the *SMF notification procedure* applies.

When to notify

10C.10A.3 G (1) Where the *SMF notification procedure* applies, section 59 of the *Act* (Approval and notification for particular arrangements) says that a *firm* must take reasonable care to ensure that no one performs an *FCA-designated senior management function* unless that *person* is acting in accordance with a notification given to the *FCA*.

(2) That means that where a *person* will be performing one or more *FCA-designated senior management functions*, a *firm* must take reasonable care to ensure that the *candidate* does not perform these functions unless the *firm* has notified the *FCA* and the notification has become effective.

(3) Where the *SMF notification procedure* applies to an *FCA-designated senior management function*, a *firm* should not apply for approval for a *person* to perform that *FCA-designated senior management function*.

Failure to notify

10C.10A.4 G (1) If a *person* performs an *FCA-designated senior management function* without notifying the *FCA* where the *SMF notification procedure* applies, it is not only the *firm* that is accountable. Under section 63A of the *Act* (Power to impose penalties), if the *FCA* is satisfied that:

(a) a *person* ('P') has at any time performed an *FCA-designated senior management function* without notification; and

(b) at that time P knew, or could reasonably be expected to have known, that P was performing an *FCA-designated senior management function* without notification,

it may impose a penalty on P of such amount as it considers appropriate.

(2) A *person* performs an *FCA-designated senior management function* without notification for these purposes if that *person* is not acting in accordance with a notification given under section 59 (Approval and notification for particular arrangements).

(3) A *person* should not begin to perform an *FCA-designated senior management function* subject to the *SMF notification procedure* before the effective date of the *SMF notification*.

Who should make the notification?

10C.10A.5 G In accordance with section 59 of the *Act* (Approval and notification for particular arrangements), notifications must be submitted by, or on behalf of, the *firm* itself, not by:

(1) the *person* who is to perform the function; or

(2) (where that *person* works for the *firm's parent undertaking* or *holding company*) the *firm's parent undertaking* or *holding company*.

Vetting by the firm

10C.10A.6 G Under section 60A of the *Act*, before a *firm* makes a notification, it should be satisfied that the *person* who is to perform the *FCA-designated senior management function* is a fit and proper person to perform that function. In deciding that question, the *firm* should have particular regard to the factors set out in *SUP* 10C.10.14G (Vetting of candidates by the firm).

10C.10A.7 G For *guidance* on criteria that a *firm* should use for assessing whether a *person* is fit and proper, see *FIT*.

Criminal records checks and verifying fitness and properness

10C.10A.8 R (1) This *rule* applies to a proposed *SMF notification* by a *firm* in relation to an *FCA-designated senior management function*.

(2) A *firm* must (as part of its assessment of whether a *person* is a fit and proper person to perform the *FCA-designated senior management function* and to verify the information contained in the *SMF notification*) obtain the fullest information that it is lawfully able to obtain about the *candidate* under Part V (Certificates of Criminal Records, &c) of the Police Act 1997 and related subordinated legislation of the *UK* or any part of the *UK* before making the notification.

(3) The exceptions in *SUP* 10C.10.16R (Criminal records checks and verifying fitness and properness) apply to this *rule* too.

(4) A *firm* must, so far as it is reasonably able, ensure that the information it obtains under this *rule* is no older than 6 *months*, measured from the time the *firm* submits its notification to the *FCA*.

10C.10A.9 G The following *guidance* applies to *SUP* 10C.10A.8R and the checks referred to in *SUP* 10C.10A.6G in the same way as it does to checks made as part of an application for approval:

(1) *SUP* 10C.10.17G (Criminal records checks and verifying fitness and properness); and

(2) *SUP* 10C.10.19G to *SUP* 10C.10.23AG.

10C.10A.10 G The section of the *FCA's* website covering SMCR approvals and notifications deals with when and whether a *firm* should send a copy of the certificate to the *FCA* along with the notification.

Withdrawing a notification

10C.10A.11 R A *firm* notifying the *FCA* of its withdrawal of a notification must:

(1) include in the notice:

(a) the information and matters listed in *SUP* 10C.10.36R(1) and (2) (Withdrawing an application for approval); and

(b) information that will enable the *FCA* to identify the notification; and

(2) give the notice in accordance with *SUP* 10C.10.36R.

10C.10A.12 G A notification cannot be withdrawn after it has taken effect.

10C.10A.13 G Under section 61(5) of the *Act* (Determination of applications), the *firm* may withdraw a notification only if it also has the consent of:

(1) the *candidate*; and

(2) the *person* by whom the *candidate* is or would have been employed, if this is not the *firm* giving the notice.

10C.10A.14 G *SUP* 10C.15 (Notifications and how to submit them to the FCA) explains how a notice of withdrawal should be submitted.

When a notice takes effect

10C.10A.15 G A notification does not depend on any approval of or non-objection by the *FCA* to become effective. It is not subject to any prior vetting by the *FCA* or the *FCA* reaching any view about the fitness and properness of the *SMF manager* to perform the function.

10C.10A.16 R An *SMF notification* in respect of an *FCA-designated senior management function* takes effect on the later of:

(1) the date on which the *FCA* confirms submission of the notification in writing; or

(2) the date of appointment specified in the notification, which may be no later than 3 *months* from the date the *firm* makes the *SMF notification*.

When a notification is ineffective

10C.10A.17 R An *SMF notification* made by a *firm* in respect of an *FCA-designated senior management function* to be performed by a *person* in relation to the *firm* is ineffective if:

(1) it is not made in accordance with any direction made by the *FCA* under section 60ZA of the *Act* (Notifications under section 59) (including any failure to use the prescribed form of notification or method of submission or any failure to provide supporting material the *firm* is directed to supply); or

(2) the performance of that *FCA-designated senior management function* by that *person* (or any part of it) for that *firm* would infringe a *prohibition order* made in respect of that *person*.

10C.10A.18 G An *SMF notification* in respect of an *FCA-designated senior management function* is also ineffective if:

(1) it would be contrary to a *requirement* described in section 60ZA(6) (Notifications under section 59) and referred to in *SUP* 10C.10A.21G;

(2) the *FCA-designated senior management function* is not specified in *SUP* 10C Annex 1 (What functions apply to what type of firm) as being subject to the *SMF notification procedure*; or

(3) it has been withdrawn.

Treatment of a notified SMF manager

10C.10A.19 G An *SMF manager* who was subject to the *SMF notification procedure* is subject to the same *rules* as an *SMF manager* who has been approved in accordance with *SUP* 10C.10 (Application for approval and withdrawing an application for approval) and is treated by the *Handbook* in the same way.

10C.10A.20 G An *SMF manager* who was subject to the *SMF notification procedure* is for the most part treated under the *Act* in the same way as an *SMF manager* who has been approved in accordance with *SUP* 10C.10. The main exception is that an approval may be given subject to conditions or a time limitation whereas a condition or time limitation can only be applied to a notification by way of a variation (see *SUP* 10C.13 (Variation of conditional and time-limited approvals and notifications)).

Withdrawing the right to notify

10C.10A.21 G (1) Under section 60ZA(6) of the *Act* (Notifications under section 59), a requirement imposed by the *FCA* or the *PRA* may prevent a *firm* making a notification under section 59 of the *Act*.

(2) The requirement is imposed under section 55L of the *Act* (Imposition of requirements by FCA) or section 55M of the *Act* (Imposition of requirements by PRA).

10C.10A.22 G Such a requirement may:

(1) prevent a *firm* making any notification;

(2) prevent a *firm* making any notification in relation to a particular *designated senior management function*;

(3) apply by reference to the characteristics of the *person* who is to perform the function; or

(4) apply by reference to anything else that the *FCA* or the *PRA* considers appropriate.

10C.10A.23 G The automatic effect of such a requirement in relation to an *FCA-designated senior management function* is that the *firm* must seek approval under the procedure described in *SUP* 10C.10 (Application for approval and withdrawing an application for approval) if it wishes a *person* to perform that function. That consequence is the effect of the *Act* and is not provided for in the *requirement*.

10C.10A.24 G *SUP* 6B (Variation and cancellation of permission and imposition of requirements on the FCA's own initiative and intervention against incoming firms) and *SUP* 7 (Individual requirements) describe the grounds on which a *requirement* can be imposed by the *FCA*, when the *FCA* might use the power and the procedure for doing so.

10C.10A.25 G The following are examples of when the *FCA* will consider exercising its *own-initiative power* to prevent a *firm* from notifying:

(1) where there are serious concerns about the *firm's* governance;

(2) where there are serious concerns about the *firm's* ability or willingness appropriately to assess the fitness and properness of *persons* it notifies; or

(3) where a role covered by an *FCA-designated senior management function* has particular importance in relation to the *firm's* safety and soundness, the judgement about whether this is the case being based on the particular *firm's* circumstances.

10C.10A.26 G A *firm* may apply to the *FCA* under section 55L of the *Act* or to the *PRA* under section 55M of the *Act* to impose a requirement of the kind in *SUP* 10C.10A.22G. *SUP* 6 (Applications to vary and cancel Part 4A permission

and to impose, vary or cancel requirements) deals with such applications made to the *FCA*.

10C.10A.27 G The imposition of a requirement of the kind in *SUP* 10C.10A.22G to prevent a *firm* from notifying does not:

(1) invalidate the appointment an *SMF manager* whose appointment under the *SMF notification process* has already become effective; or

(2) prevent an *SMF notification* becoming effective if the requirement is imposed after the *SMF notification* has been made but before the *SMF notification* becomes effective.

SUP 10C.11 (Statements of responsibilities) is deleted in its entirety. The deleted text is not shown but the section is marked '[deleted]' as shown below.

10C.11 ~~Statements of responsibilities~~ [deleted]

Amend the following as shown.

10C.12 Conditional and time-limited approvals

Purpose

10C.12.1 G …

(2) In particular, *SUP* 10C.12 sets out:

(a) the *FCA's* policies on giving approval under section 59 subject to conditions or for a limited period only, as required by section 63ZD of the *Act* (Statement of policy relating to conditional approval and variation)~~.~~; and

(b) *rules* and *guidance* on the right of a *firm* to apply for an approval subject to conditions or time-limitations.

…

(4) Material on variations of conditional and time-limited approvals or notifications can be found in *SUP* 10C.13 (Variation of conditional and time-limited approvals).

(5) This section does not apply to an *SMF notification* except insofar as *SUP* 10C.13 applies the policies in this section to the variation of an *SMF notification* (see in particular *SUP* 10C.13.18G (Variation of a

conditional approval or notification at the request of the firm: policy)).

(6) There is no procedure under which an *SMCR firm* may either apply a condition or time limitation to an *SMF notification* itself or apply to the *FCA* for the *FCA* to apply a condition or time limitation to an *SMF notification* that the *firm* is making.

…

Time-limited approval

…

10C.12.8 G The *FCA* would not generally impose a time limitation in these circumstances for a period of less than ~~12~~ 18 weeks. The *FCA* would expect the *firm* to use the ~~12-week~~ 18-week rule in *SUP* 10C.3A.6R.

10C.12.9 G An example of when the *FCA* may approve an individual on a time-limited basis is where, following a sudden or unexpected departure:

…

(2) it is likely to take longer than ~~12~~ 18 weeks (or longer than the extended period in *SUP* 10C.3A.8R) to recruit a permanent replacement; and

…

…

10C.12.47 G …

Application by a firm for an approval subject to conditions or a time limitation

10C.12.48 G A *firm* may not apply for an approval subject to conditions or a time limit unless *SUP* 10C.12.49R allows this. An application permitted by *SUP* 10C.12.49R is a '*permitted conditional SMF application*'.

10C.12.49 R A *firm* may make an application for approval under section 60 of the *Act* (Applications for approval) for the performance of an *FCA-designated senior management function* that is an application for approval subject to conditions or for a limited period (or both) if the *firm* is:

(1) a *PRA-authorised person*;

(2) an *enhanced scope SMCR firm*; or

(3) a member of a *group* that has as a member at least one *SMCR firm* falling within (1).

10C.12.50 G The *FCA's* policies about when it will give an approval subject to conditions or a time limit as set out in this section apply to a time limit or condition applied for under a *permitted conditional SMF application*.

10C.12.51 G The *FCA* is unlikely to agree to a condition or time limit if it could be difficult, impractical or burdensome for the *FCA* to determine whether the time limit or condition is being complied with.

10C.12.52 G The details of how to make a *permitted conditional SMF application*, including the application forms to be used, the information to be supplied and the applicable directions made under the *Act*, are not included or described in this chapter. They are instead included in the section of the *FCA's* website covering SMCR applications and notifications.

10C.13 Variation of conditional and time-limited approvals and notifications

Purpose

10C.13.1 G This section deals with ~~variation of a conditional approval at the~~:

(1) the variation of a conditional approval or conditional *SMF notification* at the request of the *firm*; and

(2) the variation of an approval or *SMF notification* at the initiative of the *FCA*.

10C.13.2 G (1) In particular, this section sets out the *FCA's* policies about varying conditional approvals or conditional *SMF notifications* at the request of a *firm*, as required by section 63ZD of the *Act* (Statement of policy relating to conditional approval and variation).

(2) This section does not deal with the *FCA's* policies on varying a condition or *SMF notification* on its own initiative. *DEPP* 8 deals with that. However, this section gives a short description of the *FCA's* powers to impose such variations.

Variation of a conditional approval or notification at the request of the firm: general description

10C.13.3 G A *firm* may apply to the *FCA* to change a conditional or time-limited approval or notification. The changes for which a *firm* may apply are:

…

(4) where the approval or notification is time-limited:

…

10C.13.4 G …

(2) If the *firm* is applying for the imposition of a new condition, the *firm* should apply to the *FCA* if the approval or notification to which the application relates was given by or to the *FCA*.

(2A) If a *firm* is applying for a change of the type described in *SUP* 10C.13.3G(1) or *SUP* 10C.13.3G(2), the *firm* should (subject to (2C)) apply to the *FCA* if the *FCA* imposed that condition, even if the approval or notification was given by or to the *PRA*.

(2B) If a *firm* is applying for a change of the type described in *SUP* 10C.13.3G(4), the *firm* should (subject to (2C)) apply to the *FCA* if the *FCA* imposed that time limit, even if the approval or notification was given by or to the *PRA*.

…

10C.13.5 G The right to apply for a variation does not include the right to apply for a time limitation where the current approval or notification has effect for an unlimited period.

10C.13.5A G The procedures described in this section for the variation of an approval or notification at the request of a *firm* do not apply where the condition or time limit has effect by virtue of section 66 of the *Act* (Disciplinary powers).

10C.13.5B G There is no procedure under which a *firm* may apply to the *FCA* for the *FCA* to apply a condition or time limitation to an existing approval or *SMF notification* that is not already subject to a condition or time limitation.

Variation of a conditional approval at the request of the firm: process

10C.13.6 ~~D~~ G ~~An application by~~ The details of how a *firm* should apply to the *FCA* under section 63ZA of the *Act* (Variation of senior manager's approval or notification at request of authorised persons) ~~must be made by using Form I (*SUP* 10C Annex 8D)~~, including the application forms to be used, the information to be supplied and the applicable directions made under the *Act*, are not included or described in this section. They are instead included in the section of the *FCA's* website covering SMCR applications and notifications.

10C.13.7 G ~~(1) An application under *SUP* 10C.13.6D should be accompanied by a *statement of responsibilities* for the *approved person* concerned.~~ [deleted]

~~(2) See *SUP* 10C.11 (Statements of responsibilities) for more details.~~

10C.13.8 G ~~*SUP* 10C.15 (Forms and other documents and how to submit them to the FCA) explains how applications to vary a conditional approval should be submitted.~~ [deleted]

10C.13.9 G The *FCA* has until the end of the period of ~~three~~ 2 months from the time it receives a properly completed application to consider the application and come to a decision.

…

10C.13.12 G Before making a decision to grant the application or give a *warning notice*, the *FCA* may ask the *firm* for more information. If it does this, the ~~three-month~~ 2-month period in which the *FCA* must determine a completed application:

…

…

10C.13.15 R A *firm* notifying the *FCA* of its withdrawal of an application for variation of ~~an~~ a conditional approval or *SMF notification* must ~~use Form B (*SUP* 10C Annex 4R)~~ include in the notice the information and matters listed in *SUP* 10C.10.36R (Withdrawing an application for approval) and give the notice in accordance with that *rule* but as if references to the *candidate* were to the *SMF manager* to which the application relates.

10C.13.16 G *SUP* 10C.15 (~~Forms and other documents~~ Notifications and how to submit them to the FCA) explains how notifications of withdrawal of an application should be submitted.

10C.13.17 G Under section 61(5) of the *Act* (Determination of applications), as applied by section 63ZA(8) of the *Act* (Variation of senior manager's approval or notification at request of authorised person), the *firm* may withdraw an application only if it also has the consent of:

(1) the ~~*approved person*~~ *approved or notified person*; and

(2) the person by whom the ~~*approved person*~~ *approved or notified person* is employed if this is not the *firm* making the application.

Variation of a conditional approval or notification at the request of the firm: policy

10C.13.18 G The *FCA's* policy on approving or refusing a request for a variation of an approval or of an *SMF notification* is the same as it is for imposing conditions on approval (see *SUP* 10C.12 (Conditional and time-limited approvals)).

…

10C.13.21 G (1) Other examples of where the *FCA* may agree to removing a condition are where:

(a) the ~~*approved person's*~~ *approved or notified person's* role has changed so that the reason for the condition originally being imposed no longer applies; or

(b) new information has come to light that removes any doubt about the ~~*approved person's*~~ *approved or notified person's* competence so a condition is no longer necessary.

(2) For example, the *FCA* may agree to removing a condition about the scope of the ~~*approved person's*~~ *approved or notified person's* role of the type described in *SUP* 10C.12.39G.

…

Variation of a conditional approval or notification: action at the initiative of the FCA

10C.13.23 G Under section 63ZB of the *Act* (Variation of senior manager's approval or notification on initiative of regulator), the *FCA* may vary an approval or *SMF notification* given by or to the *FCA* or the *PRA* for the performance of a *designated senior management function* if the *FCA* considers that it is desirable to do so to advance one or more of its *operational objectives*.

10C.13.24 G The *FCA* may vary an approval or *SMF notification* by:

…

(4) limiting the period for which the approval or *SMF notification* is to have effect; or

(5) removing or varying a time limit on an approval or *SMF notification*.

…

10C.14 Changes to an FCA-approved or notified person's details

Moving within a firm

10C.14.1 G (1) An ~~*FCA-approved SMF manager's*~~ *FCA-approved or notified SMF manager's* job may change from time to time as a result, for instance, of a change in personal job responsibilities or a *firm's regulated activities*.

(2) Where the changes will involve the *SMF manager* performing one or more *FCA-designated senior management functions* different from those for which approval has already been granted (or, as applicable, *SMF notification* made), an application must be made to the *FCA* for approval for the *SMF manager* to perform those *FCA-designated senior management functions* or, as applicable, an *SMF notification* should be made to the *FCA* of the performance of those *FCA-designated senior management functions*.

(3) The *firm* must take reasonable care to ensure that an individual does not begin performing an *FCA-designated senior management function* until the *FCA* has granted ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager* status to that individual for that *FCA-designated senior management function* or, as applicable, an *SMF notification* has been made to the *FCA* of the performance of that *FCA-designated senior management function* by that *person* that has become effective.

(4) Similarly (in the case of a *PRA-authorised person*), a *firm* must get the *FCA's* approval (or, as applicable, must make an *SMF notification*) if an individual is to start performing an *FCA-designated senior management function* in relation to that *firm* when they already have the *PRA's* approval to perform a *PRA-designated senior management function* (or, as applicable, if the *firm* has already made an *SMF notification* to the *PRA*) in relation to that *firm*.

10C.14.2 G ~~(1) A *firm* should generally use Form E where an *approved person* is both ceasing to perform one or more *controlled functions* and needs to be approved in relation to one or more *FCA-designated senior management functions* within the same *firm* or *group*.~~ [deleted]

~~(2) In certain cases, a *firm* should use Form A.~~

~~(2A) When a *MiFID investment firm* (except a *credit institution*) notifies the *FCA* of a change using Form A or Form E, it may also have to submit the MiFID Article 4 SMR Information Form (see *SUP* 10C.10.9BD).~~

~~(3) The details can be found in *SUP* 10C.10.8D to *SUP* 10C.10.9CG.~~

Moving between firms

10C.14.3 G If it is proposed that an ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager*:

…

the new *firm* will be required to make a fresh application for or notification of the performance of the *FCA-designated senior management function* by that *person* (see *SUP* 10C.10 (Application for approval and withdrawing an application for approval) and *SUP* 10C.10A (Notification of the performance of an FCA-designated senior management function) for details).

10C.14.4 G ~~In certain circumstances, when the *FCA* already has the information it would usually require, a shortened version of the relevant Form A may be completed. See *SUP* 10C.10.8D to *SUP* 10C.10.8BD for full details.~~ [deleted]

Ceasing to perform an FCA-designated senior management function

10C.14.5 R (1) A *firm* must notify the *FCA* no later than ten *business days* after an ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager* permanently ceases to perform an *FCA-designated senior management function*.

(2) It must ~~make~~ include in that notification ~~by submitting to the *FCA* a completed Form C (*SUP* 10C Annex 5R).~~ the following information in addition to the information required by *SUP* 10C.15.15R (Standard information for all notifications):

(a) the *FCA-designated senior management function* in question;

(b) the reasons for that cessation; and

(c) the date of that cessation.

