

Senior managers and certification regime: Allocation of prescribed responsibilities

Chapter 24

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certification regime:
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responsibilities



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
 - (2) will:
 - (i) be sufficiently senior and credible; and
 - (ii) have sufficient resources and authority; to be able to exercise their management and oversight responsibilities effectively.

Executive or non-executive

- 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):
- (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** (1) Subject to (2), the *FCA* expects that normally a *firm* will allocate the other *FCA-prescribed senior management responsibilities* to an *SMF manager* who performs executive functions for the *firm*.

- (2) The relevant *rules* in *COLL* deal with the persons to whom a *firm* should allocate *FCA-prescribed senior management responsibility* (za) (Allocation of responsibility for *COLL* compliance to an approved person).

Exceptions for small non-complex firms

24.3.4 **G** 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(1) that would otherwise apply to it.

- 24.3.5 **G**
- (1) A *UK SMCR banking firm* is likely to be small for the purposes in ■ SYSC 24.3.4G if it is:
 - (a) a small *CRR firm* as defined in the part of the *PRA Rulebook* called "Allocation of responsibilities"; or
 - (b) a *credit union* that meets the *PRA's* size requirements for small *CRR firms* as defined.
 - (2) A *firm* is likely to be non-complex for these purposes if:
 - (a) it conducts a limited number of simple business lines;
 - (b) it does not rely on group governance arrangements; and
 - (c) (in the case of a *branch*) it does not rely on governance arrangements for other parts of the *firm*.

Not assigning too many responsibilities to one person

24.3.6 **G** When deciding how to allocate *FCA-prescribed senior management responsibilities*, a *firm* should avoid assigning such a wide range of responsibilities to a particular *SMF manager* that they are not able to carry out those responsibilities effectively.

Dividing and sharing management functions between different people

24.3.7 **G** The *FCA* expects that a *firm* will not normally split an *FCA-prescribed senior management responsibility* between several *SMF managers*, with each only having responsibility for part.

24.3.8 **G** The *FCA* expects that a *firm* will not normally allocate responsibility for an *FCA-prescribed senior management responsibility* to two or more *SMF managers* jointly.

- 24.3.9 **G**
- (1) Although the norm should be for a *firm* to have a single individual performing each *FCA-prescribed senior management responsibility*, there may be circumstances in which responsibilities can be divided or shared (see (2)).
 - (2) A *firm* should only divide or share a responsibility where this is appropriate and can be justified.

24.3.10

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- (3) For example, it would be justified to share a responsibility if that is done:
 - (a) as part of a job share; or
 - (b) where departing and incoming senior managers work together temporarily as part of a handover.
- (4) A *firm* may have co-heads of a department or business unit if this can be justified under (1) to (3).

- (1) The *FCA* expects a *firm* to divide and allocate responsibilities under this chapter between its *SMF managers* so that responsibilities are grouped together appropriately.
- (2) The *firm* should make the judgement:
 - (a) in (1); and
 - (b) about whether and how responsibilities should be shared; under:
 - (c) ■ SYSC 4.1.1R (robust governance arrangements);
 - (d) any other applicable *Handbook* requirements, including:
 - (i) ■ SYSC 2 (Apportionment of Responsibilities);
 - (ii) ■ SYSC 24.3.7G to ■ SYSC 24.3.9G;
 - (iii) article 21 of the *MiFID Org Regulation* (as applied in accordance with ■ SYSC 1 Annex 1 2.8AR, ■ SYSC 1 Annex 1 3.2-AR, ■ SYSC 1 Annex 1 3.2-BR, ■ SYSC 1 Annex 1 3.2CR and ■ SYSC 1 Annex 1 3.3R); and
 - (e) article 21 of the *MiFID Org Regulation* (General organisational requirements) or other similar relevant *onshored regulations*.
- (3) The *firm* should take into account the way it is organised, the business it carries out and the need not to allocate too many responsibilities to one individual (■ SYSC 24.3.6G).
- (4) The *FCA* expects a *firm* to allocate *FCA-prescribed senior management responsibilities* to the *SMF managers* they are most closely linked to.

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■ SUP 10C.11.31G to ■ SUP 10C.11.33G (What statements of responsibilities should contain: dividing and splitting responsibilities) contains material about:

- (1) how to prepare *statements of responsibilities* where a responsibility is shared or divided between several *SMF managers*; and
- (2) dividing and sharing responsibilities.

24.3.12

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- (1) A *firm* may allocate more than one *FCA-prescribed senior management responsibility* to the same *SMF manager*.
- (2) This is subject to:

- (a) ■ SYSC 24.3.6G (should not give too many responsibilities to one person); and
- (b) ■ SYSC 24.3.10G (what responsibilities should be grouped together).

Allocation of responsibilities and territorial scope.

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- (1) As explained in ■ SYSC 24.1.3R, there is no territorial limitation to the application of this chapter.
- (2) This means that a *firm* should allocate the *FCA-prescribed senior management responsibilities* so that they cover activities, transactions, business areas and management functions that are located or take place wholly or partly outside, as well as ones in, the *United Kingdom*.

24.3.14

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In the case of an *overseas SMCR firm*, the *FCA-prescribed senior management responsibilities* relate to the activities of the *firm's branch* in the *United Kingdom* (see ■ SYSC 24.1.4R).