

Chapter 7

Governance and risk management



7.2A Risk management function

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- 7.2A.1

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■ MIFIDPRU 7.2A.2R and ■ MIFIDPRU 7.2A.3R apply to a *non-SNI MIFIDPRU investment firm* that has a risk management function in accordance with article 23 of the *MIFID Org Regulation*.
- 7.2A.2

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(1) A *firm* must ensure that its risk management function is independent from its operational functions and has sufficient authority, stature, resources and access to the *management body*.

(2) The risk management function in (1) must ensure that all material risks are identified, measured and properly reported. It must be actively involved in elaborating the *firm's* risk strategy and in all material risk management decisions, and it must be able to deliver a complete view of the whole range of risks of the *firm*.

(3) A *firm* in (1) must ensure that its risk management function is able to report directly to the *management body* in its supervisory function, independent from *senior management*, and that it can raise concerns and warn the *management body*, where appropriate, where specific risk developments affect or may affect the *firm*, without prejudice to the responsibilities of the *management body* in its supervisory and/or managerial functions.
- 7.2A.3

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The head of the risk management function must be an independent *senior manager* with distinct responsibility for the risk management function. Where the nature, scale and complexity of the activities of the *MIFIDPRU investment firm* do not justify a specially appointed person, another senior person within the *firm* may fulfil that function, provided there is no conflict of interest. The head of the risk management function must not be removed without prior approval of the *management body* and must be able to have direct access to the *management body* where necessary.