(3) ~~If:~~ [deleted]

~~(a) the *firm* is also making an application for approval for that *approved person* to perform a *controlled function* within the same *firm* or *group*; and~~

~~(b) ceasing to perform the *FCA-designated senior management function* in (1) has triggered a requirement to make that application for approval:~~

~~(i) to the *FCA* using Form E (rather than a Form A) under *SUP* 10C.10.9D; or~~

~~(ii) to the *FCA* using Form E (rather than a Form A) under *SUP* 10A; or~~

~~(iii) (in the case of a *PRA-authorised person*) to the *PRA* using the *PRA's* Form E in accordance with the corresponding *PRA* requirements;~~

~~it must make the notification under (1) using that Form E.~~

10C.14.5A G Permanently ceasing to perform an *FCA-designated senior management function* means that that *person* no longer has approval to perform that function or, as the case may, that the *SMF notification* ceases to have effect. Permanent cessation does not mean that that *person* cannot return to perform that function, rather that if they do, they will need fresh approval or a fresh notification.

10C.14.5B G Examples of when an ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager* will have permanently ceased to perform an *FCA-designated senior management function* include moving within a *firm* (see *SUP* 10C.14.1G ~~to *SUP* 10C.14.2G~~), moving between *firms* (see *SUP* 10C.14.3G ~~to *SUP* 10C.14.4G~~), resignation, dismissal, retirement, and death.

10C.14.5C G In cases of temporary absence (for example, sick leave or parental leave) where the *firm* is keeping the same role open for an ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager*, approval to perform the relevant *FCA-designated senior management function*, or, as the case may be, the effect of the *SMF notification*, will continue and therefore the *firm* will not be required to submit a ~~Form C (*SUP* 10C Annex 5R)~~ notification under *SUP* 10C.14.5R. See *SUP* 10C.14.5IG for guidance on interim appointments.

10C.14.5D G As a result, an ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager* who returns to perform the same *FCA-designated senior management function* following such a temporary absence will not need fresh approval or notification.

10C.14.5E R (1) If an ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager* has been absent for more than ~~12~~ 18 weeks, the *firm* must

notify the *FCA* ~~on Form D (*SUP* 10C Annex 6R)~~ within seven *business days* of the end of the ~~12-week~~ 18-week period.

(2) It must also notify the *FCA* ~~on Form D (*SUP* 10C Annex 6R)~~ within seven *business days* of their return.

(3) The notification must include, in addition to the information required by *SUP* 10C.15.15R (Standard information for all notifications), the following:

(a) the performance of which *controlled functions* are affected by the *SMF manager's* absence;

(b) the date from which the absence began;

(c) whether the written notice relates to:

(i) their absence exceeding 18 weeks; or

(ii) their return from an absence exceeding 18 weeks;

(d) (where applicable) the date on which the *SMF manager* returned; and

(e) the explanation for the absence or return.

10C.14.5 G F Where a *firm* is aware that an ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager* will be absent for more than ~~12~~ 18 weeks, that *firm* can notify the *FCA* prior to the end of the ~~12-week~~ 18-week period.

10C.14.5 G G (1) The duty to notify in *SUP* 10C.14.18R and the ~~sections~~ provisions of the *Act* and the *Handbook* listed in *SUP* 10C.14.22R continue to apply during a temporary absence.

(2) Where it would not be appropriate for a *firm* to require an ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager* to participate in the assessment required under section 63(2A) of the *Act* during a temporary absence, it will not be necessary for that *person* to participate in that assessment in order for the *firm* to comply with this requirement.

(3) Notwithstanding the *guidance* at (2), on an ~~*FCA-approved SMF manager's*~~ *FCA-approved or notified SMF manager's* return to a *firm*, the *firm* should consider whether it may be necessary to refresh any aspects of the assessment taking into account that the relevant *person* is now able to participate.

10C.14.5H	G	~~(1)~~	~~Under section 62A of the Act, a *firm* must provide the *FCA* with a revised *statement of responsibilities* if there has been any significant change in the responsibilities of an *FCA- approved SMF manager*.~~ [deleted]
		~~(2)~~	~~*SUP* 10C.11.6G(6B) explains when a *firm* should submit a revised statement of responsibilities for an *FCA-approved SMF manager* who is temporarily absent and that the *firm* should also submit a revised *statement of responsibilities* on their return.~~
		~~(3)~~	~~The requirement to submit a revised *statement of responsibilities* is in addition to the requirement to submit a Form D (*SUP* 10C Annex 6R).~~
10C.14.5I	G	(1)	Where an ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager* is temporarily absent (see *SUP* 10C.14.5CG), a *firm* may decide to appoint another *person* to perform that *FCA-designated senior management function* during the interim period.
		(2)	Where the ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager* was performing a *FCA required function*, the *firm* will be required to make an interim appointment.
		(3)	Unless *SUP* 10C.3A.6R (The ~~12-week~~ 18-week rule: The main rules) applies, the *firm* will be required to make a fresh application or *SMF notification* of or for the performance of the *FCA-designated senior management function* by the *person* who has been appointed for the interim period (see *SUP* 10C.10 (Application for approval and withdrawing an application for approval) and *SUP* 10C.10A (Notification of the performance of an FCA-designated senior management function)). It may be appropriate for the appointment to be time limited (see *SUP* 10C.12.7G to *SUP* 10C.12.14G (time-limited approvals) for details).
		…	
…			
10C.14.6	G	(1)	*SUP* 10C.15 (~~Forms and other documents~~ Notifications and how to submit them to the FCA) explains how notifications should be submitted.
		(2)	The standard form made available by the *FCA* for notification under *SUP* 10C.14.5R may vary depending on the circumstances. For example, if the *firm* is also making an application for approval for that *approved person* to perform another *controlled function* within

the same *firm* or *group*, the form for notification under *SUP* 10C.14.5R may be included in:

(a) the form the *FCA* provides for the application for the connected approval; or

(b) the connected application for approval made to the *PRA*.

10C.14.6 G A (1) ~~The *MiFID authorisation and management body change notification ITS* requires that a *MiFID investment firm* (except a *credit institution*) submit the information in Annex III of the appropriate part of the *MiFID authorisation and management body change notification ITS* on the Annex III template referred to in *SUP* 10C.10.9AG where there is a change to a member of the *management body* or a *person* who effectively directs the business.~~ [deleted]

(2) ~~This means that a *MiFID investment firm* required to notify the *FCA* under (1) may also need to submit the Annex III information along with the Form C or Form E.~~

(3) ~~See *SUP* 10C.10.9AAG to *SUP* 10C.10.9CG for more about these notification requirements in a case in which the *firm* is applying for approval under section 59 of the *Act* (Approval for particular arrangements).~~

10C.14.7 R (1) A *firm* must notify the *FCA* as soon as practicable after it becomes aware, or has information which reasonably suggests, that it will submit a qualified ~~Form C~~ notification for an ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager*.

(2) ~~Form C~~ A notification is qualified if it is a notification under section 63(2A) of the *Act* (Duty to notify regulator of grounds for withdrawal of approval or invalidation of notification). It is also qualified if it is made another *rule* in this section or under a *PRA* rule corresponding to one of those *rules* and the information it contains:

(a) relates to the fact that the *firm* has dismissed, or suspended, the ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager* from its employment;

(b) relates to the resignation by the ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager* while under investigation by the *firm*, the *FCA* or any other *regulatory body*;

(c) otherwise reasonably suggests that it may affect the *FCA's* assessment of the ~~*FCA-approved SMF manager's*~~ *FCA-*

approved or notified SMF manager's fitness and propriety; or

(d) includes a notification about the ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager* under one of the provisions of ~~the *Act*~~ this chapter listed in *SUP* 10C.14.22R (notification of grounds for withdrawal of approval and disciplinary action).

…

10C.14.9 G A *firm* is responsible for notifying the *FCA* if any ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager* has permanently ceased to perform an *FCA-designated senior management function* under an arrangement entered into by its contractor or where any such ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager* is temporarily absent.

10C.14.10 G (1) A *firm* can submit ~~Form C or Form E (and any MiFID Article 4 SMR Information Form required by *SUP* 10C.10.9BD)~~ a notification under *SUP* 10C.14.5R to the *FCA* in advance of the cessation date.

…

(3) If the *firm*:

(a) does not submit ~~Form C~~ a notification under *SUP* 10C.14.5R (including a qualified one) following notification under *SUP* 10C.14.7R; or

(b) submits a form in advance under (1) but it turns out that there is no requirement to have done so (because for example the ~~*approved person*~~ *approved or notified person* is staying in post);

it should inform the *FCA* in due course of the reason. ~~This could be done using Form D, if appropriate.~~

10C.14.11 G (1) When a *person* ceases the arrangement under which they perform an *FCA-designated senior management function*, they will automatically cease to be an ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager* in relation to that *FCA-designated senior management function*.

(2) A *person* can only be an ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager* in relation to a specific *FCA-designated senior management function*. Therefore, a *person* is not an ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF*

manager during any period between ceasing to perform one *FCA-designated senior management function* (when they are performing no other *FCA-designated senior management function*) and being approved or notified for another *FCA-designated senior management function*.

10C.14.12 G ~~Sending forms promptly will help to ensure that any fresh application can be processed within the standard response times.~~ [deleted]

Changes to an approved or notified person's personal details

10C.14.13 R If an ~~*FCA-approved SMF manager's*~~ *FCA-approved or notified SMF manager's* title, name or national insurance number changes, the *firm* for which the *person* performs an *FCA-designated senior management function* must notify the *FCA* ~~on Form D (*SUP* 10C Annex 6R),~~ of that change within seven business days of the *firm* becoming aware of the matter.

10C.14.14 G The duty to notify in *SUP* 10C.14.13R does not apply to changes to an ~~*FCA-approved SMF manager's*~~ *FCA-approved or notified SMF manager's* private address.

Changes to arrangements

10C.14.15 R (1) If any of the details relating to:

(a) the arrangements in relation to any of a *firm's* ~~*FCA-approved SMF managers*~~ *FCA-approved or notified SMF managers*; or

(b) any *FCA-designated senior management functions* of one of its ~~*FCA-approved SMF managers*~~ *FCA-approved or notified SMF managers*;

are to change, the *firm* must notify the *FCA* ~~on Form D (*SUP* 10C Annex 6R)~~.

…

(3) ~~This *rule* does not apply to anything required to be notified under section 62A of the *Act* (Changes in responsibilities of senior managers) or *SUP* 10C.11 (Statements of responsibilities).~~ [deleted]

Notifying changes to details and arrangements

10C.14.15A R A notification under *SUP* 10C.14.13R or *SUP* 10C.14.15R must include, in addition to the information required by *SUP* 10C.15.15R (Standard information for all notifications), the following:

(1) details of the change;

(2) the date on which the *firm* reasonably believes the details or arrangements changed, or will have changed;

(3) the date on which the *firm* became aware of the change; and

(4) an explanation of the reason for the change.

10C.14.16 G *SUP* 10C.15 (~~Forms and other documents~~ Notifications and how to submit them to the FCA) explains how notifications should be submitted.

Revised statements of responsibilities

10C.14.17 G ~~(1) Under section 62A of the *Act*, a *firm* should provide the *FCA* with a revised *statement of responsibilities* if there has been any significant change in the responsibilities of an *FCA-approved SMF manager*.~~ [deleted]

~~(2) Details can be found in *SUP* 10C.11 (Statements of responsibilities).~~

Notifications about fitness, disciplinary action and breaches of COCON

10C.14.18 R (1) If a *firm* becomes aware of information which would reasonably be material to the assessment of the fitness and propriety of an ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager*, or of a *candidate* to be one (see *FIT*), it must inform the *FCA* either:

(a) ~~on Form D~~ in accordance with *SUP* 10C.15 (Notifications and how to submit them to the FCA); or

(b) if it is more practical to do so and with the prior agreement of the *FCA*, by email ~~or fax~~;

as soon as practicable and, in any case, within seven *business days*.

(2) This *rule* does not apply to anything required to be notified under *SUP* 10C.14.5R ~~(Form C)~~ or *SUP* 10C.14.7R ~~(Qualified Form C)~~.

(3) A notification under this *rule* must include details about the information referred to in (1) and the effect on the *firm's* assessment of the fitness and propriety of the *FCA-approved or notified SMF manager*. If the notification is being submitted under (1)(a), it must also contain the information required by *SUP* 10C.15.15R (Standard information for all notifications).

10C.14.19 G *SUP* 10C.15 (~~Forms and other documents~~ Notifications and how to submit them to the FCA) applies to ~~the submission of Form D~~ a notification under *SUP* 10C.14.18R.

…

10C.14.21 G ~~The~~ *FIT* is relevant to the duty to notify in *SUP* 10C.14.18R ~~extends to any circumstances that would normally be declared when giving the information required for section 5 of Form A or matters considered in *FIT* 2~~ as it contains material about the factors to take into account when assessing the fitness and propriety of an *FCA-approved or notified SMF manager*.

10C.14.22 R If a *firm* is required to notify the *FCA* about an ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager* under any of the following:

(1) section 63(2A) of the *Act* (Duty to notify regulator of grounds for withdrawal of approval or invalidation of *SMF notification*); or

…

(3) ~~section 64C of the *Act* (Requirement for authorised persons to notify regulator of disciplinary action)~~ *SUP* 15.11 (Notification of COCON breaches and disciplinary action);

it must give that notification:

(4) under *SUP* 10C.14.5R ~~(Form C)~~ if that *rule* applies;

(5) ~~under *SUP* 10C.14.7R (Qualified Form C) if that *rule* applies; or~~ [deleted]

(6) (~~in any other case~~ if (4) does not apply) ~~in accordance with~~ under *SUP* 10C.14.18R ~~(Form D)~~ if that *rule* applies; or

(7) (in any other case) in accordance with this *rule*,

and in accordance with the requirements of this chapter about ~~submission of those forms~~ such notifications.

10C.14.23 G (1) The table in *SUP* 10C.14.24G summarises what the relevant parts of the ~~sections~~ section of the *Act* and the *Handbook* listed in *SUP* 10C.14.22R say.

(2) *SUP* 15.11 sets out what a notification under *SUP* 10C.14.22R(3) should contain.

(3) Any other notification under this *rule* should include, in addition to the information required by *SUP* 10C.15.15R (Standard information for all notifications), reasonable details about the matter being notified.

10C.14.2 G 4 Table: Explanation of the ~~sections~~ section of the Act and Handbook mentioned in *SUP* 10C.14.22R

Section	Summary of relevant parts	~~Other Handbook material~~	Comments
Section 63(2A) (Duty to notify regulator of grounds for withdrawal of approval or invalidation of notification)	At least once a year, each *firm* must, in relation to every *SMF manager* for whom an approval has been given on the application of, or in respect of whom an *SMF notification* has been given by, that *firm*: (a) consider whether there are any grounds on which the *FCA* could withdraw the approval or invalidate the notification; and (b) if the *firm* is of the opinion that there are such grounds, notify the *FCA* of those grounds.		*FIT* sets out *guidance* on the factors a *firm* should take into account when assessing the fitness and propriety of an ~~*approved person*~~ *approved or notified person*.
~~Section 64C of the *Act* (Requirement for authorised persons to notify~~	If: (a) a *firm* takes disciplinary	~~*SUP* 15.11 (Notification of *COCON* breaches and~~	An example of when a notification should be made ~~using Form C~~ under

~~regulator of disciplinary action)~~ *SUP* 15.11 (Notification of COCON breaches and disciplinary action)	action in relation to an *SMF manager*; and (b) the reason, or one of the reasons, for taking that action is a ~~reason specified in *SUP* 15.11.6R~~ breach of *COCON*; the *firm* should notify the *FCA* of that fact.	~~disciplinary action)~~	*SUP* 10C.14.5R rather than ~~Form D~~ under *SUP* 10C.14.18R or *SUP* 10C.14.22R is when a *firm* is required to notify the *FCA* under ~~section 64C of the *Act*~~ *SUP* 15.11 that it has dismissed an *SMF manager*.

…

The need for complete and accurate information

10C.14.26 G (1) The obligations to supply information to the *FCA* under:

(a) *SUP* 10C; or

(b) the ~~sections~~ part of the *Act* listed in *SUP* 10C.14.22R;

…

…

…

Application of this section to PRA-approved or notified persons

10C.14.28 R This section also applies to a notification to the *FCA* about a ~~*PRA-approved SMF manager*~~ *PRA-approved or notified SMF manager* who is not an ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager* required by ~~any of~~ the ~~provisions~~ provision of the *Act* listed in *SUP* 10C.14.22R.

…

10C.14.30 G If a *firm* is required to notify the *FCA* about a ~~PRA-approved SMF manager~~ *PRA-approved or notified SMF manager* who is not an ~~*FCA-approved SMF manager*~~ *FCA-approved or notified SMF manager* under ~~one of~~ the ~~sections~~ provision of the *Act* referred to in *SUP* 10C.14.28R, it should make a single

notification under the *PRA's* requirements. There is no need for a separate notification to the *FCA*.

10C.15 ~~Forms and other documents~~ Notifications and how to submit them to the FCA

Purpose

10C.15.1 G The purpose of this section is to:

(1) summarise the main ~~forms and other documents used in~~ notifications required by this chapter; and

(2) explain how they should be submitted to the *FCA*.

10C.15.1A G This section does not cover the forms for applying for approvals, making *SMF notifications* or applying for variations of approvals or *SMF notifications*. Instead, they can be found in the section of the *FCA's* website covering SMCR applications and notifications.

Forms and documents

10C.15.2 G The main ~~forms and other documents used in~~ notifications required by this chapter are listed in *SUP* 10C.15.3G.

10C.15.3 G Table: FCA ~~approved persons forms and other documents~~ senior manager notifications

~~Form or other document~~		Purpose	Handbook requirement	Comments
~~The relevant Form A~~	~~*SUP* 10C Annex 3D~~	~~Application to perform *designated senior management functions*~~	~~*SUP* 10C.10.8D~~	
~~Form B~~ (1)	~~*SUP* 10C Annex 4R~~	Notice to withdraw an application to perform *controlled functions* under the senior managers regime	*SUP* 10C.10.36R	

		~~Notice to withdraw an application to vary an approval under the senior managers regime~~	~~*SUP* 10C.13.15R~~	
(2)	Notice to withdraw an *SMF notification* under the senior managers regime		*SUP* 10C.10A.11R	
(3)	Notice to withdraw an application to vary a conditional approval or *SMF notification* under the senior managers regime		*SUP* 10C.13.15R	
~~Form C~~ (4)	~~*SUP* 10C Annex 5R~~	Notice of ceasing to perform *controlled functions*	*SUP* 10C.14.5R	
(5)	Notification of absence		*SUP* 10C.14.5ER	
(6)	Notice of qualified notification		*SUP* 10C.14.7R	The requirements in this section do not apply to a notification referred to in this row.
~~Form D~~ (7)	~~*SUP* 10C Annex 6R~~	Notification of changes in personal information ~~or application details or functions~~	*SUP* 10C.14.13R	
			~~*SUP* 10C.14.15R~~	
		~~Notification about fitness or of breach of conduct rules~~	~~*SUP* 10C.14.18R~~	
			~~*SUP* 10C.14.22R~~	

(8)	Notification of changes in arrangements or functions		*SUP* 10C.14.15R	
(9)	Notification about fitness		*SUP* 10C.14.18R	The requirements in this section (except *SUP* 10C.15.15R (Standard information for all notifications)) do not apply to a notification under *SUP* 10C.14.18R(1)(b)
(10)	Notification about grounds for withdrawal or invalidation		*SUP* 10C.14.22R(1)	
(11)	Notification about conduct rules breach		*SUP* 10C.14.22R(3)	
~~Form E~~	~~*SUP* 10C Annex 7D~~	~~Internal transfer of an *approved person*~~	~~*SUP* 10C.10.9D~~	
~~Form I~~	~~*SUP* 10C Annex 8D~~	~~Application to vary a conditional approval~~	~~*SUP* 10C.13.6D~~	
~~Form J~~	~~*SUP* 10C Annex 9D~~	~~Notification of significant change to a *statement of responsibilities*~~	~~*SUP* 10C.11~~	
~~Relevant *statement of responsibilities*~~	~~*SUP* 10C Annex 10D~~		~~*SUP* 10C.11~~	

~~MiFID Article 4 SMR Information Form~~	~~*SUP* 10C Annex 11D~~		~~*SUP* 10C.10.9BD~~	
~~Annex III template~~	~~https://www.fca.org.uk/publication/forms/mifid-changes-management-body-form.docx~~	~~As required by the *MiFID authorisation and management body change notification ITS*~~	~~*SUP* 10C.10.9AG and *SUP* 10C.14.6AG~~	
~~[Note: Some of these forms are also used for the purposes of *SUP* 10A (FCA Approved Persons in Appointed Representatives)]~~				

[*Editor's note*: As well as the deletions in the table in SUP 10C.15.3G shown above, the table is reduced from 5 to 4 columns as shown.]

10C.15.4 G ~~*SUP* 10C Annex 2G gives examples of the circumstances in which the documents in *SUP* 10C.15.3G should be used.~~ [deleted]

10C.15.5 G ~~Copies of the forms in *SUP* 10C.15.3G and of the *statement of responsibilities* may be obtained from the *FCA* website. *Credit unions* can obtain copies from the *FCA's* Supervision Hub.~~ [deleted]

10C.15.6 G ~~To contact the *FCA's* Supervision Hub for *approved persons* enquiries:~~ [deleted]

~~(1) telephone: 0300 500 0597;~~

~~(2) email: firm.queries@fca.org.uk; or~~

~~(3) [deleted]~~

~~(4) write to:~~

~~Supervision Hub~~

~~The Financial Conduct Authority~~

~~12 Endeavour Square~~

~~London, E20 1JN.~~

How to make applications and give notifications

10C.15.7 ~~D~~ R (1) A *firm* other than *firm* in (2) must submit a ~~document~~ notification in column 1 of the table in *SUP* 10C.15.10R, in accordance with the corresponding requirement in column two of that table.

(2) A:

(a) *credit union*; or

(b) a *firm* whose *Part 4A permission* covers only *credit-related regulated activities*;

must submit a ~~document~~ notification in column 1 of the table in *SUP* 10C.15.10R, in accordance with the corresponding requirement in column three of that table.

(3) ~~This direction applies to the forms and other documents listed in the table in *SUP* 10C.15.10R that are submitted under a direction.~~ [deleted]

10C.15.8 R ~~*SUP* 10C.15.7D also applies to the forms and other documents listed in the table in *SUP* 10C.15.10R that are submitted under a *rule*.~~ [deleted]

10C.15.9 G It is up to the *firm* referred to in ~~*SUP* 10C.15.7D(2)~~ *SUP* 10C.15.7R(2) concerned to decide which of the methods of submission available to it under *SUP* 10C.15.10R it is going to use.

10C.15.10 R Table: Method of submission

~~**Form or other document**~~ **Row of table in SUP 10C.15.3G where described**	**Firms that are not credit unions or consumer credit firms (SUP 10C.15.7D(1))**	**Credit unions and consumer credit firms (SUP 10C.15.7D(2)**
~~The relevant Form A~~	~~*SUP* 10C.15.11R~~	~~*SUP* 10C.15.11R or *SUP* 10C.15.14R~~
~~Form B~~ Rows (1), (2) and (3) (withdrawal of	*SUP* 10C.15.14R	*SUP* 10C.15.14R

application or notification)		
~~Form C~~ Row (4) (Notice of ceasing to perform *controlled functions*)	*SUP* 10C.15.11R	*SUP* 10C.15.11R or *SUP* 10C.15.14R
~~Form D~~ Rows (5) and (7) to (11) (notifications about changes, fitness and conduct rules breaches)	*SUP* 10C.15.11R	*SUP* 10C.15.11R or *SUP* 10C.15.14R
~~Form E~~	~~*SUP* 10C.15.11R~~	~~*SUP* 10C.15.11R or *SUP* 10C.15.14R~~
~~Form I~~	~~*SUP* 10C.15.11R~~	~~*SUP* 10C.15.11R or *SUP* 10C.15.14R~~
~~Form J~~	~~*SUP* 10C.15.11R~~	~~*SUP* 10C.15.11R or *SUP* 10C.15.14R~~
~~Relevant *statement of responsibilities*~~	~~In accordance with the requirements for the form with which it is submitted~~	~~In accordance with the requirements for the form with which it is submitted~~
~~MiFID Article 4 SMR Information Form~~	~~Submit at the same time as Form A and/or E~~	~~Not applicable~~
~~Annex II or III template~~	~~Submit at the same time as Form A, C and/or E~~	~~Not applicable~~

Method of submission: electronic submission

10C.15.11 R (1) An application or submission by a *firm* made under this *rule* must be made by submitting the form or document ~~online at fca.org.uk using the *FCA's* and *PRA's online notification and application system*~~ electronically in a standard format provided by the *FCA*.

(2) ~~A *firm* must use the version of the form or document made available on the electronic system referred to in (1). If the form or document is included in an Annex to this chapter, that electronic version is~~

~~based on the version found in the applicable Annex to this chapter (which are listed in *SUP* 10C.15.3G).~~ [deleted]

(3) If the information technology systems used by the *FCA* fail and ~~online~~ electronic submission is unavailable for 24 hours or more, *SUP* 10C.15.14R applies until such time as facilities for online submission are restored.

…

Method of submission: other forms of submission

10C.15.14 R …

(2) ~~If the form or document is included in an Annex to this chapter, a~~ A *firm* must ~~use the version of the form or document found in the applicable Annex to this chapter (which are listed in *SUP* 10C.15.3G)~~ make the notification using the standard format provided by the *FCA*.

Standard information for all notifications

10C.15.15 R Any notification to which the requirements in this section apply must include the following in addition to the requirements specified elsewhere in this chapter:

(1) the name of the *firm* submitting the notification and its reference number;

(2) the name of the *person* submitting the form on behalf of the *firm* and of a *person* appointed by the *firm* as a contact point for the *FCA* in relation to the notice;

(3) contact details of the *persons* in (2);

(4) the name of the *candidate* or of the *SMF manager* to which the notification relates;

(5) other information that will enable the *FCA* to identify the *persons* in (2) and (4); and

(6) any other information the *firm* would reasonably be expected to provide to the *FCA* in relation to the notice in question.

10C.15.16 G The information in *SUP* 10C.15.15R(5) may include the *person's* Individual Reference Number (IRN), if applicable.

…

10C Annex 1 **What functions apply to what type of firm**

Part One: Introduction

10C Annex 1 1.1 R This annex sets out:

(1) which ~~*FCA controlled function* applies~~ *FCA-designated senior management functions* apply to which type of *SMCR firm*~~.~~; and

(2) which of those *FCA-designated senior management functions* are subject to the *SMF notification procedure* and for which kind of *firm*.

…

10C Annex 1 1.4 R In the tables in this annex:

(1) √ means that the ~~FCA controlled function~~ *FCA-designated senior management function* applies; ~~and~~

(2) × means that the ~~FCA controlled function~~ *FCA-designated senior management functions* does not apply~~.~~; and

(3) 'Notification' means that the *SMF notification procedure* applies to the *FCA-designated senior management function* in question.

…

Part Three: Functions applying to banking sector firms

…

10C Annex 1 3.2 R Table: Controlled functions applying to banking firms

(1) Brief description of function	(2) Function number	(3) UK firm	(4) EEA firm	(5) Overseas firm

Governing functions				
…				
Chair of the nomination committee function	SMF 13	√ Notification	×	×
…				
Required functions				
…				
~~*Other overall responsibility function*~~	~~SMF 18~~	~~√~~	~~×~~	~~×~~
~~*Other local responsibility function*~~	~~SMF 22~~	~~×~~	~~×~~	~~√~~
…				

Part Four: Functions applying to insurance sector firms

…

10C Annex 1 4.3 R Table: Controlled functions applying to insurance sector firms

(1) Brief description of function	**(2) Function number**	**(3) Solvency II and large NDF**	**(4) EEA branches**	**(5) Overseas branches**	**(6) Small NDF and other**	**(7) ISPV**
Governing functions						
…						
Chair of the nomination committee function	SMF 13	√ Notification	×	×	×	×

Chair of the with-profits committee function	SMF 15	√ Notification	×	√ Notification	×	×
…						
Required functions						
…						
~~*Other overall responsibility function*~~	~~SMF 18~~	~~√~~	~~×~~	~~×~~	~~×~~	~~×~~
~~*Other local responsibility function*~~	~~SMF 22~~	~~×~~	~~×~~	~~√~~	~~×~~	~~×~~
…						

…

Part Six: Functions applying to enhanced scope firms

…

10C Annex 1 6.2 R Table: Controlled functions applying to enhanced scope SMCR firms

Brief description of function	**Function number <u>and whether SMF notification procedure applies</u>**
Governing functions	
…	
Chair of the risk committee function	SMF 10 <u>Notification</u>
Chair of the audit committee function	SMF 11 <u>Notification</u>

Chair of the remuneration committee function	SMF 12 Notification
Chair of the nomination committee function	SMF 13 Notification
Senior independent director function	SMF 14 Notification
…	
Required functions	
…	
~~*Other overall responsibility function*~~	~~SMF 18~~
Systems and controls functions	
…	
Head of internal audit function	SMF 5 Notification
…	

Part Seven: Functions applying to limited scope firms

7.1 R *Limited scope SMCR firms* are divided into the following categories for the purposes of *SUP* 10C Annex 1:

…

(5) a *sole trader* who does not come within (1) to (4A), (8) or ~~(9)~~ (10);

(6) an *authorised professional firm* that does not come within (1) to (4A), (8) or ~~(9)~~ (10);

…

…

The following annexes are deleted in their entirety:

(1) SUP 10C Annex 2G (Summary of forms and their use in the senior managers regime);

(2) SUP 10C Annex 3D (Form A: Application to perform senior management functions);
(3) SUP 10C Annex 4R (Form B: Notice to withdraw an application to perform controlled functions (including senior management functions));
(4) SUP 10C Annex 5R (Form C: Notice of ceasing to perform controlled functions including senior management functions);
(5) SUP 10C Annex 6R (Form D: Notification: Changes to personal information/application details and conduct breaches/disciplinary action related to conduct);
(6) SUP 10C Annex 7D (Form E: Internal transfer of a person performing a controlled function);
(7) SUP 10C Annex 8D (Form I: Application to add, vary or remove a conditional approval for the performance of a senior management function);
(8) SUP 10C Annex 9D (Form J: Notification of significant changes in responsibilities of a person performing a senior management function);
(9) SUP 10C Annex 10D (Statement of responsibilities); and
(10) SUP 10C Annex 11D (MiFID Article 4 SMR Information Form).

The deleted text is not shown but the annexes are marked '[deleted]' as shown below.

10C Annex 2G	~~**Summary of forms and their use in the senior managers regime**~~ **[deleted]**
10C Annex 3D	~~**Form A: Application to perform senior management functions**~~ **[deleted]**
10C Annex 4R	~~**Form B: Notice to withdraw an application to perform controlled functions (including senior management functions)**~~ **[deleted]**
10C Annex 5R	~~**Form C: Notice of ceasing to perform controlled functions including senior management functions**~~ **[deleted]**
10C Annex 6R	~~**Form D: Notification: Changes to personal information/application details and conduct breaches/disciplinary action related to conduct**~~ **[deleted]**
10C Annex 7D	~~**Form E: Internal transfer of a person performing a controlled function**~~ **[deleted]**
10C Annex 8D	~~**Form I: Application to add, vary or remove a conditional approval for the performance of a senior management function**~~ **[deleted]**

10C Annex 9D **~~Form J: Notification of significant changes in responsibilities of a person performing a senior management function~~ [deleted]**

10C Annex 10D **~~Statement of responsibilities~~ [deleted]**

10C Annex 11D **~~MiFID Article 4 SMR Information Form~~ [deleted]**

Amend the following as shown.

15 Notifications to the FCA

…

15.2 Purpose

…

15.2.5 G *SUP* 15.11 (Notification of COCON breaches and disciplinary action) provides *rules* and *guidance* on notifications to the *FCA* by an *SMCR firm* where the *SMCR firm* takes disciplinary action in relation to any *conduct rules staff* ~~and the reason for taking that action is a reason specified in *rules* made by the *FCA*~~ related to a breach of the *rules* in *COCON*. ~~This is a requirement imposed under section 64C of the *Act*.~~

…

15.3 General notification requirements

…

Breaches of rules and other requirements in or under the Act or the CCA

15.3.11 R (1) A *firm* must notify the *FCA* of:

…

by (or as regards (c) against) the *firm* or any of its *directors*, *officers*, *employees*, ~~*approved persons*~~ *approved or notified persons*, or *appointed representatives* or, where applicable, *tied agents*.

…

…

Breaches of rules and other requirements in or under the Act or the CCA

15.3.14A G (1) Some matters that need to be notified under *SUP* 15.3.11R may also have to be notified under *SUP* 10A.14 or *SUP* 10C.14 (Changes to an ~~FCA-approved person's~~ FCA-approved or notified persons' details).

…

(3) Any notification required under both *SUP* 10C.14 and *SUP* 15.3.11R should be made in accordance with *SUP* 10C.14~~, which requires notification using Forms C or D~~.

…

15.3.14B G ~~(1)~~ Some matters that need to be notified under *SUP* 15.3.11R may also have to be notified under *SUP* 15.11 (Notification of COCON breaches and disciplinary action). This is explained in *SUP* 15.11.18DG.

(2) ~~If the same thing has to be notified under *SUP* 15.11 and *SUP* 15.3.11R, a *firm* should make separate notifications under both. This is because:~~ [deleted]

~~(a) notification under *SUP* 15.11 is annual and notification under *SUP* 15.3.11R is immediate; and~~

~~(b) the details of what has to be notified under those requirements are different.~~

…

Lloyd's of London

15.3.22 D *SUP* 15.3.23D to *SUP* 15.3.25D are given in relation to the exercise of the powers of the *Society* and of the *Council* generally, with a view to achieving the objective of enabling the *FCA* to:

…

(2) determine whether *underwriting agents*, or ~~*approved persons*~~ *approved or notified persons* acting for them or on their behalf, are complying with the requirements imposed on them by or under the *Act*;

(3) enforce the provisions of the *Act*, or requirements made under the *Act*, by enabling the *FCA* to consider, where appropriate, whether it should use its powers, for example, to:

…

(b) withdraw approval ~~from an *approved person*~~ of, or invalidate an *SMF notification* relating to, an *approved or notified person* acting for or on behalf of an *underwriting agent* , under section 63 of the *Act* (Withdrawal of approval or invalidation of notification) (see *ENFG* 5);

…

(e) discipline an *underwriting agent*, or an ~~*approved person*~~ *approved or notified person* acting for it or on its behalf, for a breach of a requirement made under the *Act*, including the *Principles*, *Statements of Principle* and *rules* (see *DEPP* 6);

…

15.3.23 D The *Society* must immediately inform the *FCA* in writing if it becomes aware that any matter likely to be of material concern to the *FCA* may have arisen in relation to:

…

(3) ~~*approved persons*~~ *approved or notified persons* or individuals acting for or on behalf of *underwriting agents*.

…

15.3.25 D The *Society* must inform the *FCA* if it commences investigations or disciplinary proceedings which do not fall within the scope of *SUP* 15.3.24D but which:

(1) involve an *underwriting agent*, or an ~~*approved person*~~ *approved or notified person* who carries out *controlled functions* for it or on its behalf; or

…

UK AIFMs

…

15.3.27 G Changes that the *FCA* would expect to be notified of under *SUP* 15.3.26R include:

…

(3) the appointment of any new *senior personnel* if the *AIFM* is not required to apply for the *FCA's* approval or make an *SMF notification* for that appointment under section 59 of the *Act*.

15.3.27A R A *full-scope UK AIFM* must notify the *FCA* of material changes under *SUP* 15.3.26 R in the following manner:

…

(2) for changes of *senior personnel* whose appointment is not required to be approved by or notified to the *FCA* under section 59 of the *Act*, by using the form in *SUP* 15 Annex 6BR; and

…

…

SUP 15.4 (Notified persons) is deleted in its entirety. The deleted text is not shown but the section is marked '[deleted]' as shown below.

15.4 ~~Notified persons~~ [deleted]

Amend the following as shown.

15.6 Inaccurate, false or misleading information

…

15.6.6A G *SUP* 15.11.13R(4) adjusts the time when, and how, an *SMCR firm* should make updates under *SUP* 15.6.4R about notifications ~~under section 64C of the *Act* (Notification of disciplinary action against certain employees)~~ required pursuant to *SUP* 15.11 (Notification of COCON breaches and disciplinary action).

…

15.11 Notification of COCON breaches and disciplinary action

~~Reasons for making a notification to the FCA~~ Application

15.11.1 ~~G~~ R ~~Under section 64A of the *Act*, the *FCA* may make *rules* about the conduct of *approved persons* and certain other *persons* who work for a *firm*.~~ This section applies to *SMCR firms*.

15.11.2 G ~~*COCON* sets out *rules* under section 64A of the *Act* and *guidance* on those *rules* for *SMCR firms*.~~ There is no territorial limitation on the application of this section.

…

Main rule

15.11.4 ~~G~~ R ~~Under section 64C of the *Act*, a~~ A *firm* must notify the *FCA* if:

(1) it takes disciplinary action (as defined in *SUP* 15.11.5R) against ~~certain people working for an *SMCR firm*~~ a *member* of the *firm's conduct rules staff*; and

(2) the reason, or one of the reasons, for taking ~~this~~ that action ~~is a reason specified in *rules* made by the *FCA* (those *rules* are set out in *SUP* 15.11.6R)~~ also amounts to a breach of *COCON*.

15.11.5 ~~G~~ R (1) Disciplinary action ~~against a *person* is defined in section 64C of the *Act* as~~ in relation to an *SMF manager* or other *senior conduct rules staff member* means, for the purpose of this section:

(a) ~~the issuing~~ issuing ~~of~~ a formal written warning~~,~~;

(b) ~~the suspension~~ suspending or ~~dismissal of~~ dismissing that *person*; or

(c) ~~the reduction~~ reducing or ~~recovery of~~ recovering any of such *person's* remuneration.

(2) Disciplinary action in relation to any other member of the *firm's conduct rules staff* means, for the purpose of this section:

(a) issuing a final written warning; or

(b) dismissing that *person*.

(3) If a *firm* takes disciplinary action in accordance with (2) and if the *firm's* disciplinary policy provides for an internal appeals process that applies in the case in question, it must not report that disciplinary action under this section:

(a) during any period provided for by that policy within which the *member* of the *firm's conduct rules staff* may start the appeal, unless there are reasonable grounds for the *firm* to conclude that it is unlikely that the *member* of the *firm's conduct rules staff* will appeal under that policy within that period; and

(b) if and so long as the internal appeals process is in progress in relation to that disciplinary action.

(4) The extended meaning of disciplinary action in the row of Section 2 (Section Two: Supplementary requirements) of *SYSC* 22 Annex 1.2R (Template for regulatory references given by SMCR firms and disclosure requirements) titled 'Questions (E) and (F)' also applies for the purpose of this section.

Contents of notification

15.11.6 R ~~If a reason for taking disciplinary action as referred to in section 64C of the *Act* (Requirement for authorised persons to notify regulator of disciplinary action) is any action, failure to act or circumstance that amounts to a breach of *COCON*, then the *SMCR firm* is required to notify the *FCA* of the disciplinary action.~~ A notification must include the following information:

(1) the name of the member of the *firm's conduct rules staff* in question and other information that will enable the *FCA* to identify them (such as their Individual Reference Number (IRN), if applicable);

(2) details about the conduct which formed the basis of the disciplinary action taken;

(3) the *COCON rules* that were breached;

(4) which of the types of disciplinary action referred to in *SUP* 15.11.5R were taken;

(5) whether the *firm* is updating a previous or is making a new notification;

(6) if the *firm* is updating a previous notification:

(a) details that will enable the *FCA* to identify that previous notification and the applicable part of that notification; and

(b) the updated or new information; and

(7) the information in *SUP* 10C.15.15R (Standard information for all notifications).

Explanation of when this section applies

15.11.6A G ~~The effect of section 64C of the *Act* and *SUP* 15.11.6R is that the~~ The reporting obligation ~~in section 64C of the *Act* and~~ in this section:

…

15.11.6B G (1) ~~A further effect of section 64C of the *Act* and *SUP* 15.11.6R is that the~~ The reporting obligation ~~in section 64C of the *Act* and~~ in this section only applies if all the following conditions are met:

…

(b) the *firm* takes disciplinary action against that member of the kind in ~~*SUP* 15.11.5G~~ *SUP* 15.11.5R; and

…

(2) The result of (1)(a) and (c) is that if a *firm* takes disciplinary action against a member of the *firm's conduct rules staff*, that does not automatically result in an obligation to report to the *FCA* under this section ~~or section 64C of the *Act*~~. For example, the misconduct by the member of the *firm's conduct rules staff* may be outside the scope of *COCON*.

(3) The result of (1)(b) is that a *firm* only has to report a breach of *COCON* to the *FCA* under ~~section 64C of the *Act*~~ this section if the *firm* takes disciplinary action of the specified kind.

(4) A *firm* need not determine whether conduct by a member of its *conduct rules staff* breaches a *rule* in *COCON* unless it takes disciplinary action against that member of a kind in *SUP* 15.11.5R.

(5) Therefore, if a *firm* takes disciplinary action against a member of its *conduct rules staff* of a kind falling outside *SUP* 15.11.5R, it does not need to determine whether the misconduct was a breach of *COCON*.

(6) Paragraphs (4) and (5) only apply to reporting under this section. For example, a *firm* may have to report misconduct under *SUP* 15.3.11R (Breaches of rules and other requirements in or under the Act or the CCA) even if it does not take disciplinary action of the kind in *SUP* 15.11.5R or has not decided whether or not to take such action.

15.11.6C G ~~(1)~~ ~~A *firm* may have to report a breach of *COCON* under *Principle* 11 or *SUP* 15.3.11R (Breaches of rules and other requirements in or under the Act or the CCA) even though it does not have to report the breach under section 64C of the *Act* or this section.~~ [deleted]

~~(2)~~ ~~For example, a *firm* may notify the *FCA* of a suspected serious breach of *COCON* before it has completed its investigation.~~

15.11.6D G ~~On the other hand, a breach of *COCON* may have to be reported to the *FCA* under section 64C of the *Act* even if it is not significant for the purposes of *SUP* 15.3.11R or if it is not serious enough to be reported under *Principle* 11.~~ [deleted]

Types of disciplinary action

15.11.6E G Disciplinary action potentially comes within this section ~~64C of the *Act*~~ even if the disciplinary proceedings do not expressly refer to a breach of *COCON*. What matters is whether the alleged facts on which the disciplinary action is based also amount to a breach of *COCON*.

15.11.6F G (1) One of the types of disciplinary action ~~in section 64C of the *Act* (and therefore~~ coming within the scope of the reporting obligation in this section~~)~~ as respects a *senior conduct rules staff member* is the suspension of ~~the *employee* concerned~~ that *person*.

…

(3) If ~~an *employee*~~ a *senior conduct rules staff member* is suspended for the reason in (2), there will be no reporting obligation under this section ~~64C of the *Act*~~. That is because the reason for the action will not be a breach of *COCON* but instead the need to investigate misconduct. This is the case even if the misconduct for which the ~~*employee*~~ *senior conduct rules staff member* is being investigated would be a breach of *COCON*.

(4) If, after the investigation is completed, the *firm* takes disciplinary action of a kind in ~~*SUP* 15.11.5G~~ *SUP* 15.11.5R for misconduct of a kind that breaches *COCON*, the *firm* should report it under this section ~~64C of the *Act*~~.

15.11.6G G (1) Another of the types of disciplinary action in this section ~~64C of the *Act*~~ as respects a *senior conduct rules staff member* is the reduction or recovery of any of the remuneration of ~~the *employee* concerned~~ that *person*.

(2) However, the *firm* should not report such reduction or recovery under this section ~~64C of the *Act*~~ if that action was taken for a

reason that is not misconduct of a kind that breaches *COCON*. For example, there may be no *COCON* breach because:

(a) the action was taken because the individual has breached a requirement of the *firm* that does not amount to a breach of *COCON* because, for example, it is outside the scope of ~~*COCON* 1.1.7AR~~ *COCON* 1A.6.1R (To what conduct does it apply? (Other limitations: Non-banks));

…

~~Reasons for making a notification to the FCA~~

15.11.7 G ~~A *firm* should make a separate notification about a *person* under this section 64C of the *Act* where:~~ [deleted]

~~(1) it has made a notification to the *FCA* about the *person* pursuant to *SUP* 15.3.11R(1)(a) because of a breach of *COCON*; and~~

~~(2) it subsequently takes disciplinary action against the *person* for the action, failure to act, or circumstance, that amounted to a breach of *COCON*.~~

Revising a notification

15.11.8 G If, after a *firm* has made a notification for a *person* (A) pursuant to this section ~~64C of the *Act*~~, it becomes aware of facts or matters which cause it to change its view that A has breached *COCON*, or cause it to determine that A has breached a provision of *COCON* other than the provision to which the notification related, the *firm* should inform the *FCA* of those facts and matters and its revised conclusion in line with a *firm's* obligation to comply with *Principle* 11, *SUP* 15.6.4R and, if applicable, *SUP* 10C or *SUP* 15.11.13R(4).

Appeals

15.11.8A G (1) This paragraph covers the effect of an appeals process as referred to in *SUP* 15.11.5R(3).

(2) If the member of the *firm's conduct rules staff* appeals against disciplinary action but that disciplinary action is not withdrawn or suspended pending the outcome of the appeal, the *firm* should not report that disciplinary action until the *firm's* internal appeals process has been completed. Equally, the *firm* should not report disciplinary action if it suspends the action pending the outcome of the appeal.

(3) If the *firm* takes disciplinary action and the *member* of the *conduct rules staff* has a right to appeal and has not yet done so, the *firm* should not report it.

(4) If, after the appeal process is completed, the *firm* takes or does not withdraw the disciplinary action, the *firm* should report it under this section.

(5) If, after the appeal process is completed, the *firm* withdraws the disciplinary action, the *firm* should not report the original disciplinary action under this section.

(6) If the outcome of the disciplinary process is that the disciplinary action is maintained but the *firm* finds that the conduct concerned did not breach *COCON*, the *firm* should not report the disciplinary action under this section.

(7) A *firm's* appeal process includes any internal second or further appeal or review. It does not include any court or tribunal proceedings.

(8) The 14-*month* reporting deadline in *SUP* 15.11.13R (Timing and form of notifications: conduct rules staff other than SMF managers) runs from the date that the disciplinary action is taken, not from the date that any appeal process is concluded but, notwithstanding that, the reporting deadline does not expire before the conclusion of the disciplinary process.

15.11.9 G (1) ~~If~~ *SUP* 15.11.5R(3) does not apply in relation to a *senior conduct rules staff member*. Therefore, if a *firm* takes disciplinary action as a result of a conduct breach ~~(see *SUP* 15.11.6R)~~ against ~~an *employee*~~ a *senior conduct rules staff member* but the ~~*employee*~~ *senior conduct rules staff member* has appealed or plans to appeal, the *firm* should still report the disciplinary action under section 64C of the *Act* but should include the appeal in the notification.

(2) …

15.11.11 G ~~In relation to any *conduct rules staff*, the *FCA* does not expect a *firm* to notify it pursuant to section 64C of the *Act* if the breach of *COCON* occurred before the application of *COCON* to that *firm*.~~ [deleted]

Timing and form of notifications: SMF managers

15.11.12 ~~G~~ R Where a *firm* is required to notify the *FCA* ~~pursuant to section 64C of the *Act*~~ under this section and that notification relates to an *SMF manager*, *SUP* 10C

sets out how and when the notification must be made, and the relevant *notification rules* in *SUP* 10C apply.

Timing and form of notifications: senior conduct rules staff other than SMF managers

15.11.12A R (1) This *rule* applies to a notification in relation to a *senior conduct rules staff member* who is not an *SMF manager*.

(2) ~~The reporting *rules* in this section do not apply where the breach of *COCON* referred to in *SUP* 15.11.6R is of one of the *rules* in *COCON* 2.2 (Senior manager conduct rules).~~ That notification must be made within 7 *business days* of the disciplinary action.

(3) ~~Subject to (2), *SUP* 15.11.13R to *SUP* 15.11.15R apply to a notification in relation to a *senior conduct rules staff member* in (1).~~ [deleted]

15.11.12B G ~~(1) This provision explains how breaches of *COCON* of a person in *SUP* 15.11.12AR should be reported.~~ [deleted]

~~(2) *SUP* 15.11.12AR applies to any of the following who is not an *SMF manager*:~~

~~(a) an *employee* of an *SMCR firm* who performs the function of an *SMF manager* (see row (2) of the table in *COCON* 1.1.2R);~~

~~(b) a *board director* of a *UK SMCR firm* (see row (8) of the table in *COCON* 1.1.2R); and~~

~~(c) a person appointed under *SUP* 10C.3A.6R (The 12-week rule: The main rules) or the *PRA* equivalent (see rows (3) and (9) of the table in *COCON* 1.1.2R).~~

~~(3) If:~~

~~(a) a person in (1) breaches a *rule* in *COCON* 2.2;~~

~~(b) the *firm* takes disciplinary action against that person of the kind in *SUP* 15.11.5G; and~~

~~(c) the action, failure to act or circumstance that is the basis of the disciplinary action in (b) also amounts to the breach of *COCON* in (a),~~

~~the *firm* should notify the *FCA* of that immediately.~~

~~(4) The reason for (3) is that a breach of *COCON* 2.2 by a *senior conduct rules staff member* that results in disciplinary action of the kind in *SUP* 15.11.5G is significant for the purposes of *SUP* 15.3.11R(1) (Breaches of rules and other requirements in or under the Act or the CCA). That *rule* says that a *firm* should immediately notify the *FCA* of a significant breach of a *COCON rule*.~~

~~(5) The effect of *SUP* 15.3.11R(1) is also that if:~~

~~(a) a person in (1) breaches *COCON*;~~

~~(b) either of the following apply:~~

~~(i) the *firm* does not take (or has not yet taken) disciplinary action against that person of the kind in *SUP* 15.11.5G; or~~

~~(ii) the breach is of a *rule* in *COCON* 2.1 (Individual conduct rules); and~~

~~(c) the breach is significant,~~

~~the *firm* should also immediately notify the *FCA* of that breach.~~

~~(6) The effect of this section and section 64 of the *Act* is that if:~~

~~(a) a person in (1) breaches one of the *rules* in *COCON* 2.1 (Individual conduct rules);~~

~~(b) the *firm* takes disciplinary action against that person of the kind in *SUP* 15.11.5G; and~~

~~(c) the action, failure to act or circumstance that is the basis of the disciplinary action in (b) also amounts to the breach of *COCON* in (a),~~

~~the *firm* should notify it under *SUP* 15.11.12AR, even if it has already notified it under (5).~~

~~(7) Paragraph (6) does not apply to a breach of one of the *rules* in *COCON* 2.2. Paragraph (3) applies instead.~~

Timing and form of notifications: conduct rules staff other than ~~SMF managers~~ senior conduct rules staff members

15.11.13 R (1) A *firm* must make any notifications required pursuant to this section ~~64C of the *Act*~~ relating to *conduct rules staff* other than ~~*SMF managers*~~ a *senior conduct rules staff member* in accordance with

SUP 15.11.13R to *SUP* 15.11.15R. ~~This is subject to *SUP* 15.11.12AR (Timing and form of notifications: senior conduct rules staff other than SMF managers).~~

(2) That notification must be made ~~annually~~ within 14 *months* of the disciplinary action.

(3) ~~Each notification must:~~ [deleted]

~~(a) cover;~~

~~(i) (in the case of a *firm* falling within *SYSC* 23 Annex 1 6.7R (credit firms with limited permission)) the 12 *month* period ending on the last day of December; or~~

~~(ii) (for any other *firm*) the 12 *month* period ending on the last day of August; and~~

~~(b) be submitted to the *FCA*:~~

~~(i) within two months of the end of the reporting period in (a)(i) or (a)(ii); or~~

~~(ii) (if the end of the submission period in (b)(i) falls on a *day* which is not a *business day*) so as to be received no later than the first *business day* after the end of that submission period.~~

(4) *SUP* 15.6.4R and *SUP* 15.6.5R (updates to a notification that is or has become incorrect) apply to a notification under this *rule* but the *firm* must ~~include~~ make the update or correction ~~in the next notification it is due to make under this *rule*~~ within 14 *months* of the occurrence of the event or circumstance that gives rise to the obligation to update rather than in the time and manner otherwise required for notifications under those *rules*.

…

(6) ~~(3)(a)(i) applies whether or not the *firm* is a *limited scope SMCR firm*.~~ [deleted]

…

15.11.13 G B ~~If a *firm* has nothing to report under section 64C of the *Act* or *SUP* 15.11.13R(4) for a particular reporting period, there is no requirement to make a nil return and so the *firm* should not send a notification for that period.~~ [deleted]

~~Timing and form of notifications: conduct rules staff other than SMF managers~~
Method of notification

15.11.14 R (1) A *firm* ~~other than a *credit union*~~ must make each notification pursuant to *SUP* 15.11.13R (~~notifications about section 64C of the *Act* relating to *conduct rules staff* other than *SMF managers*~~ Timing and form of notifications: conduct rules staff other than senior conduct rules staff members) by submitting it ~~online through the *FCA's* website using the electronic system made available by the *FCA* for this purpose~~ electronically in a standard format provided by the *FCA*.

(2) A *firm* must ~~use the version of Form H (named REP008 – Notification of Disciplinary Action) made available on the electronic system referred to in (1), which is based on the version found in *SUP* 15 Annex 7R~~ make each notification pursuant to *SUP* 15.11.12AR (Timing and form of notifications: senior conduct rules staff other than SMF managers) in accordance with *SUP* 15.7 (Form and method of notification) but it may only use notification method 6 (Online submission via the FCA's website) in *SUP* 15.7.5AR (Methods of notification).

…

…

15.11.15 R ~~A *credit union*~~ Where this *rule* applies, a *firm* must make each notification ~~pursuant to *SUP* 15.11.13R (notifications about section 64C of the *Act* relating to *conduct rules staff* other than *SMF managers*)~~ in accordance with the *rules* and *guidance* in *SUP* 15.7, using ~~Form H as set out in *SUP* 15 Annex 7R~~ any standard format provided by the *FCA*.

15.11.15 A R …

Freedom of firm to set its own reporting cycle

15.11.15 B G (1) *SUP* 15.11.13R provides for a 14-*month* time limit for notifying so that, if a *firm* wishes, it can report disciplinary action annually in a single consolidated notification with a 2-*month* period for the *firm* to prepare the notification.

(2) If a *firm* decides to report annually, the *firm*:

(a) chooses the start and end date of each annual period and may change that choice; and

(b) need not inform the *FCA* what those periods are or whether it changes them.

(3) If a *firm* chooses to report annually, it may also notify on another basis for some disciplinary actions. For example, if an appeal is in progress at the reporting date that the *firm* uses, it can choose to submit a notification of the finalised outcome at the conclusion of the process rather than include it in its next annual notification.

(4) If a *firm* chooses to report annually, it may switch to another approach at any time. If it does, it does not need to inform the *FCA*.

(5) If a *firm* chooses to report annually and it has nothing to report for a particular reporting period, there is no requirement to make a nil return and so the *firm* should not send a notification for that period.

(6) A *firm* need not report on the annual basis in (1). For instance, a *firm* with few disciplinary actions to notify may decide that it is simpler to notify each disciplinary action when it occurs.

~~General guidance on notifications of rule breaches and disciplinary action~~
Reporting under other rules

…

15.11.17 G The obligation to notify pursuant to this section ~~64C of the *Act*~~ or to update or correct a notification under *SUP* 15.11.13R(4) does not replace or limit a *firm's* obligation to comply with *Principle* 11.

15.11.18 G When considering whether to make a notification pursuant to this section ~~64C of the *Act*~~, a *firm* should also consider whether a notification should be made under any *notification rules*, including, without limitation, any *notification rules* that require a notification to be made to the *PRA*.

15.11.18A G (1) A *firm* may have to report a breach of *COCON* under *Principle* 11 or *SUP* 15.3.11R (Breaches of rules and other requirements in or under the Act or the CCA) even though it does not have to report the breach under this section.

(2) For example, a *firm* may be required to notify the *FCA* of a suspected serious breach of *COCON* before it has completed its investigation.

15.11.18B G On the other hand, a breach of *COCON* may have to be reported to the *FCA* under this section even if it is not significant for the purposes of *SUP* 15.3.11R or if it is not serious enough to be reported under *Principle* 11.

15.11.18C G A *firm* should make a separate notification about a *person* under this section where:

(1) it has made a notification to the *FCA* about the *person* pursuant to *SUP* 15.3.11R(1)(a) because of a breach of *COCON*; and

(2) it subsequently takes disciplinary action of the kind covered by this section against the *person* for the action, failure to act or circumstance that amounted to a breach of *COCON*.

15.11.18D G (1) Some matters that need to be notified under *SUP* 15.3.13R (Notification of COCON breaches and disciplinary action) may also have to be notified under this section.

(2) A matter that has been reported under this section does not have to be notified again under *SUP* 15.3.13R.

(3) However, if the same thing has to be notified under *SUP* 15.11.13R (Timing and form of notifications: conduct rules staff other than senior conduct rules staff members) and *SUP* 15.3.11R, in practice, a *firm* should make separate notifications under both. This is because:

(a) notification under *SUP* 15.3.11R should be immediate, whereas a *firm* has up to 14 *months* to report it under *SUP* 15.11.13R; and

(b) even if it makes the notification under this section earlier, the notification under *SUP* 15.11.13R will be delayed if an appeals process is applicable.

(4) If a notification contains the details in *SUP* 15.11.6R (Contents of notification), notification under one of *SUP* 15.3.13R and 15.11.12AR (Timing and form of notifications: senior conduct rules staff other than SMF managers) amounts to notification under the other.

(5) *SUP* 15.3.14AG (Breaches of rules and other requirements in or under the Act or the CCA) deals with matters that have to be reported under both *SUP* 15.3.11R and *SUP* 15.11.12R (Timing and form of notifications: SMF managers).

Confidentiality

15.11.19 G The obligations to make a notification pursuant to this section ~~64C of the *Act*~~ apply notwithstanding any agreement (for example a 'COT 3' Agreement settled by the Advisory, Conciliation and Arbitration Service (ACAS)) or

any other arrangements entered into by a *firm* and ~~an *employee*~~ a member of its *conduct rules staff* upon termination of ~~the *employee's*~~ that member's employment. A *firm* should not enter into any such arrangements or agreements that could conflict with its obligations under this section.

Miscellaneous

15.11.21 G …

15.11.22 G The *FCA* does not expect a *firm* to notify it under this section of any conduct of a member of its *conduct rules staff* that would have breached *COCON* if it occurred when *COCON* did not apply in relation to that member because, for example, the *firm* was not an *SMCR firm* at the time.

SUP 15.16 (Notification of changes in the management body) is deleted in its entirety. The deleted text is not shown but the section is marked '[deleted]' as shown below.

15.16 ~~Notification of changes in the management body~~ [deleted]

The following annexes are deleted in their entirety:

(1) SUP 15 Ann 2 (Form F: Changes in notified persons);
(2) SUP 15 Annex 7R (Form H: Form for the notification of disciplinary action relating to conduct rules staff (other than SMF managers) in SMCR firms); and
(3) SUP 15 Annex 14R (Notification Procedures for Changes to the Management Body for Non-SMF Directors).

The deleted text is not shown but the annexes are marked '[deleted]' as shown below.

15 Ann 2 ~~Form F: Changes in notified persons~~ [deleted]

…

15 Annex 7R ~~Form H: Form for the notification of disciplinary action relating to conduct rules staff (other than SMF managers) in SMCR firms~~ [deleted]

…

15 Annex 14R ~~Notification Procedures for Changes to the Management Body for Non-SMF Directors~~ [deleted]

Amend the following as shown.

16 Reporting requirements

16.1 Application

…

16.1.1F R ~~The *rules* and *guidance* in *SUP* 16.26 (Reporting of information about Directory persons) apply to an *SMCR firm*.~~ [deleted]

…

16.1.2 G …

(2) ~~*SUP* 16.26 (Reporting of information about Directory persons) applies to a *firm* which is an *SMCR firm* (see *SUP* 16.1.1FR).~~ [deleted]

…

…

Application of different sections of SUP 16 (excluding SUP 16.13, SUP 16.14A, SUP 16.15~~,~~ and SUP 16.22 ~~and SUP 16.26~~)

16.1.3 R

…
Note 2 The application of *SUP* 16.13 is set out under *SUP* 16.13.1G; the application of *SUP* 16.15 is set out under *SUP* 16.15.1G; the application of *SUP* 16.16 is set out *SUP* 16.16.1R and *SUP* 16.16.2R; and the application of *SUP* 16.17 is set out in *SUP* 16.17.3R and *SUP* 16.17.4R~~; and the application of *SUP* 16.26 is set out in *SUP* 16.26.1R~~.
…

…

16.3 General provisions on reporting

…

Structure of the chapter

16.3.2 G This chapter has been split into the following sections, covering:

…

(21) ~~*Directory persons* information reporting (*SUP* 16.26);~~ [deleted]

…

…

SUP 16.26 (Reporting of information about Directory persons) is deleted in its entirety. The deleted text is not shown but the section is marked '[deleted]' as shown below.

16.26 ~~Reporting of information about Directory persons~~ [deleted]

The following annexes are deleted in their entirety:

(1) SUP 16 Annex 47AR (Directory persons report); and
(2) SUP 16 Annex 47BG (Guidance notes for Directory persons report in SUP 16 Annex 47AR).

The deleted text is not shown but the annexes are marked '[deleted]' as shown below.

16 Annex 47AR ~~Directory persons report~~ [deleted]

16 Annex 47BG ~~Guidance notes for Directory persons report in SUP 16 Annex 47AR~~ [deleted]

Amend the following as shown.

TP 1 Transitional provisions

…

TP 1.13 ~~Reporting of information about Directory persons~~ [deleted]

~~(1)~~	~~(2) Material to which the transitional provision applies~~	~~(3)~~	~~(4) Transitional provisions~~	~~(5) Transitional provision: dates in force~~	~~(6) Handbook provision coming into force~~

1	*SUP* 16.26	R	(1) This *rule* applies to: (a) an *SMCR banking firm*; and (b) an *SMCR insurance firm*. (2) The reporting and timing requirements in *SUP* 16.26 are modified in accordance with paragraphs (3) to (6) for a *firm* to which this *rule* applies. (3) The *firm* must submit a report about each individual who is or becomes a *Directory person* on or after 9 September 2019. (4) Where the relevant information is held by the *firm*, the *firm* must submit a report about each individual who does not fall within (3), but who would have been a *Directory person* on or after 10 December 2018. (5) The *firm* must submit to the *FCA* all reports about the *Directory persons* specified in (3) and (4) by 9 March 2020, which is set out in Part 1, *SUP* 16 Annex 47AR (Directory persons report), submitted online through the appropriate system which is accessible from the *FCA* website and in the appropriate format.	From 9 September 2019 to 9 March 2020	9 September 2019

			(6) *SUP* 16.26.13R to *SUP* 16.26.19R apply only on and from 9 March 2020.		
2	*SUP* 16.26	R	(1) This *rule* applies to an *SMCR firm* which is not: (a) an *SMCR banking firm*; or (b) an *SMCR insurance firm*. (2) The reporting and timing requirements in *SUP* 16.26 are modified in accordance with paragraphs (3) to (5) for a *firm* to which this *rule* applies. (3) The *firm* must submit a report about each individual who is or becomes a *Directory person* on or after 9 December 2019. (4) The *firm* must submit to the *FCA* all reports about the *Directory persons* specified in (3) by 31 March 2021, which is set out in Part 1, *SUP* 16 Annex 47AR (Directory persons report), submitted online through the appropriate system which is accessible from the *FCA* website and in the appropriate format. (5) *SUP* 16.26.13R to *SUP* 16.26.19R apply only on and from 31 March 2021. (6) This *rule* is modified by *SUP* TP 1.13.3R.	From 9 December 2019 to 31 March 2021	9 December 2019

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provisions	(5) Transitional provision: dates in force	(6) Handbook provision coming into force
3	*SUP* 16.26	R	(1) This *rule* applies to a firm: (a) that comes within *SYSC* TP 8.1.1R (Application, purpose and definitions); and (b) has an individual transitional period. (2) *SUP* TP 1.13.2R is adjusted so that a reference to: (a) 9 December 2019 is a reference to the start of a *firm's* individual transitional period; and (b) 31 March 2021 is a reference to the end of a *firm's* individual transitional period. (3) Individual transitional period has the meaning in *SYSC* TP 8.1.5R (Table: glossary of bespoke terms used in *SYSC* TP 8), taking into account the amendment to that definition made by the Individual Accountability (FCA-Authorised Firms) (COVID-19 and Extension of Deadlines) Instrument 2020.	As stated in column (4)	As stated in column (4)

Part 2: Comes into force on [*date 2*]

TP 5 Miscellaneous transitional provisions for the SMCR and the approved persons regime: changes to SUP 10A, SUP 10C, SUP 15.11 and SUP 16.26

TP 5

…	
5.3	…

TP 5.4: Changes in [2027]

TP 5.4.1 R *SUP* TP 5.4 relates to amendments to the *Handbook* made by the Individual Accountability (SMCR Review Phase 2) Instrument 2027 ([*Editor's note*: insert instrument reference number]).

TP 5.4.2 R In *SUP* TP 5.4, the 'commencement date' means [*date 1*].

Early notification

TP 5.4.3 R A *firm* may make an SMF notification to the *FCA* before the commencement date if:

(1) it is received by the *FCA* no earlier than 1 *month* before the commencement date; and

(2) the *firm* would be entitled to make an SMF notification to the *FCA* in respect of the *designated senior management function* concerned after the commencement date.

TP 5.4.4 R (1) *SUP* 10C.10A.16R (When a notice takes effect), *SUP* 10C.10A.17R (When a notification is ineffective) and the other *rules* in the *Handbook* that will apply in respect of an SMF notification after the commencement date apply in respect of any notification made in accordance with *SUP* TP 5.4 even if they are otherwise not in force.

(2) A reference in (1) to a *rule* refers to the version that takes into account the amendments to be made by the instrument referred to in *SUP* TP 5.4.1R.

(3) 'SMF notification' has the meaning it has in the instrument referred to in *SUP* TP 5.4.1R.

TP 5.4.5 G *SUP* TP 5.4.3R and *SUP* TP 5.4.4R mean that an SMF notification received before the commencement date takes effect only if it meets the following requirements:

(1) the SMF notification is received no earlier than 1 *month* before commencement date;

(2) the SMF notification specifies a date of appointment that is the later of:

(a) the commencement date; or

(b) a date within 3 *months* of the date on which the SMF notification is submitted;

(3) the SMF notification complies with the requirements of *SUP* 10C.10A.17R as if it were in force at that time;

(4) the SMF notification has not been withdrawn in accordance with *SUP* 10C.10A.11R to *SUP* 10C.10A.14G (Withdrawing a notification); and

(5) the notification is not ineffective for any of the other reasons in *SUP* 10C.10A.18G.

TP 5.4.6 G (1) This paragraph explains some of the other effects of *SUP* TP 5.4.3R and *SUP* TP 5.4.4R.

(2) An SMF notification received before the commencement date which is not prevented from taking effect in accordance with *SUP* TP 5.4.5G takes effect on the later of:

(a) the date on which the *FCA* confirms submission of the SMF notification in writing;

(b) the commencement date; or

(c) the date of appointment specified in the SMF notification;

but in any case no later than the *day* in *SUP* TP 5.4.5G(2)(b).

(3) *SYSC* 22 (Regulatory references) applies to a *firm* asked to give a reference about an ex-employee in respect of whom another *firm* is proposing to give an SMF notification in accordance with *SUP* TP 5.4.3R as well as to the *firm* proposing to give the notification.

(4) The prohibition in section 60(2ZA) (Application for approval) of the *Act* on applying for approval where an SMF notification is possible does not prevent a *firm* making an urgent approval application for an *FCA-designated senior management function* that will be subject to the SMF notification procedure after the commencement date as long as it specifies that the approval should take effect from the date

it is granted or before the commencement date. This is because an SMF notification under *SUP* TP 5.4.3R and *SUP* TP 5.4.4R can only be made if the specified effective date is no earlier than the commencement date.

Part 3: Comes into force on [*date 1*]

18-week rule

TP 5.4.7	R	The amendments to *SUP* 10C.3A apply in relation to any absence that begins after the commencement date.
TP 5.4.8	G	Time spent by a *person* as a temporary replacement under *SUP* 10C.3A before the commencement date counts towards the calculation of the amended time limits.

In-flight applications

TP 5.4.9	G	*SUP* TP 5.4.9G to *SUP* TP 5.4.13G apply where: (1) a *firm* has applied for approval for a *person* to perform an *FCA-designated senior management function*; (2) that application has not been finally determined by the commencement date; and (3) that *designated senior management function* would otherwise be subject to the *SMF notification procedure*.
TP 5.4.10	G	'Finally determined' has the meaning it has in *SYSC* 10C.3A.8R(3) (The 18-week rule: The main rules).
TP 5.4.11	G	The *SMF notification procedure* does not apply to the *FCA-designated senior management function* in *SUP* TP 5.4.9G in relation to that application and that *firm*.
TP 5.4.12	G	*SUP* TP 5.4.11G means that the *FCA* will continue to process that approval. The procedures and requirements for considering, withdrawing, granting and refusing an application for approval will continue to apply to that application.
TP 5.4.13	G	The reason for *SUP* TP 5.4.11G is that normally the approval procedure does not apply where the *SMF notification procedure* applies because section 60(2ZA) of the *Act* (Applications for approval) says that a *firm* may not make an application for approval where the *SMF notification procedure* applies. However, that prohibition does not apply where the application was made when section 60(2ZA) was not yet in force.

Effect of pre-commencement approvals

TP 5.4.14 G An approval given by the *FCA* for an *FCA-designated senior management function* that has become subject to the *SMF notification procedure* remains in full force and effect following the commencement date.

Abolition of controlled functions

TP 5.4.15 G A *firm* does not have to notify the *FCA* that an *SMF manager* has ceased to perform the other overall responsibility or the other local responsibility *FCA-designated senior management functions* because those functions ceased to be *FCA-designated senior management functions* under the instrument referred to in *SUP* TP 5.4.1R.

Amendment to the group entity senior manager function

TP 5.4.16 G A *firm* should notify the *FCA* under *SUP* 10C.14.5R (Ceasing to perform an FCA-designated senior management function) that an *SMF manager* has ceased to perform the *group entity senior manager function* because of the amendments to the definition of that function by the instrument referred to in *SUP* TP 5.4.1R.

Notification of disciplinary action

TP 5.4.17 G The changes to *SUP* 15.11 (Notification of COCON breaches and disciplinary action) apply to disciplinary action or breaches of *COCON* that occur before the commencement date as well as after but they do not require re-notification of a notification that was made before the commencement date.

TP 5.4.18 G The obligation of a *firm* to update a notification given before the commencement date still continues even if the *firm* would no longer be required to include the information in the original notification if the *firm* was considering whether to make the notification after the commencement date.

…

…

TP 6 Financial Services (Banking Reform) Act 2013: Approved persons

TP 6

	Note to the reader

6.1.1-2	G	(1)	*SUP* TP 6 has not been amended to reflect changes in the *FCA Handbook* and *Glossary* since the beginning of 2018 (except for some changes to *SUP* TP 6.1.1-1G made in 2020, and editorial amendments made to reflect the deletion of certain *Glossary* terms). This is because it is made up of transitional provisions that mostly expired before then.	
		(2)	…	
		(3)	In *SUP* TP 6, unless otherwise specified, the following terms should be read as they had effect in the *Handbook Glossary* on 1 January 2021, subject to any modifications specified below:	
			(a)	'approved person', and where the context requires, references to approved person include *approved or notified person*; and
			(b)	'current approved person approval', and where the context requires, references to current approved person approval include *current SMF approval or notification*.
6.1.1-1	G	Table: Meaning of superseded Glossary terms		

…

	Purpose and application		
6.1.1	G	*SUP* TP 6 has transitional and grandfathering provisions relating to the changes to the ~~*approved persons*~~ approved persons regime made by Part 4 of the Financial Services (Banking Reform) Act 2013.	
…			
	Grandfathering of approved persons: mapping of old functions onto new		
6.2.1	R	A *firm* must not include any of the following ~~*approved persons*~~ approved persons in a grandfathering notice:	
		(1)	an ~~*approved person*~~ approved person whose approval is under *SUP* 10A.1.15R or *SUP* 10A.1.16R (appointed representatives) for that *firm*;

		(2)	an ~~*approved person*~~ approved person whose approval is to perform an *FCA controlled function* not listed in column one of the table in *SUP* TP 6.2.7R for that *firm*; or	
		(3)	an ~~*approved person*~~ approved person if the *firm* has concluded that they will not be performing their potential new designated senior management function for the *firm* on the commencement date.	
		…		
6.2.2	G	…		
		(3)	An example of *SUP* TP 6.2.1R(3) is an ~~*approved person*~~ approved person who plans to resign before the commencement date.	
		(4)	If plans change, and the ~~*approved person*~~ approved person in (3) plans to carry on performing the function, the *firm* should update the grandfathering notice.	
		(5)	The electronic version of the notification form will include ~~*approved persons*~~ approved persons in *SUP* TP 6.2.1R(3). However, that does not mean that the *firm* has included them in its notification. The names are supplied by the system to help the *firm* reconcile its records with the regulators' records and to help the *firm* check whether it has missed out someone it wants to include.	
		(6)	If:	
			(a)	*SUP* TP 6.2.1R applies to some of an ~~*approved person's*~~ approved person's approvals or potential new designated senior management functions; but
			…	
			(c)	as a result, some of the ~~*approved person's*~~ approved person's existing functions are potentially grandfathered and some are not;
			then the notification should:	
			(d)	include the ~~*approved person*~~ approved person; but
			…	

…				
6.2.4	R	If:		
		(1)	the result of *SUP* TP 6.2.3R (together with the PRA Transitionals Rules and the Transitionals and Grandfathering Order) would be that an ~~*approved person*~~ approved person is deemed to be approved to perform:	
			…	
		(2)	that ~~*approved person*~~ approved person is deemed by the Transitionals and Grandfathering Order (together with *SUP* TP 6 and the PRA Transitionals Rules) to be approved to perform any other designated senior management function for the same *firm*;	
		then, for that ~~*approved person*~~ approved person and that *firm*, the other overall responsibility function or the other local responsibility function (whichever is applicable) is not treated as equivalent to the pre-commencement controlled function to which it would otherwise have been equivalent under *SUP* TP 6.2.3R.		
		…		
…				

…

…		
6.3.5	D	A notification under row (1) (first grandfathering notification for ~~*approved persons*~~ approved persons) and row (4) (first grandfathering notification for *candidates*) of the table in *SUP* TP 6.3.3D should be made at the same time and on the same notification form.
…		
6.3.8	G	If a *firm* gives a grandfathering notification for an ~~*approved person*~~ approved person and that approved person leaves the firm or gives up performing some of their controlled functions, the firm should notify the appropriate regulator using Form C as well as under *SUP* TP 6.
	Grandfathering of approved persons: statements of responsibilities	

6.4.1	D	A notification under the table in *SUP* TP 6.3.3D must be accompanied by a statement of responsibilities for each ~~*approved person*~~ approved person or *candidate* covered by the notification.
	Grandfathering of approved persons: management responsibilities maps	
6.5.1	D	A notification under rows (1) and (4) of the table in *SUP* TP 6.3.3D (first grandfathering notification for ~~*approved persons*~~ approved persons and *candidates*) must be accompanied by a management responsibilities map.
…		
6.9.4	G	Table: Examples of how ongoing requirements apply to grandfathered approvals

Requirement in SUP 10C	**Summary of the requirement in column (1)**	**How SUP 10C applies**
…		
General		
Requirements referring to a ~~*current approved person approval*~~ current approved person approval (whether from the *FCA* or the *PRA*)		…
Requirements referring to a ~~*current approved person approval*~~ current approved person approval held within the last six months		…

…

…		
potential grandfathered function	(in relation to an ~~*approved person*~~ approved person and *firm* at a particular date) a pre-commencement controlled function:	
	…	
potential new designated senior	(in relation to an ~~*approved person*~~ approved person and *firm*) the new designated senior management function that is deemed to apply after the commencement date under the Transitionals and	

management function	Grandfathering Order and is referred to in paragraph (2) of the definition of potential grandfathered function
…	

…

TP 7 Financial Services (Banking Reform) Act 2013: Approved persons in Solvency II firms

TP 7

	Note to the reader	
7.1.-1	G	*SUP* TP 7 has not been amended since 7 March 2016, other than editorial amendments made to reflect the deletion of certain *Glossary* terms. In *SUP* TP 7, unless otherwise specified, the term 'approved person' should be read as it had effect in the *Handbook Glossary* on 7 March 2016, and where the context requires, references to approved person include *approved or notified person*.

	Purpose of SUP TP 7		
7.1.1	G	*SUP* TP 7 has transitional and grandfathering provisions relating to the changes to the ~~*approved persons*~~ approved persons regime made by Part Four of the Financial Services (Banking Reform) Act 2013. The Financial Services (Banking Reform) Act 2013 Transitional and Savings Provisions Order 2015 (as amended):	
		…	
7.1.2	R	*SUP* TP 7 applies to:	
		…	
		(2)	~~*approved persons*~~ approved persons of *Solvency II firms*.
…			
	Grandfathering of approved persons: requirement to give notice and equivalence of old and new functions		
7.2.1	R	(1)	A *Solvency II firm* is not required to give notice to the *FCA* for the purposes of article 2(1) of the Financial Services (Banking Reform) Act 2013 Transitional and Savings Provisions Order

			2015 in relation to any ~~*approved person*~~ approved person for whom the *FCA* granted a pre-implementation approval in relation to that *firm* and whose role will not change post-implementation.	
		(2)	The exception to (1) is ~~*approved persons*~~ approved persons:	
			…	
…				

…

7.3.3	D	…	
		(5)	For ~~*approved persons*~~ approved persons in *firms* which are carrying out *PRA controlled function* CF1 pre-implementation and who will continue to carry out *FCA controlled function* CF1 post-implementation (and no PRA *controlled functions*), and there are no other changes to the functions they carry out, notification and relevant information in relation to the *FCA* CF1 function is deemed to have been given to the *FCA*, unless the *firm* has submitted a Form C.
		…	
…			
7.3.5	G	If a *firm* gives a grandfathering notification for an ~~*approved person*~~ approved person and that ~~*approved person*~~ approved person leaves the *firm* or gives up performing some of their *controlled functions*, the *firm* should notify the *appropriate regulator* using Form C as well as under *SUP* TP 7.	
…			

…

TP 8 Financial Services (Banking Reform) Act 2013: Approved persons in small non-directive insurers

TP 8

	Note to the reader

8.1.-1	G	*SUP* TP 8 has not been amended since 16 December 2015, other than editorial amendments made to reflect the deletion of certain *Glossary* terms. In *SUP* TP 8, unless otherwise specified, the term 'approved person' should be read as it had effect in the *Handbook Glossary* on 16 December 2015, and where the context requires, references to approved person include *approved or notified person*.

8.1	Purpose of SUP TP 8		
8.1.1	G	*SUP* TP 8 has transitional and grandfathering provisions relating to the changes to the ~~*approved persons*~~ approved persons regime made by Part 4 of the Financial Services (Banking Reform) Act 2013. The Financial Services (Banking Reform) Act 2013 Transitional and Savings Provisions Order 2015 (as amended):	
		…	
8.1.2	R	*SUP* TP 8 applies to:	
		…	
		(2)	~~*approved persons*~~ approved persons of *firms* in (1).
…			
8.2	Grandfathering of approved persons: requirement to give notice and equivalence of old and new functions		
8.2.1	R	A *firm* is not required to give notice to the *FCA* for the purposes of article 2(1) of the Financial Services (Banking Reform) Act 2013 Transitional and Savings Provisions Order 2015 in relation to any ~~*approved person*~~ approved person for whom the *FCA* granted a pre-implementation approval in relation to that *firm*. [**Note:** see article 2(2) of the Financial Services (Banking Reform) Act 2013 Transitional and Savings Provisions Order 2015]	
…			

…

…		
8.3.5	G	If a *firm* gives a grandfathering notification for an ~~*approved person*~~ approved person and that ~~*approved person*~~ approved person leaves

		the *firm* or gives up performing some of their *controlled functions*, the *firm* should notify the *appropriate regulator* using Form C in addition to *SUP* TP 8.
…		

…

…

TP 11 Bank of England and Financial Services Act 2016: Approved persons in insurers

TP 11

	Note to the reader		
SUP TP 11.1.-1	G	*SUP* TP 11 has not been amended since 26 July 2019, other than editorial amendments made to reflect the deletion of certain *Glossary* terms. In *SUP* TP 11, unless otherwise specified, the following terms should be read as they had effect in the *Handbook Glossary* on 26 July 2019, subject to any modifications specified below:	
		(1)	'approved person', and where the context requires, references to approved person include *approved or notified person*;
		(2)	'current approved person approval', and where the context requires, references to current approved person approval include *current SMF approval or notification*;
		(3)	'current FCA approved person approval', and where the context requires, references to current FCA approved person approval include *current SMF approval or notification*;
		(4)	'other local responsibility function'; and
		(5)	'other overall responsibility function'

SUP TP 11.1	**Application and purpose**
…	

SUP TP 11.1.2	G	(1)	*SUP* TP 11 has transitional provisions relating to the changes to the ~~*approved persons*~~ approved persons regime made by Part 2 of the Bank of England and Financial Services Act 2016 and the Individual Accountability (Dual-Regulated Firms) Instrument 2018.
		…	
…			

SUP TP 11.2	**Conversion of existing approvals**		
SUP TP 11.2.1	R	If the conditions set out in *SUP* TP 11.2.2R are met, a **pre-implementation approval** in relation to a particular ~~*approved person*~~ approved person (AP) and a particular **SMCR insurance firm** (F) has effect on and after the **commencement date** as if it had been given in relation to the *FCA-designated senior management function* or *FCA-designated senior management functions* specified in *SUP* TP 11.2.2R(2) and (3).	
…			
SUP TP 11.2.7	G	(1)	The general principle is that a **pre-implementation approval** cannot be converted to approval for an *FCA-designated senior management function* if that *FCA-designated senior management function* will not apply to the *firm* or to the particular ~~*approved person*~~ approved person on the **commencement date**.
		…	
SUP TP 11.2.8	G	Another example of the principle in *SUP* TP 11.2.7G is that if:	
		(1)	the result of *SUP* TP 11.2 would otherwise be that an ~~*approved person*~~ approved person is deemed to be approved to perform the ~~*other overall responsibility function*~~ other overall responsibility function or the ~~*other local responsibility function*~~ other local responsibility function; and
		(2)	either that ~~*approved person*~~ approved person:
			…

			that ~~*approved person's*~~ approved person's **pre-implementation approval** will not be converted into approval for the ~~*other overall responsibility function*~~ other overall responsibility function or the ~~*other local responsibility function*~~ other local responsibility function (whichever is applicable).
SUP TP 11.2.9	R	(1)	A notification to the *FCA* is not to be taken into account for the purposes of *SUP* TP 11.2.2R(4) so far as it concerns a particular ~~*approved person*~~ approved person if the *firm* does not include a **statement of responsibilities** about that ~~*approved person*~~ approved person with the notification when required to do so by *SUP* TP 11.11.
		…	
…			
SUP TP 11.2.11	R	(1)	This *rule* applies to a *firm* (referred to as 'B' in this *rule*) in relation to an ~~*approved person*~~ approved person (referred to as 'AP' in this *rule*) if:
			…
		…	
SUP TP 11.2.12	G	…	
		(2)	The effect of *SUP* TP 11.2.11R is that if immediately before the **commencement date**, an ~~*approved person*~~ approved person is taking advantage of *SUP* 10A.11.12R they will be able to rely on the corresponding arrangement in *SUP* 10C.9.8R for as long as they have approval for performing a *PRA controlled function*.
…			

…

SUP TP 11.5	**Notification to the FCA: Initial notification**		
SUP TP 11.5.1	R	(1)	A **notifying firm** must notify the *FCA* of:

			…	
			(b)	the ~~*approved person*~~ approved person in respect of whom that **pre-implementation approval** was given; and
			…	
		…		
…				
SUP TP 11.5.3	G	…		
		(3)	A *firm* should not include a **pre-implementation approval** if:	
			…	
			(b)	the *firm* considers that the ~~*approved person*~~ approved person will not be performing that *FCA-designated senior management function* on the **commencement date**.
		(4)	Therefore, a *firm* should not include an ~~*approved person*~~ approved person who plans to resign before the **commencement date** if it is intended that they will have left the *firm* before then.	
		…		
SUP TP 11.5.4	G	If the *firm* considers that some of an ~~*approved person's*~~ approved person's **pre-implementation approvals** will be converted and some will not be, the *firm's* notification should:		
		(1)	include the ~~*approved person*~~ approved person; but	
		…		

SUP TP 11.6	**Notification to the FCA: Revision of initial notice**
…	

SUP TP 11.6.3	G	…		
		(2)		A *firm* need not include in a notification under *SUP* TP 11.5 an ~~*approved person*~~ approved person who plans to leave the *firm* before the **commencement date**. However that plan may change and as a result the *firm* may later conclude that the ~~*approved person*~~ approved person will carry on with their job after the **commencement date**. If so, the *firm* should revise the notice.
		(3)		If, after the notice to the *FCA*, the *FCA* grants an approval under section 59 of the *Act* (Approval for particular arrangements) to someone who did not have any such approval for the *firm* at the time of the notice, the firm should revise its notice by including that new ~~*approved person*~~ approved person and that new **pre-implementation approval**.
		(4)		If, after a *firm* has given the notice to the *FCA*, the *FCA* grants a new approval under section 59 of the *Act* to someone who already was an ~~*approved person*~~ approved person for the *firm* when the *firm* gave the notice to the *FCA*, the *firm* should revise its notice by including that new **pre-implementation approval**.
		(5)		If a *firm* includes an ~~*approved person*~~ approved person in a notification under *SUP* TP 11.5 and the *firm* later concludes that that *person's* **pre-implementation approval** will no longer qualify for conversion because that *person* will not be performing the relevant *FCA-designated senior management function* for the *firm* on the **commencement date**, the *firm* should revise its notice. Possible reasons for this include:
			(a)	the ~~*approved person*~~ approved person leaves the *firm*;
			(b)	the ~~*approved person*~~ approved person tells the *firm* they are going to leave the *firm* before the **commencement date**; or
			(c)	the ~~*approved person's*~~ approved person's job changes so that it will no longer involve performing an *FCA-designated senior management function* on the **commencement date**.

		…	
SUP TP 11.6.4	G	If a *firm* gives a notification to the *FCA* under *SUP* TP 11.5 about an ~~*approved person*~~ approved person and that ~~*approved person*~~ approved person later leaves the *firm* or gives up performing some of their **pre-implementation controlled functions** before the **commencement date**, the *firm* should notify the *FCA* using Form C or Form E under *SUP* 10A as well as a Form K under *SUP* TP 11.10.	

…

SUP TP 11.8	**In-flight applications: Notification requirements**			
…				
SUP TP 11.8.3	G	*SUP* TP 11.8.1R and *SUP* TP 11.8.2R mean:		
		…		
		(2)	The information to be notified to the *FCA* about a particular **pre-implementation application** includes each *FCA-designated senior management function* that meets the following conditions:	
			…	
			(b)	the *firm* considers that the ~~*approved person*~~ approved person concerned will be performing that *FCA-designated senior management function* on the **commencement date** if the **pre-implementation application** is approved before then.
		(3)	A *firm* should not notify the *FCA* about a particular **pre-implementation application** if the *firm* considers that even if the application were approved before the **commencement date**, the ~~*approved person*~~ approved person will not be performing on the **commencement date** any of the *FCA-designated senior management functions* into which the applicable **pre-implementation approval** would be **potentially convertible**. This might	

			be because the *firm* intends that the *candidate* will only be in post for a short time.
…			

…

SUP TP 11.11	**Statements of responsibilities**
…	

…

SUP TP 11.11.3	R	A notification to the *FCA* under *SUP* TP 11.5, *SUP* TP 11.6 or *SUP* TP 11.8 about an ~~*approved person*~~ approved person or *candidate* must be accompanied by a **statement of responsibilities** about that *person*.	
…			
SUP TP 11.11.6	G	(1)	Before the **commencement date**, *SYSC* 2.2 required many *firms* to have a scope of responsibilities document for its senior ~~*approved persons*~~ approved persons.
		…	

…

SUP TP 11.16	**Application of ongoing requirements to converted approvals and conversion documents**	
…		
SUP TP 11.16.6	G	Table: Examples of how ongoing requirements apply to converted approvals

	Requirement in Handbook	**Summary of the requirement in column (1)**	**How SUP 10C applies**
	…		
	General		
	Requirements referring to a ~~*current approved person approval*~~ current approved person approval		…
	Requirements referring to a ~~*current approved person approval*~~ current approved person approval held within the last six *months*		…
	…		

SUP TP 11.17	**Making sure that the Financial Services Register is accurate**		
…			
	Notification required from non-notifying firms in certain cases		
SUP TP 11.17.2	R	(1)	This *rule* applies to a **non-notifying firm** (F) in relation to a particular ~~*approved person*~~ approved person (AP) if:
			…
		…	
…			
	Checking the Register		
…			
SUP TP 11.17.8	G	…	
		(2)	*SUP* TP 11.17.6R may apply for example if the *firm* has made all the notifications (if any) required by *SUP* TP 11 and other parts of the *Handbook* but:

			(a)	the *Financial Services Register* does not include one of the *firm's* ~~*approved persons*~~ approved persons even though their **pre-implementation controlled function** was converted under *SUP* TP 11; or
			(b)	the *Financial Services Register* includes one of the *firm's* ~~*approved persons*~~ approved persons even though none of their **pre-implementation controlled functions** were converted under *SUP* TP 11.
	Abolition of the customer function			
SUP TP 11.17.9	G	A *firm* does not have to submit a Form C for an ~~*approved person*~~ approved person who had a **pre-implementation approval** to perform the *customer function* but ceases to perform that function because the *customer function* is (except in relation to *appointed representatives*) abolished after the **commencement date**.		

…

SUP TP 11.22	**Terms used in SUP TP 11**
…	
SUP TP 11.22.2	R	Table: glossary of bespoke terms used in *SUP* TP 11

	Part One: General	
	Defined term	**Meaning**
	…	
	pre-implementation approval	a ~~*current FCA approved person approval*~~ current FCA approved person approval that is given by the *FCA* before the **commencement date** in relation to a **pre-implementation controlled function**.

		If a *person* is approved to perform more than one **pre-implementation controlled function** for a *firm*, there is a separate **pre-implementation approval** in relation to each.
	…	

…

TP 11A Bank of England and Financial Services Act 2016: Approved persons in solo regulated firms

TP 11A

	Note to the reader		
SUP TP 11A.1.-1	G	*SUP* TP 11A has not been amended since 29 July 2022, other than editorial amendments made to reflect the deletion of certain *Glossary* terms. In *SUP* TP 11A, unless otherwise specified, the following terms should be read as they had effect in the *Handbook Glossary* on 29 July 2022, subject to any modifications specified below:	
		(1)	'approved person', and where the context requires, references to approved person include *approved or notified person*;
		(2)	'certification employee';
		(3)	'current approved person approval', and where the context requires, references to current approved person approval include *current SMF approval or notification*;
		(4)	'current FCA approved person approval', and where the context requires, references to current FCA approved person approval include *current SMF approval or notification*;
		(5)	'other local responsibility function'; and
		(6)	'other overall responsibility function'

11A.1	Application, purpose and definitions
…	

11A.1	Application, purpose and definitions

Part One: General	
Defined term	**Meaning**
…	
pre-implementation approval	a ~~*current FCA approved person approval*~~ current FCA approved person approval that is given by the *FCA* before the **commencement date** in relation to a **pre-implementation controlled function**. …
…	

…			
11A.2	**Conversion of existing approvals**		
11A.2.1	R	If the conditions set out in *SUP* TP 11A.2.2R are met, a **pre-implementation approval** in relation to a particular ~~*approved person*~~ approved person (AP) and a particular **solo-regulated SMCR firm** (F) has effect on and after the **commencement date** as if it had been given in relation to the *FCA designated senior management function* or *FCA-designated senior management functions* specified in *SUP* TP 11A.2.2R(2) and (3).	
…			

…

…			
11A.2.7	G	(1)	The general principle is that a **pre-implementation approval** cannot be converted to approval for an *FCA-designated senior management function* if that *FCA-designated senior management function* will not apply to the *firm* or to the particular ~~*approved person*~~ approved person on the **commencement date**.
		…	
11A.2.8	G	Another example of the principle in *SUP* TP 11A.2.7G is that if:	

		(1)	the result of *SUP* TP 11A.2 would otherwise be that an ~~*approved person*~~ approved person is deemed to be approved to perform the ~~*other overall responsibility function*~~ other overall responsibility function or the ~~*other local responsibility function*~~ other local responsibility function; and	
		(2)	that ~~*approved person*~~ approved person is deemed by *SUP* TP 11A.2 to be approved to perform any other *FCA-designated senior management function* for the same *firm*,	
		that ~~*approved person's*~~ approved person's **pre-implementation approval** will not be converted into approval for the ~~*other overall responsibility function*~~ other overall responsibility function or the ~~*other local responsibility function*~~ other local responsibility function (whichever is applicable)..		
11A.2.9	R	(1)	A notification to the *FCA* is not to be taken into account for the purposes of *SUP* TP 11A.2.2R(4) so far as it concerns a particular ~~*approved person*~~ approved person if the *firm* does not include a **statement of responsibilities** about that ~~*approved person*~~ approved person with the notification when required to do so by *SUP* TP 11A.11.	
		…		
…				
11A.5	**Notification to the FCA: Initial notification**			
11A.5.1	R	(1)	A *firm* must notify the *FCA* of:	
			…	
			(b)	the ~~*approved person*~~ approved person in respect of whom that **pre-implementation approval** was given; and
			…	
		…		
…				
11A.5.3	G	…		

		(3)	A *firm* should not include a **pre-implementation approval** if:	
			…	
			(b)	the *firm* considers that the ~~*approved person*~~ approved person will not be performing that *FCA-designated senior management function* on the **commencement date**.
		(4)	Therefore, a *firm* should not include an ~~*approved person*~~ approved person who plans to resign before the **commencement date** if it is intended that they will have left the *firm* before then.	
		…		
11A.5.4	G	If the *firm* considers that some of an ~~*approved person's*~~ approved person's **pre-implementation approvals** will be converted and some will not be, the *firm's* notification should:		
		(1)	include the ~~*approved person*~~ approved person; but	
		…		
11A.6	**Notification to the FCA: Revision of initial notice**			
…				
11A.6.3	G	…		
		(2)	A *firm* need not include in a notification under *SUP* TP 11A.5 an ~~*approved person*~~ approved person who plans to leave the *firm* before the **commencement date**. However that plan may change and as a result the *firm* may later conclude that the ~~*approved person*~~ approved person will carry on with their job after the **commencement date**. If so, the *firm* should revise the notice.	
		(3)	If, after the notice to the *FCA*, the *FCA* grants an approval under section 59 of the Act (Approval for particular arrangements) to someone who did not have any such approval for the *firm* at the time of the notice, the *firm* should revise its notice by including that new ~~*approved person*~~ approved person and that new **pre-implementation approval**.	

		(4)	If, after a *firm* has given the notice to the *FCA*, the *FCA* grants a new approval under section 59 of the *Act* to someone who already was an ~~*approved person*~~ approved person for the *firm* when the *firm* gave the notice to the *FCA*, the *firm* should revise its notice by including that new **pre-implementation approval**.	
		(5)	If a *firm* includes an ~~*approved person*~~ approved person in a notification under *SUP* TP 11A.5 and the *firm* later concludes that that *person's* **pre-implementation approval** will no longer qualify for conversion because that *person* will not be performing the relevant *FCA designated senior management function* for the *firm* on the **commencement date**, the *firm* should revise its notice. Possible reasons for this include:	
			(a)	the ~~*approved person*~~ approved person leaves the *firm*;
			(b)	the ~~*approved person*~~ approved person tells the *firm* they are going to leave the *firm* before the **commencement date**; or
			(c)	the ~~*approved person's*~~ approved person's job changes so that it will no longer involve performing an *FCA-designated senior management function* on the **commencement date**.
		…		
11A.6.4	G	If a *firm* gives a notification to the *FCA* under *SUP* TP 11A.5.5 about an ~~*approved person*~~ approved person and that ~~*approved person*~~ approved person later leaves the *firm* or gives up performing some of their **pre-implementation controlled functions** before the **commencement date**, the *firm* should notify the *FCA* using Form C or Form E under *SUP* 10A as well as a Form K under *SUP* TP 11A.6 and *SUP* TP 11A.10.		
…				
11A.8	**In-flight applications: Notification requirements**			
…				
11A.8.3	G	*SUP* TP 11A.8.1R and *SUP* TP 11A.8.2R mean:		
		…		

		(3)	The information to be notified to the *FCA* about a particular **pre-implementation application** includes each *FCA-designated senior management function* that meets the following conditions:	
			…	
			(b)	the *firm* considers that the ~~*approved person*~~ approved person concerned will be performing that *FCA-designated senior management function* on the **commencement date** if the **pre-implementation application** is approved before then.
		(4)	A *firm* should not notify the *FCA* about a particular **pre-implementation application** if the *firm* considers that even, if the application were approved before the **commencement date**, the ~~*approved person*~~ approved person will not be performing on the **commencement date** any of the *FCA-designated senior management functions* into which the applicable **pre-implementation approval** would be potentially convertible. This might be because the *firm* intends that the *candidate* will only be in post for a short time.	
…				

…

…		
11A.11.3	R	A notification to the *FCA* under *SUP* TP 11A.5, *SUP* TP 11A.6 or *SUP* TP 11A.8 by an **enhanced scope SMCR firm** about an ~~*approved person*~~ approved person or *candidate* must be accompanied by a **statement of responsibilities** about that *person* and the *FCA-designated senior management function* included in the notification in relation to that ~~*approved person*~~ approved person or *candidate*.
…		
11A.16	**Application of ongoing requirements to converted approvals and conversion documents**	
…		

11A.16.6	G	Table: Examples of how ongoing requirements apply to converted approvals

…		
Requirement in Handbook	**Summary of the requirement in column (1)**	**How SUP 10C applies**
…		
	General	
Requirements referring to a ~~*current approved person approval*~~ current approved person approval		…
Requirements referring to a ~~*current approved person approval*~~ current approved person approval held within the last six *months*		…
…		

…				
11A.17	**Making sure that the Financial Services Register is accurate Existing notification requirements**			
…				
	Notification required from non-notifying firms in certain cases			
11A.17.2	R	(1)	This *rule* applies to a **core SMCR firm** and a **limited scope firm** (F) in relation to a particular ~~*approved person*~~ approved person (AP) if:	
			…	
		…		
…				
	Checking the Register			
…				

11A.17.8	G	…		
		(2)	*SUP* TP 11A.17.6R may apply for example if the *firm* has made all the notifications (if any) required by *SUP* TP 11A and other parts of the *FCA Handbook* but:	
			(a)	the *Financial Services Register* does not include one of the *firm's* ~~*approved persons*~~ approved persons even though their **pre-implementation controlled function** was converted under *SUP* TP 11A; or
			(b)	the *Financial Services Register* includes one of the *firm's* ~~*approved persons*~~ approved persons even though none of their **pre-implementation controlled functions** were converted under *SUP* TP 11A.
…				

11A.24	**Claims management firms**	
Applications for approval		
…		
	Pure claims management firms with temporary permission: Applicability of this Annex	
11A.24.5	G	Most of *SUP* TP 11A will not apply to a **pure claims management firm** as the *firm* will not have or need to have any ~~*approved persons*~~ approved persons under *SUP* 10A. It will therefore not have any **pre-implementation approvals** or **pre-implementation applications** to be converted.
	…	
…		

11A.25	**Pure benchmark firms**
…	

…

11A.25A .7	G	Table: How SUP TP 11A applies to a pure benchmark SMCR firm

Section	Title	How it applies
…		
11A.21	Reporting under SUP 15.11	This will generally not apply as for the most part it relates to ~~*certification employees*~~ certification employees. It applies to a *board director*.
…		

Sch 4 Powers exercised

Sch 4.1 G

The following powers and related provisions in or under the *Act* have been exercised by the *FCA* to make the *rules* in *SUP*:	
	Section 59 (Approval and notification for particular arrangements)
	…

…

Sch 4.3 G

The following powers and related provisions in or under the *Act* have been exercised by the *FCA* in *SUP* to direct or require:	
	…
	Section 60 (Applications for approval)
	Section 60ZA (Notifications under section 59)
	…

…

Annex Q

Amendments to the Decision Procedure and Penalties manual (DEPP)

In this Annex, underlining indicates new text and striking through indicates deleted text.

1 Application and Purpose

1.1 Application and Purpose

Application

1.1.1 G This manual (*DEPP*) is relevant to *firms*, ~~*approved persons*~~ *approved or notified persons* and other *persons*, whether or not they are regulated by the *FCA*. It sets out:

…

(4) the *FCA's* policy regarding the variation of an *SMF manager's* approval or notification on the *FCA's* initiative under section 63ZB of the *Act* (see *DEPP* 8).

…

2 Statutory notices and the allocation of decision making

…

2.5 Provision for certain categories of decision

…

Decisions relating to applications for FCA authorisation or approval

2.5.3 G *FCA* staff under *executive procedures* will take the decision to give a *warning notice* if the *FCA* proposes to:

…

(4B) refuse an application to vary an approval or notification under section 59 of the *Act* that was granted subject to conditions;

…

…

The FCA's power to vary an SMF manager's approval or notification on its own initiative

2.5.8A G *FCA* staff under *executive procedures* will take the decision under section 63ZB of the *Act* to vary an approval ~~given~~ or notification relating to an *SMF manager* (by imposing a condition, varying a condition, removing a condition or limiting the period for which the approval or notification is to have effect).

…

2.5.8C The *FCA's* statement of policy on the use of the power to vary an *SMF manager's* approval or notification on its own initiative is set out in *DEPP* 8.

…

2 Annex 1 Warning notices and decision notices under the Act and certain other enactments

2 Annex 1 G Note: Third party rights and access to *FCA* material apply to the powers listed in this Annex where indicated by an asterisk * (see *DEPP* 2.4)

Section of the Act	Description	Handbook reference	Decision maker
…			
63(3)/(4)	when the *FCA* is proposing or deciding to withdraw an approval or invalidate a notification from or relating to an ~~*approved person*~~ *approved or notified person* *		*Executive procedures*
…			
63ZA(4)(b) and 62(2)	when the *FCA* is proposing to refuse an application for variation of an approval ~~granted~~ or a notification relating to an *SMF manager*, subject to conditions	*SUP* 10C	*Executive procedures*

63ZA(8) and 62(3)	when the *FCA* is deciding to refuse an application for variation of an approval ~~granted~~ or a notification relating to an *SMF manager*, subject to conditions	*SUP* 10C	*Executive procedures* See *DEPP* 2.5.5G
…			

2 Annex 2 Supervisory notices

2 Annex 2

Section of the Act	Description	Handbook reference	Decision maker
…			
63ZC(4) 63ZC(8) 63ZC(9)(b)	when the *FCA* is exercising its power to vary, on its own initiative, an approval ~~granted~~ or notification relating to an SMF manager		*Executive procedures* See *DEPP* 2.5.8AG and *DEPP* 2.5.8BG
…			

…

6 Penalties

…

6.2 Deciding whether to take action

…

Actions against individuals under section 66 of the Act

…

6.2.7 G The *FCA* will not discipline individuals on the basis of vicarious liability (that is, holding them responsible for the acts of others), provided appropriate delegation and supervision has taken place (see *APER* 4.6.13G, *APER* 4.6.14G, *COCON* 4.1.8G and *COCON* 4.2.17G to *COCON* 4.2.24G). In particular, disciplinary action will not be taken against an ~~*approved person*~~ *approved or notified person* performing a *significant influence function* or a *senior conduct rules staff member* simply because a regulatory failure has occurred in an area of business for which they are responsible. The *FCA* will consider that an ~~*approved person*~~ *approved or notified person* performing a *significant influence function* may have breached *Statements of Principle* 5 to 7, or that a *senior conduct rules staff member* may have breached *rules* SC1 to SC4 in *COCON* 2.2, only if their conduct was below the standard which would be reasonable in all the circumstances at the time of the conduct concerned (see also *APER* 3.1.8AG and *COCON* 3.1.6G, as applicable).

…

Action against an SMF manager under section 66A(5) of the Act

…

6.2.9-E G When determining under section 66A(5)(d) of the *Act* whether or not an *SMF manager* has taken such steps as a person in their position could reasonably be expected to take to avoid the contravention of a relevant requirement by the *firm* occurring (or continuing), additional considerations to which the *FCA* would expect to have regard include, but are not limited to:

(1) the role and responsibilities of the *SMF manager* (for example, such steps as an *SMF manager* in a non-executive role could reasonably be expected to take may differ, depending on the circumstances, from those reasonably expected of an *SMF manager* in an executive role: see, for example, the *guidance* on the role and responsibilities of *non-executive directors* for *SMCR firms* in ~~*COCON* 1 Annex 1G~~ *COCON* 1A Annex 1);

…

…

Action under section 63A of the Act against persons that perform a controlled function without approval or notification

6.2.9A G In addition to the general factors outlined in *DEPP* 6.2.1G, there are some additional considerations that the *FCA* will have regard to when deciding whether to take action against a *person* that performs a *controlled function* without approval or notification contrary to section 63A of the Act.

(1) The conduct of the *person*. The *FCA* will take into consideration whether, while performing *controlled functions* without approval or notification, the *person* committed misconduct in respect of which, if ~~he~~ they had been approved or notified, the *FCA* could have taken action pursuant to section 66 of the *Act* and, if so, the seriousness of that misconduct.

(2) The extent to which the *person* could reasonably be expected to have known that they were performing a *controlled function* without approval or notification. The circumstances in which the *FCA* would expect to be satisfied that a *person* could reasonably be expected to have known that they were performing a *controlled function* without approval or notification include:

(a) the *person* had previously performed a similar role at the same or another *firm* for which ~~he~~ they had been approved or notified;

(b) the *person's firm* or another *firm* had previously applied for approval or provided notification for the *person* to perform the same or a similar *controlled function*;

(c) the *person's* seniority or experience was such that ~~he~~ they could reasonably be expected to have known that ~~he was~~ they were performing a controlled function without approval or notification; and

…

(e) the *person's* approval or notification was subject to a condition or was granted for a limited period, and they failed to act in accordance with that condition or time limitation.

(3) The length of the period during which the *person* performed a *controlled function* without approval or notification.

…

(5) The appropriateness of taking action against the *person* instead of, or in addition to, taking action against an *authorised person*. In assessing this, the *FCA* will take into consideration the extent of the culpability of an *authorised person* for the *person* performing a *controlled function* without approval or notification. For example, a relevant factor may be that an *authorised person* decided that the *person* did not need to obtain approval or notification and it was reasonable for the *person* to rely on the *authorised person's* judgment.

(6) The *person's* position and responsibilities. The more senior the *person* that performs a controlled function without approval or notification, the more seriously the *FCA* is likely to view ~~his~~ their behaviour, and therefore the more likely it is to take action against the *person*.

…

Action involving other regulatory authorities or enforcement agencies

…

6.2.21 G In some cases, it may be appropriate for both the *FCA* and another authority to be involved, and for both to take action in a particular case arising from the same facts. For example, a breach of *RIE* rules may be so serious as to justify the *FCA* varying or cancelling the *firm's Part IV permission*, or withdrawing approval from ~~*approved persons*~~ or invalidating notifications in relation to *approved or notified persons*, as well as action taken by the *RIE*. In such cases, the *FCA* will work with the relevant authority to ensure that cases are dealt with efficiently and fairly, under operating arrangements in place (if any) between the *FCA* and the relevant authority.

…

6.5B The five steps for penalties imposed on individuals in non-market abuse cases

…

Step 2 – the seriousness of the breach

6.5B.2 G …

(3) This approach reflects the *FCA's* view that an individual receives remuneration commensurate with ~~his~~ their responsibilities, and so it is reasonable to base the amount of penalty for failure to discharge ~~his~~ their duties properly on ~~his~~ their remuneration. The *FCA* also believes that the extent of the financial benefit earned by an individual is relevant in terms of the size of the financial penalty necessary to act as a credible deterrent. The *FCA* recognises that in some cases an individual may be ~~approved~~ an *approved or notified person* for only a small part of the work ~~he carries~~ they carry out on a day-to-day basis. However, in these circumstances the *FCA* still considers it appropriate to base the relevant income figure on all of the benefit that an individual gains from the relevant employment, even if their employment is not totally related to a *controlled function*.

…

(9) Factors relating to the nature of a *breach* by an individual include:

…

(p) in relation to a contravention of section 63A of the *Act*, whether the individual's only misconduct was to perform a *controlled function* without approval or notification;

(q) in relation to a contravention of section 63A of the *Act*, whether the individual performed *controlled functions* without approval or notification and, while doing so, committed misconduct in respect of which, if the individual had been an ~~*approved person*~~ *approved or notified person*, the *FCA* would have been empowered to take action pursuant to section 66 of the *Act*; and

(r) in relation to a contravention of section 63A of the *Act*, the extent to which the individual could reasonably be expected to have known that they were performing a *controlled function* without approval or notification. The circumstances in which the *FCA* would expect to be satisfied that a *person* could reasonably be expected to have known that they were performing a *controlled function* without approval or notification include:

(i) the *person* had previously performed a similar role at the same or another *firm* for which ~~he~~ they had been approved or notified;

(ii) the *person's firm* or another *firm* had previously applied for approval or provided notification for the *person* to perform the same or a similar *controlled function*;

(iii) the *person's* seniority or experience was such that ~~he~~ they could reasonably be expected to have known that ~~he was~~ they were performing a *controlled function* without approval or notification; and

…

(v) the *person's* approval or notification was subject to a condition or was granted for a limited period, and they failed to act in accordance with that condition or time limitation.

…

(11) Factors tending to show the *breach* was reckless include:

…

(b) the individual was aware there was a risk that ~~his~~ their actions or inaction could result in a *breach* but failed to check if ~~he was~~ they were acting in accordance with internal procedures.

…

(13) Factors which are likely to be considered 'level 1 factors', 'level 2 factors' or 'level 3 factors' include:

…

(e) in relation to a contravention of section 63A of the *Act*, the individual's only misconduct was to perform a *controlled function* without approval or notification.

Step 3 – mitigating and aggravating factors

6.5B.3 G …

(2) The following list of factors may have the effect of aggravating or mitigating the *breach*:

…

(n) in relation to a contravention of section 63A of the *Act*, whether the *person's* firm or another firm has previously withdrawn an application for the *person* to perform the same or a similar *controlled function* or has had such an application rejected or a notification in relation to the person invalidated by the *FCA*.

…

6.5D Serious financial hardship

…

Prohibition orders and withdrawal of approval or invalidation of a notification

6.5D.3 G In cases against individuals, including *market abuse* cases, the *FCA* may make a *prohibition order* under section 56 of the *Act* ~~or~~, withdraw an

individual's approval or invalidate an *SMF notification* relating to the individual under section 63 of the *Act*, as well as impose a financial penalty. Such action by the *FCA* reflects the *FCA's* assessment of the individual's fitness to perform *regulated activity* or suitability for a particular role, and does not affect the *FCA's* assessment of the appropriate financial penalty in relation to a *breach*. However, the fact that the *FCA* has made a *prohibition order* against an individual ~~or,~~ withdrawn ~~his~~ their approval or invalidated a notification relating to the individual, as a result of which the individual may have less earning potential, may be relevant in assessing whether the penalty will cause the individual serious financial hardship.

…

6.7 Discount for early settlement

…

The settlement discount scheme applied to suspensions, restrictions and conditions

6.7.6 G The *settlement discount scheme* which applies to the amount of a financial penalty, described in *DEPP* 6.7.2G to *DEPP* 6.7.5G, also applies to the length of the period of a suspension, restriction, condition or disciplinary prohibition (other than a permanent disciplinary prohibition), having regard to the *FCA's* statement of policy as set out in *DEPP* 6A.3. No settlement discount is available with respect to a permanent disciplinary prohibition. The *settlement discount scheme* does not apply to the length of the period for which approvals or notifications under section 59 of the *Act* have effect as a result of a limitation, as different considerations apply to determining the appropriate length of this period: see *DEPP* 6A.1.5G and *DEPP* 6A.3AG. However, the *FCA* will take into account that the ~~*approved person*~~ *approved or notified person* is willing to enter into a settlement agreement when determining the appropriate period.

…

6A The power to impose a suspension, restriction, condition, limitation or disciplinary prohibition

6A.1 Introduction

6A.1.1 G *DEPP* 6A sets out the *FCA's* statement of policy with respect to:

…

(2) the imposition of suspensions, conditions or limitations under section 66 of the Act, the period for which suspensions or conditions are to have effect, and the period for which approvals or notifications under

section 59 have effect as a result of a limitation, as required by section 69(1);

…

6A.1.2 G (1) For the purposes of *DEPP* 6A, "suspension" refers to the suspension of:

…

(b) any approval ~~of~~ or notification relating to the performance by an ~~*approved person*~~ *approved or notified person* of any function to which the approval or notification relates (under section 66 of the *Act*),

…

(3) "condition" refers to a condition imposed in relation to any approval ~~of~~ or notification relating to the performance by an ~~*approved person*~~ *approved or notified person* of any function to which the approval or notification relates (under section 66 of the *Act*);

(4) "limitation" refers, apart from in *DEPP* 6A.1.2G(2), to a limitation of the period for which any approval ~~of~~ or notification in relation to the performance by an ~~*approved person*~~ *approved or notified person* of any function to which the approval or notification relates is to have effect (under section 66 of the *Act*);

…

6A.1.3 G The power to impose a suspension, restriction, condition, limitation or disciplinary prohibition is a disciplinary measure which the *FCA* may use in addition to, or instead of, imposing a financial penalty or issuing a *public censure*. The principal purpose of imposing such a measure is to promote high standards of regulatory and/or market conduct by deterring *persons* who have committed breaches from committing further *breaches*, helping to deter other *persons* from committing similar *breaches*, and demonstrating generally the benefits of compliant behaviour. These measures are tools that the *FCA* may employ to help it to achieve its *statutory objectives*. Examples of measures that we may impose include:

…

(2) we may place a condition on an ~~*approved person's*~~ *approved or notified person's* performance of their *controlled functions* so that they can only give advice to *consumers* or deal in certain products if they are appropriately supervised.

…

6A.1.4 G The powers to impose a suspension, restriction, condition or limitation in relation to *authorised persons* and ~~*approved persons*~~ *approved or notified persons*, to impose a restriction on *non-authorised parent undertakings* of *FCA investment firms*, members of the *management body* and *employees* of *non-authorised parent undertakings* who are knowingly concerned in contravention of *FCA rules* and to impose a disciplinary prohibition in relation to individuals, are disciplinary measures; where the *FCA* considers it necessary to take action, for example, to protect *consumers* from an *authorised person*, the *FCA* will seek to cancel or vary the *authorised person's permissions*. If the *FCA* has concerns with a *person's* fitness to be ~~approved~~ an *approved or notified person*, and considers it necessary to take action, the *FCA* will seek to prohibit the ~~*approved person*~~ *approved or notified person* or withdraw their approval or invalidate their notification. For an *SMF manager*, the *FCA* may instead vary their approval or notification by imposing one or more conditions, if the *FCA* is satisfied that they would be a fit and proper person to perform functions in relation to *regulated activities* if the conditions are imposed, and that it is appropriate to do so. While the powers to impose a suspension or a restriction in relation to *sponsors* and *primary information providers* under sections 88A(2)(b)/(c) and 89Q(2)(b)/(c) of the *Act* are disciplinary measures, the *FCA* can impose suspensions, limitations or other restrictions in relation to *sponsors* and *primary information providers* in other circumstances.

6A.1.5 G The *FCA* expects to impose a limitation in two situations. The *FCA* may impose a limitation where it considers it appropriate for an approval or a notification to cease to have effect:

(1) after a certain period, unless the ~~*approved person*~~ *approved or notified person* demonstrates during the period of limitation that it is appropriate for them to be reapproved or the subject of a new notification without the limitation;

(2) after a short period, without giving the ~~*approved person*~~ *approved or notified person* the opportunity to demonstrate that they should be re-approved or the subject of a new notification without limitation.

The imposition of a limitation in (2) is equivalent to a withdrawal of approval or invalidation of notification, apart from that it is carried out for disciplinary reasons and the *FCA* will have made no finding of lack of fitness or propriety. The *FCA* recognises that the use of this power will have serious consequences for the ~~*approved person*~~ *approved or notified person* concerned; therefore, it will exercise its power in a proportionate manner. The *FCA's* policy on determining the length of the limitation is set out in *DEPP* 6A.3AG.

…

6A.2 Deciding whether to take action

…

6A.2.3 G The *FCA* will consider it appropriate to impose a suspension, restriction, condition, limitation or disciplinary prohibition where it believes that such action will be a more effective and persuasive deterrent than the imposition of a financial penalty alone. This is likely to be the case where the *FCA* considers that direct and visible action in relation to a particular *breach* is necessary. Examples of circumstances where the *FCA* may consider it appropriate to take such action include:

…

(7) where, in view of the nature and seriousness of an ~~*approved person's*~~ *approved or notified person's* misconduct, the *FCA* considers it appropriate to impose a limitation on part or all of their approval or notification; and

…

…

6A.3 Determining the appropriate length of the period of suspension, restriction, condition or disciplinary prohibition

…

6A.3.2 G The following factors may be relevant to determining the appropriate length of the period of suspension, restriction, condition or disciplinary prohibition to be imposed on a *person* under the *Act*:

…

(4) The impact of suspension, restriction, condition or disciplinary prohibition on the person in breach

…

The following considerations may be relevant to the assessment of the impact of suspension or condition on an ~~*approved person*~~ *approved or notified person* or the impact of a disciplinary prohibition or restriction on an individual:

…

…

…

6A.3A Determining the appropriate length of the period of limitation for approvals or notifications under section 59 of the Act

…

6A.3A.2 G The following factors may be relevant when determining the period of limitation:

(1) whether the *FCA* may be minded to reapprove the ~~*approved person*~~ *person* or not invalidate notification in relation to them in the future, for example if ~~the *approved person* takes~~ they take action specified by the *FCA* during the period of limitation;

(2) the ~~*approved person's*~~ *approved or notified person's* expected lost earnings if the *FCA* imposes a short period of limitation;

(3) whether imposing a short period of limitation would cause the ~~*approved person*~~ *approved or notified person* serious financial hardship.

…

8 Variation of SMF managers' approval or notification on the FCA's own initiative

8.1 Introduction

8.1.1 G *DEPP* 8 sets out the *FCA's* statement of policy on the exercise of its power under section 63ZB of the *Act* to vary, on its own initiative, an approval given by the *FCA* or the *PRA* or a notification made to the *FCA* or the *PRA* for the performance of a *designated senior management function* in relation to the carrying on of a *regulated activity* by an *SMCR firm*. The *FCA* is required to publish this statement of policy by section 63ZD of the *Act*.

[**Note:** the *FCA's* statement of policy on the exercise of its power under section 63ZA of the *Act* to vary an approval or notification at the request of an *SMCR firm* is set out in *SUP* 10C.]

8.1.2 G In *DEPP* 8, the power under section 63ZB of the *Act* described in *DEPP* 8.1.1G is referred to as the *FCA's* "own-initiative variation of approval or notification power".

8.2 Use of the own-initiative variation of approval or notification power: general

8.2.1 G The *FCA* may use the own-initiative variation of approval or notification power where it considers that it is desirable to do so to advance one or more of its operational objectives. The *FCA* will assess this on a case-by-case basis, taking into account the specific circumstances of the *firm* and the *SMF manager*.

8.2.2 G When considering the use of this power to deal with a particular concern, the *FCA* will have regard to the range of regulatory tools that are available. The *FCA* will consider dealing with any concerns informally through discussion and agreement with the *firm* and the *SMF manager*, instead of using the own-initiative variation of approval or notification power.

8.2.3 G The power to impose a conditional or time-limited approval or notification does not depend on the *SMF manager* being unfit without that condition or time limitation. The *FCA* can impose a condition or time limitation even if the candidate would still be fit and proper without it. Conversely, where an *SMF manager* is not fit and proper but might be if a condition or time limitation is imposed, the *FCA* is not obliged to impose a condition or time limitation, and may take the view that a *prohibition order* ~~or~~, withdrawal of approval or invalidation of a notification is the appropriate course of action.

8.2.4 G The *FCA* may vary an approval or notification by:

…

(4) limiting the period for which the approval or notification is to have effect.

8.2.5 G The *FCA* may use the own-initiative variation of approval or notification power in a wide range of circumstances. A number of examples are set out in *DEPP* 8.3. These are not exhaustive.

8.2.6 G The circumstances which will lead to a condition or time limitation being imposed on a *candidate* for an *SMF manager* role will, where appropriate, also lead to an existing *SMF manager's* approval or notification being varied. *SUP* 10C is therefore relevant to the *FCA's* use of the own-initiative variation of approval or notification power.

8.3 Use of the own-initiative variation of approval or notification power: specific examples

8.3.1 G Examples of situations where the *FCA* may use the own-initiative variation of approval or notification power include where:

(1) it has concerns about an *SMF manager's* fitness to remain ~~approved~~ an *approved or notified person* in relation to the performance of a *designated senior management function* but, in all the circumstances,

it considers it appropriate to vary their approval or notification by imposing one or more conditions or a time limitation, rather than making a *prohibition order* or withdrawing approval or invalidating notification;

…

(3) the size, nature, scope or complexity of the *firm's* activities has significantly changed since the *SMF manager* was first approved or notification was received in relation to them;

…

(5) it is appropriate to use the own-initiative variation of approval or notification power as a matter of urgency (see *DEPP* 8.4);

(6) the *SMF manager's* approval or notification is subject to an existing condition but the *FCA* considers that condition is insufficient to mitigate the risk in respect of which it was imposed. In this case, the *FCA* will vary the condition to make it more effective. The *FCA* may also, or instead, limit the period of the approval or notification;

…

8.4 Use of the own-initiative variation of approval or notification power in urgent cases

8.4.1 G The *FCA* may impose a variation of approval or notification to take effect immediately, or on a specified date, if it reasonably considers that this is necessary having regard to the reasons for which it is exercising the own-initiative variation of approval or notification power.

8.4.2 G The *FCA* will consider exercising its own-initiative variation of approval or notification power as a matter of urgency where:

…

Annex R

Amendments to the Consumer Redress Schemes sourcebook (CONRED)

In this Annex, underlining indicates new text and striking through indicates deleted text.

4 British Steel Consumer Redress Scheme

…

4.3 Consumer redress scheme: case review

…

First step: case review

4.3.2 R …

(3) Where a BSPS DBAAT is used:

…

(b) the attestation in (a) must be made by an *individual* approved to perform the SMF16 (Compliance oversight) *FCA controlled function* for the *firm* or by an *individual* approved <u>or notified</u> to perform another appropriate *senior management function* within the *firm*.

(4) If a FCA DBAAT is used to carry out a case review:

…

(b) the attestation in (a) must be made by an *individual* approved to perform the SMF16 (Compliance oversight) *FCA controlled function* for the *firm* or by an *individual* approved <u>or notified</u> to perform another appropriate *senior management function* within the *firm* in accordance with the instructions set out at *CONRED* 4 Annex 21R 12.2 and 12.3.

…

4 Annex 19 Form of Attestation for use of FCA DBAAT

4 Annex 19 R I [name] of [firm] attest on [date] that:

…	
(2)	I am approved to perform the SMF16 (Compliance oversight) *FCA controlled function* for the *firm* or approved or notified to perform [another appropriate *senior management function*] within the *firm*;
…	

Signed:

…

4 Annex 21 BSPS DBAAT and BSPS Redress Calculator Instructions

…

4 Annex 21 12

12	Attestation Section	
…		
12.2	R	The attestation must be signed by an *individual* approved to perform the SMF16 (Compliance oversight) *FCA controlled function* for the *firm* or by an *individual* approved or notified to perform another appropriate *senior management function* within the *firm*.
…		

…

Annex S

Amendments to the Collective Investment Schemes sourcebook (COLL)

In this Annex, underlining indicates new text and striking through indicates deleted text.

6 Operating duties and responsibilities

…

6.6 Powers and duties of the scheme, the authorised fund manager, and the depositary

…

Allocation of responsibility for compliance to an approved or notified person

6.6.27 R (1) An *AFM* must allocate responsibility for ensuring its compliance with *COLL* 6.6.20R, *COLL* 6.6.25R, and, as applicable, *COLL* 6.6A.2R or *COBS* 2.1.4R to an ~~*approved person*~~ *approved or notified person*.

(2) Where the chair of the *AFM's governing body* is an ~~*approved person*~~ *approved or notified person*, the *AFM* must allocate the responsibility set out in (1) to that *person*.

…

8 Qualified investor schemes

…

8.5 Powers and responsibilities

…

Allocation of responsibility for compliance to an approved or notified person

8.5.22 R (1) An *AFM* must allocate responsibility for ensuring its compliance with *COLL* 8.5.17R, *COLL* 8.5.20R, and *COBS* 2.1.4R to an ~~*approved person*~~ *approved or notified person*.

(2) Where the chair of the *AFM's governing body* is an ~~*approved person*~~ *approved or notified person*, the *AFM* must allocate the responsibility set out in (1) to that *person*.

…

15 Long-term asset funds

…

15.7 Powers and responsibilities of the authorised fund manager and the depositary

…

Allocation of responsibility for compliance to an approved or notified person

15.7.24 R (1) An *AFM* must allocate responsibility for ensuring its compliance with *COLL* 15.7.17R, *COLL* 15.7.20R, *COLL* 15.7.22R and *COBS* 2.1.4R (*AIFMs'* best interests rules) to an ~~*approved person*~~ *approved or notified person*.

(2) Where the chair of the *AFM's governing body* is an ~~*approved person*~~ *approved or notified person*, the *AFM* must allocate the responsibility set out in (1) to that *person*. [**Note**: See *SYSC* 24 (Senior managers and ~~certification~~ conduct rules regime: Allocation of prescribed responsibilities).]

Annex T

Amendments to the Credit Unions sourcebook (CREDS)

In this Annex, underlining indicates new text and striking through indicates deleted text.

2 Senior management arrangements, systems and controls

…

2.2 General provisions

…

Governance and senior management arrangements: general

2.2.65 G (1) *SYSC* 23 to ~~*SYSC 27*~~ *SYSC* 26 have a number of requirements about the governance and senior management arrangements of *SMCR firms*.

…

(3) *SYSC* 23 to ~~*SYSC 27*~~ *SYSC* 26 are summarised in *CREDS* 2.2.66G to *CREDS* 2.2.70G.

(4) The *PRA's* requirements about the subjects dealt with in *SYSC* 23 to ~~*SYSC 27*~~ *SYSC* 26 are set out in its Rulebook. *CREDS* does not summarise them.

…

Governance and senior management arrangements: handover procedures

2.2.70 G ~~*SYSC* 4.9~~ *SYSC* 25.9 contains material about handover arrangements when an *SMF manager* (or their supervisor) takes up or leaves their job.

~~Certification regime~~

2.2.71 G ~~Under section 63E(1) of the *Act*, an *SMCR firm* (including a *credit union*) should take reasonable care to ensure that no employee of the *firm* performs an *FCA certification function* under an arrangement entered into by the *firm* in relation to the carrying on by that *firm* of a *regulated activity*, unless the employee has a valid certificate issued by that *firm* to perform the function to which the certificate relates. The definition of employee for these purposes goes beyond a conventional employee and is explained in more detail in *SYSC* 27.4.1G. It includes volunteers or unpaid staff.~~ [deleted]

2.2.72 G ~~*SYSC* 5.2 gives details about the certification requirement described in *CREDS* 2.2.71G and sets out *rules* and *guidance* about it, including a list of *FCA certification function*.~~ [deleted]

2.2.73 G ~~(1) Section 63E(1) of the *Act* also applies to functions specified by the *PRA*.~~ [deleted]

~~(2) The *PRA's* certification regime (including the functions referred to in (1)) is described in its Rulebook. It is not summarised in *CREDS*.~~

…

7 Lending to members

…

7.2 General requirements concerning lending policy

…

7.2.7 R (1) A *credit union* must not lend to:

(a) one of its *officers*, ~~*certification employees*~~ employees performing an activity for which there is a qualification requirement as specified in *TC* App 1.1.1R or ~~*approved persons*~~ *approved or notified persons* on terms more favourable than those available to other members of the *credit union* unless:

…

(b) (in the case of a *Great Britain credit union*) a relative of, or any person otherwise connected with, an *officer*, ~~*certification employee*~~ employee performing an activity for which there is a qualification requirement as specified in *TC* App 1.1.1R, ~~*approved person*~~ *approved or notified person* or paid employee of the *credit union* on terms more favourable than those available to other members of the *credit union*;

(c) (in the case of a *Northern Ireland credit union*) a member of the family of, or any person otherwise connected with, an *officer*, ~~*certification employee*~~ employee performing an activity for which there is a qualification requirement as specified in *TC* App 1.1.1R, ~~*approved person*~~ *approved or notified person* or paid employee of the *credit union* on terms more favourable than those available to other members of the *credit union*.

…

7.2.8 G …

(2) In relation to staff, the prohibition in *CREDS* 7.2.7R applies only to those who are *officers*, ~~*certification employees*~~ employees performing an activity for which there is a qualification requirement as specified in *TC* App 1.1.1R or ~~*approved persons*~~ *approved or notified persons*.

…

…

8 Supervision

…

8.3 Approved or notified persons

Purpose

8.3.1 G The purpose of this section is to set out *guidance* relating to the *FCA's* requirements about ~~*approved persons*~~ *approved or notified persons* that apply to *credit unions*. The full details can be found in Chapter 10C of the Supervision manual (*SUP*).

8.3.2 G The *PRA* also has a regime about ~~*approved persons*~~ *approved or notified persons* in *credit unions*, which can be found in its Rulebook. *CREDS* does not summarise the *PRA's* regime.

Summary of the FCA's requirements about approved or notified persons in credit unions

8.3.3 G (1) The effect of section 59 of the ~~Act~~ *Act* is that if a *person* is to perform certain functions (which are known as *controlled functions*) for a *credit union*, the *credit union* should first apply for approval or make an *SMF notification* to:

…

(2) The *firm* should not allow the person to perform that function until the *firm* receives the approval or makes the *SMF notification*.

(3) A person for whom the *firm* has received that approval or made that notification is called an ~~*approved person*~~ *approved or notified person*.

8.3.4 G (1) The regime for ~~*approved persons*~~ *approved or notified persons* applies to *SMCR firms*.

…

(3) *SUP* 10C deals with the ~~*approved persons*~~ *approved or notified persons* requirements for *credit unions* and other *SMCR firms*.

…

8.3.6 G …

(2) Sometimes a *person's* job description means that they are performing an *FCA controlled function* and a *PRA controlled function* at the same time for the same *firm*. *SUP* 10C.9 has arrangements that reduce the need for the same *person* to be approved by or notified to both the *FCA* and the *PRA*.

…

8.3.8 G …

(2) An ~~*approved person* approved~~ *approved or notified person* who has approval to perform a *designated senior management function* or whose performance of a *designated senior management function* has been notified to the *FCA* or the *PRA* under section 59 of the *Act* is called an *SMF manager*.

…

(4) All *controlled functions* in a *credit union* are *designated senior management functions* and every ~~*approved person*~~ *approved or notified person* in a *credit union* is also an *SMF manager*.

8.3.9 G As well as listing the *FCA's designated senior management functions* for *credit unions* and other *SMCR firms*, *SUP* 10C ~~has~~ and *SYSC* 24A have other requirements about *SMF managers*:

(1) *SUP* 10C sets out the procedures for applying for, granting, removing and varying approval or notification as an *SMF manager*.

…

(3) ~~*SUP* 10C~~ *SYSC* 24A explains that each *firm* must prepare a *statement of responsibilities* for each of its *SMF managers*. A *statement of responsibilities* is a description of the *SMF manager's*

responsibilities ~~in connection with the *designated senior management functions* for which they are approved~~.

…

10 Application of other parts of the Handbook to credit unions

10.1 Application and purpose

…

Application of other parts of the Handbook and of Regulatory Guides to Credit Unions

10.1.3 G

Module	Relevant to Credit Unions
…	
Senior Management Arrangements, Systems and Controls (*SYSC*)	*SYSC* 1, *SYSC* 4 to 10 and *SYSC* 21 apply to all *credit unions* in respect of the carrying on of their *regulated activities* and unregulated activities in a *prudential context*. *SYSC* 22 (Regulatory references), *SYSC* 23 (Senior managers and ~~certification~~ conduct rules regime: Introduction and classification), *SYSC* 24 (Senior managers and ~~certification~~ conduct rules regime: Allocation of prescribed responsibilities), *SYSC* 25 (Senior managers and ~~certification~~ conduct rules regime: Management responsibilities maps and handover procedures and material), *SYSC* 26 (Senior managers and ~~certification~~ conduct rules regime: Overall and local responsibility)~~, *SYSC* 27 (Senior managers and certification regime: Certification regime)~~ and *SYSC* 18 (Whistleblowing) apply to all *credit unions* in respect of both their *regulated activities* and their unregulated activities. *SYSC* 19F.2 (IDD remuneration incentives) and *SYSC* 28 (Insurance distribution: specific knowledge, ability and good repute requirements) also apply to *credit unions* when carrying out *insurance distribution activities*.
Code of Conduct (*COCON*)	This contains *rules* and *guidance* that are directly applicable to a *credit union's SMF managers*~~, *certification employees*~~ and (from 2017) other *conduct rules staff*. There is also *guidance* for *credit unions* on

	~~giving~~ making their staff ~~training~~ aware about the *COCON rules* that apply to them.
…	
The *Fit* and Proper test for Employees and Senior Personnel (*FIT*)	The purpose of *FIT* is to set out and describe the criteria that a *firm* should consider when assessing the fitness and propriety of a person (1) in respect of whom an application is being made for approval ~~to undertake a *controlled function*~~ as an *FCA-approved or notified SMF manager* under the senior managers regime, (2) in respect of whom the *firm* is proposing to make an *SMF notification* to the *FCA* or (~~2~~ 3) who has already been approved~~, (3) who is a *certification employee* or (4) whom a *firm* is considering appointing to be a *certification employee*~~ by or notified to the *FCA*. It also sets out and describes criteria that the *FCA* will consider when assessing the fitness and propriety of a *candidate* ~~for a *controlled function* position~~ as an *FCA-approved or notified SMF manager* and that it may consider when assessing the continuing fitness and propriety of ~~*approved persons*~~ *approved or notified persons*.
…	
Supervision manual (*SUP*)	The following provisions of *SUP* are relevant to *credit unions*: *SUP* 1A (The FCA's approach to supervision), *SUP* 2 (Information gathering by the FCA or PRA on its own initiative), *SUP* 3.1 to *SUP* 3.8 (Auditors), *SUP* 5 (Reports by skilled persons), *SUP* 6 (Applications to vary and cancel Part 4A permission and to impose, vary or cancel requirements), *SUP* 7 (Individual requirements), *SUP* 8 (Waiver and modification of rules), *SUP* 9 (Individual guidance), *SUP* 10C (FCA senior managers regime for approved or notified persons in SMCR firms), *SUP* 11 (Controllers and Close links), *SUP* 15 (Notifications to the FCA) and *SUP* 16 (Reporting Requirements). Where *credit unions* carry on *insurance distribution activities* and fall within the category provided at *SUP* 3.1.2R(10), *SUP* 3.10 and *SUP* 3.11 (Auditors) will also be relevant. …

…	

Annex U

Amendments to the Consumer Credit sourcebook (CONC)

In this Annex, underlining indicates new text and striking through indicates deleted text.

12 Requirements for firms with interim permission for credit-related regulated activities

12.1 Application and purpose

…

Disapplication or modification of certain modules or provisions of the Handbook

…

12.1.4 R Table: Disapplied or modified modules or provisions of the Handbook

Module	Disapplication or modification
…	
Supervision manual (*SUP*)	*SUP* 3 (Auditors), *SUP* 10A (FCA Approved persons), *SUP* 10C (FCA senior managers regime for approved <u>or notified</u> persons in SMCR firms) and *SUP* 12 (Appointed representatives) (see Note 2) do not apply: …
…	

…

16 Requirements for firms with deferred payment credit temporary permission

16.1 Application and purpose

…

16.1.3 G In addition to the disapplication and modifications set out in *CONC* 16.1.5R, *SYSC* TP 13 makes transitional provision about the application of the senior managers and ~~certification~~ <u>conduct rules</u> regime to *firms* with a *deferred payment credit temporary permission*.

. . .

Annex V

Amendments to the Professional Firms sourcebook (PROF)

In this Annex, underlining indicates new text and striking through indicates deleted text.

5 Non-mainstream regulated activities

…

5.3 Reference to other sourcebooks and manuals

…

Supervision manual

5.3.5 G *SUP* 10C Annex 1 2.1R provides that SUP 10C (FCA senior managers regime for approved <u>or notified</u> persons in SMCR firms) does not apply (except in respect of the *FCA required functions*) to an *authorised professional firm* in respect of its *non-mainstream regulated activities*. So a person such as a *partner*, whose only *regulated activities* are incidental to their professional services, in an *authorised professional firm* whose principal purpose is to carry on activities other than *regulated activities*, need not be an ~~*approved person*~~ <u>*approved or notified person*</u>.

…

Annex W

Amendments to the Enforcement Guide (ENFG)

In this Annex, underlining indicates new text and striking through indicates deleted text.

2 Conduct of typical enforcement investigations

…

2.4 Scoping discussions

2.4.1 G For cases involving *firms*, ~~*approved persons*~~ *approved or notified persons* or *conduct rules staff*, the *FCA* will determine on a case-by-case basis whether to hold scoping discussions with the *firm* or individuals concerned but will generally do so when specifically requested. Where scoping discussions are appropriate, they will normally be held close to the start of the investigation. The purpose of these discussions is to give the *firm* or individuals concerned in the investigation an indication of: why the *FCA* has appointed investigators (including the nature of and reasons for the *FCA's* concerns); the scope of the investigation; how the process is likely to unfold and an indication of the likely timing, if possible, of the key milestones and next steps in the investigation; the individuals and documents the team will need access to initially and so on. There may be a limit, however, as to how specific the *FCA* can be about the nature of its concerns in the early stages of an investigation. The *FCA* team for the purposes of the scoping discussions may include the nominated supervisor if the subject is a relationship-managed *firm*.

…

2.9 Settlement and the FCA

…

2.9.9 G The *settlement discount scheme* does not apply to civil or criminal proceedings brought in the courts, or to *public censures*, *prohibition orders*, withdrawal of *authorisation* ~~or approval~~, withdrawal of approval or invalidation of notification, limitations of the period for which any approval or notification is to have effect, or the payment of compensation or redress.

…

3 Other matters relevant to enforcement investigations

…

3.3 Enforcement and the FCA's individual conduct rules and senior management responsibility

3.3.1 G The conduct *rules* in *COCON* set minimum standards of individual behaviour in financial services. Where senior managers have failed to meet our standards, the *FCA* will, where appropriate, bring cases against individuals as well as, or instead of, *firms*. The *FCA* believes that deterrence will most effectively be achieved by making these individuals realise the consequences of their actions. The *FCA's* policy on disciplinary action against senior management and against other individuals under section 66 of the *Act* is set out in *DEPP* 6.2.4G to *DEPP* 6.2.9-BG. The *FCA's* policy on prohibition and withdrawal of approval or invalidation of notification is set out in *ENFG* 5.

…

4 Publicity

…

4.2 Publicity of statutory notices

Warning notice statements

4.2.1 G The *FCA* has discretion to publish information about *warning notices* which fall within section 391(1ZB) of the *Act*. These are essentially disciplinary *warning notices* – for example, where the *FCA* is proposing to censure, fine, or impose a suspension, restriction, condition or limitation on a *firm* or individual. The power to publish information does not apply to *warning notices* that propose only protective measures – for example, to prohibit an individual, withdraw the approval or invalidate the *SMF notification* of an individual or cancel the *permission* of a *firm*.

…

4.2.7 G If, after consulting the *persons* to whom the notice is given or copied, the *FCA* still considers it is appropriate to publish information about a *warning notice*, it will publish this information in a statement (a *warning notice* statement). This will ordinarily include a summary of the facts which gave rise to the *warning notice* to enable *consumers*, *firms* and market users to understand the nature of the *FCA's* concerns. Where the *FCA* considers it appropriate to identify the subject of the *warning notice*, it will also include details of:

4.2.7 G If, after consulting the *persons* to whom the notice is given or copied, the *FCA* still considers it is appropriate to publish information about a *warning notice*, it will publish this information in a statement (a *warning*

notice statement). This will ordinarily include a summary of the facts which gave rise to the *warning notice* to enable *consumers*, *firms* and market users to understand the nature of the *FCA's* concerns. Where the *FCA* considers it appropriate to identify the subject of the *warning notice*, it will also include details of:

…

(3) in the case of an ~~*approved person*~~ *approved or notified person* or *conduct rules staff*, their employer at the relevant time.

…

5 Prohibition orders, ~~and~~ withdrawal of approval and invalidation of notification

5.1 Introduction

…

5.1.2 G The *FCA's* effective use of the ~~power~~ powers to withdraw approval ~~from~~ or invalidate notification in relation to an ~~*approved person*~~ *approved or notified person* will also help ensure high standards of regulatory conduct by preventing an ~~*approved person*~~ *approved or notified person* from continuing to perform the *controlled function* to which the approval or *SMF notification* relates if they are not a fit and proper *person* to perform that function. Where it considers this is appropriate, the *FCA* may prohibit an ~~*approved person*~~ *approved or notified person*, in addition to withdrawing their approval or invalidating their *SMF notification*.

5.2 The FCA's general policy

5.2.1 G In deciding whether to make a *prohibition order* and/or, in the case of an ~~*approved person*~~ *approved or notified person*, to withdraw its approval or invalidate the *SMF notification*, the *FCA* will consider all the relevant circumstances, including whether other enforcement action should be taken or has been taken already against that individual by the *FCA*. The *FCA* will also consider whether enforcement action has been taken against the individual by other enforcement agencies or *designated professional bodies*.

5.2.2 G In appropriate cases, the *FCA* will take other enforcement action against the individual in addition to seeking a *prohibition order* and/or withdrawing their approval or invalidating their *SMF notification*, including the use of its powers to: impose a financial penalty or issue a *public censure*; apply for an *injunction* to prevent dissipation of assets; stop any continuing misconduct; order restitution; apply for an

insolvency order or an order against debt avoidance; and/or prosecute certain criminal offences.

…

5.3 Prohibition orders and withdrawal of approval or invalidation of SMF notification – ~~approved persons~~ approved or notified persons

5.3.1 G When the *FCA* has concerns about the fitness and propriety of an ~~*approved person*~~ *approved or notified person*, it may consider whether it should prohibit that *person* from performing functions in relation to *regulated activities*, withdraw its approval, ~~or both~~ and/or invalidate the *SMF notification*. In deciding whether to withdraw its approval, invalidate the *SMF notification* and/or make a *prohibition order*, the *FCA* will consider in each case whether its *statutory objectives* can be achieved adequately by imposing disciplinary sanctions – for example, *public censures* or financial penalties.

5.3.2 G When the *FCA* decides whether to make a *prohibition order* against an ~~*approved person*~~ *approved or notified person* and/or withdraw its approval or invalidate the *SMF notification*, the *FCA* will consider all the relevant circumstances of the case. These may include, but are not limited to, those set out below:

…

(2) whether the individual is fit and proper to perform functions in relation to *regulated activities*. The criteria for assessing the fitness and propriety of ~~*approved persons*~~ *approved or notified persons* are set out in *FIT* 2.1 (Honesty, integrity and reputation), *FIT* 2.2 (Competence and capability) and *FIT* 2.3 (Financial soundness);

(3) whether, and to what extent, the ~~*approved person*~~ *approved or notified person* has:

(a) failed to comply with the *Statements of Principle* or *COCON*, as applicable, issued by the *FCA* with respect to the conduct of ~~*approved persons*~~ *approved or notified person*; or

…

(4) whether the ~~*approved person*~~ *approved or notified person* has engaged in *market abuse*;

…

(7) the particular *controlled function* the ~~*approved person*~~ *approved or notified person* is (or was) performing, the nature and activities of the *firm* concerned and the markets in which they operate;

…

(10) where the ~~*approved person*~~ *approved or notified person* is an *SMF manager*, whether they would be a fit and proper *person* to perform functions in relation to *regulated activities* if the *FCA* varied their approval or *SMF notification* by imposing one or more conditions and, if so, whether it is appropriate for the *FCA* to exercise its power to impose such conditions, instead of making a *prohibition order* or withdrawing the *approved person's* approval or invalidating the *notified person*'s *SMF notification*.

5.3.3 G The *FCA* may have regard to the cumulative effect of a number of factors which, when considered in isolation, may not be sufficient to show that the individual is not fit and proper to continue to perform a *controlled function* or other function in relation to *regulated activities*. It may also take account of the particular *controlled function* which an ~~*approved person*~~ *approved or notified person* is performing for a *firm*, the nature and activities of the *firm* concerned and the markets within which it operates.

…

5.3.5 G The following are examples of types of behaviour which have previously resulted in the *FCA* deciding to issue a *prohibition order* ~~or~~, withdraw the approval of an *approved person* or invalidate the notification of a *notified person*:

…

(5) serious breaches of *APER* or *COCON*, for ~~*approved persons*~~ *approved or notified persons*, such as failing to make terms of business regarding fees clear or actively misleading clients about fees; acting without regard to instructions; providing misleading information to clients, *consumers* or third parties; giving clients poor or inaccurate advice; using intimidating or threatening behaviour towards clients and former clients; and failing to remedy breaches of the *general prohibition* or to ensure that a *firm* acted within the scope of its *permissions*.

…

5.3.7 G Where the *FCA* considers that it is appropriate to withdraw an individual's approval or invalidate their *SMF notification* to perform a *controlled function* within a particular *firm*, it will also consider, at the very least, whether it should prohibit the individual from performing that function more generally. Depending on the circumstances, it may consider that the individual should also be prohibited from performing other functions.

5.3.8 G The *FCA* will consult the *PRA* before withdrawing an approval given by or invalidating a notification made to the *PRA*.

…

Annex X

Amendments to the Financial Crime Guide: A firm's guide to countering financial crime risks (FCG)

In this Annex, underlining indicates new text and striking through indicates deleted text.

2 Financial crime systems and controls

…

2.2 Themes

Governance

2.2.1 We expect **senior management** to take **clear responsibility** for managing financial crime risks, which should be treated in the same manner as other risks faced by the business. There should be evidence that senior management are **actively engaged** in the firm's approach to addressing the risks. In considering senior management arrangements in the Guide, firms should consider their arrangements to comply with the Senior Managers and ~~Certification~~ Conduct Rules Regime (SM&CR).

[**Editor's note:** see https://www.fca.org.uk/firms/senior-managers-certification-regime]

…

…

7 Sanctions, asset freezes and proliferation financing

7.1 Introduction

…

7.1.5 All individuals and legal entities who are within or undertake activities within the UK's territory must comply with the UK financial sanctions that are in force. All UK nationals and UK legal entities established under UK law, including their branches, must also comply with UK financial sanctions that are in force, irrespective of where their activities take place.

Under *Principle* 11 (*PRIN* 2.1.1R), we expect authorised firms to notify us if they (or their group companies, ~~*approved persons*~~ *approved or notified persons*, *senior management functions*, *appointed representatives* and *agents*) are targets **of UK** sanctions **or those of any other country or jurisdiction**.

For firms such as *electronic money institutions*, payment services firms, *cryptoasset businesses* and Annex I financial institutions, this is regarded as a

material change of circumstance and we expect to be informed if you or any connected entities are **targets of UK** sanctions **or those of any other country or jurisdiction**.

…

Annex 1 Common terms

Annex 1 This annex provides a list of common and useful terms related to financial crime. It also includes references to some key legal provisions. It is for reference purposes and is not a list of 'defined terms' used in *FCG*. This annex does not provide guidance on rules or amend corresponding references in the *Handbook's Glossary*.

Term	Meaning
…	…
Money Laundering Reporting Officer (MLRO)	The MLRO is responsible for ensuring that measures to combat money laundering within the firm are effective. The MLRO is also usually the 'nominated officer' under the Proceeds of Crime Act (*POCA*). The MLRO is a 'controlled function' ~~under the Approved Persons Regime and a 'senior management function'~~ under the Senior Managers and ~~Certification~~ Conduct Rules Regime.
…	
~~Money Laundering Reporting Officer (MLRO)~~	~~The MLRO is responsible for ensuring that measures to combat money laundering within the firm are effective. The MLRO is also usually the 'nominated officer' under the Proceeds of Crime Act (*POCA*).~~ ~~The MLRO is a 'controlled function' under the Approved Persons Regime and a 'senior management function' under the Senior Managers and Certification Regime.~~
…	

Annex Y

Amendments to the Financial Crime Thematic Reviews (FCTR)

In this Annex, underlining indicates new text.

11 Mortgage Fraud against lenders (2011)

…

11.3 Consolidated examples of good and poor practice

…

11.3.6 G Staff recruitment and vetting

Examples of good practice	Examples of poor practice
…	
…	• Enhanced vetting techniques are applied only to staff in Approved <u>or Notified</u> Persons positions.
…	

…

Annex Z

Amendments to the MiFID 2 Onshoring Guide (M2G)

In this Annex, underlining indicates new text and striking through indicates deleted text.

2 Onshoring of senior management arrangements and systems and controls obligations

…

2.9 Other organisational requirements

2.9.1 G In addition to the SYSC obligations outlined above, firms will find MiFID II-related organisational requirements in respect of complaints handling in DISP, client money and assets (CASS) and product governance obligations in [PROD]. Firms will also remain subject to obligations in the form of the relevant senior management, ~~certification,~~ COCON and approved or notified persons requirements.

Technical Standards (Markets in Financial Instruments) (Authorisation and Management Body Notifications) (Revocation) Instrument 202x

Powers exercised

A. The Financial Conduct Authority ("the FCA") makes this instrument in the exercise of the powers and related provisions in or under:

(1) Article 51(3) (Transfer of MiFID functions) of, and paragraph 41 of Part 3 (Powers to make technical standards transferred to the PRA and the FCA) of Schedule 3 (Transfer of Functions to the Treasury and Regulators) to, Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012; and

(2) the following sections of the Financial Services and Markets Act 2000 ("the Act") as amended by the Financial Regulators' Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 (SI 2018/1115):

(a) section 137T (General supplementary powers);

(b) section 138P (Technical standards);

(c) section 138Q (Standards instruments); and

(d) section 138S (Application of Chapters 1 and 2).

B. For the purposes of section 138P of the Act, the power relied upon by the FCA includes, by virtue of section 138P(2)(b), power to revoke EU tertiary legislation made under the original EU power which forms part of assimilated law.

C. The provisions listed above are specified for the purposes of section 138Q(2) of the Act.

Pre-conditions to making

D. The FCA has consulted the Prudential Regulation Authority as appropriate in accordance with section 138P of the Act.

E. The requirement for Treasury approval under section 138R (Treasury approval) of the Act has been met.

F. The FCA published a draft of this instrument in accordance with section 138I(1)(b) (Consultation by the FCA) of the Act, accompanied by the information required by section 138I(2). The FCA had regard to representations made in response to the public consultation.

Commencement

G. This instrument comes into force on [*date*].

Revocation

H. The FCA revokes the following technical standards:

Part 1 (FCA) of Commission Implementing Regulation (EU) 2017/1945 of 19 June 2017 laying down implementing technical standards with regard to notifications by and to applicant and authorised investment firms according to Directive 2014/65/EU of the European Parliament and of the Council.

Citation

I. This instrument may be cited as the Technical Standards (Markets in Financial Instruments) (Authorisation and Management Body Notifications) (Revocation) Instrument 202X.

By order of the Board

[*date*]

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