

## Chapter 10C

FCA senior managers regime  
for approved persons in  
SMCR firms



## 10C.1 Application

### General

- 10C.1.1 **R** This chapter applies to every *SMCR firm*.
- 10C.1.2 **G** This chapter is also relevant to *FCA-approved SMF managers* of an *SMCR firm*.
- 10C.1.2A **G** ■ SUP 10C Annex 1 (What functions apply to what type of firm) sets out:
  - (1) how this chapter applies to different types of *SMCR firm*; and
  - (2) the *SMCR firms* to which no *controlled functions* in this chapter apply.

### Overseas firms: UK services

- 10C.1.3 **R** This chapter does not apply to an *overseas SMCR firm* other than in relation to an establishment maintained by it or its *appointed representative* in the *United Kingdom*.

### EEA firms: general application

- 10C.1.4 **R** This chapter does not apply to an *SMCR firm* if and in so far as the question of whether a *person* is fit and proper to perform a particular function in relation to that *firm* is reserved to an authority in a country or territory outside the *United Kingdom* as contemplated by section 59(8) of the *Act*. This *rule* has effect to the extent that, and for as long as, section 59(8) of the *Act* remains in effect under the standstill direction (as it relates to that section) as defined in the direction made by the *FCA* under Part 7 of the Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019 that came into force on *IP completion day* and is titled "Main FCA Transitional Directions".
- 10C.1.5 **G** [deleted]

### Overseas firms: general

- 10C.1.5A **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*.

- (2) However, where an overseas manager is responsible for implementing that strategy for its *branch* in the *United Kingdom*, and has not delegated that responsibility to an *SMF manager* in the *United Kingdom*, they will potentially be performing an *FCA controlled function* if the detailed conditions in this chapter defining the relevant *FCA controlled function* are met.

### UK firm with overseas branches or providing services on a cross-border basis

10C.1.6 **G** There are no territorial limitations to ■ SUP 10C for:

- (1) overseas branches of *UK firms*; or
- (1) *UK firms* providing services into or out of the *United Kingdom* on a cross-border basis.

### Appointed representatives

10C.1.7 **R** This chapter does not deal with an *approved person* who is approved under ■ SUP 10A (FCA Approved Persons in Appointed Representatives).

- 10C.1.8 **G**
- (1) ■ SUP 10A (FCA Approved Persons in Appointed Representatives) deals with the *approved persons* regime for *appointed representatives* of *SMCR firms*.
- (2) In general this chapter does not apply to *appointed representatives* of *SMCR firms*. ■ SUP 10A applies instead.
- (2) In theory, a *person* employed by an *appointed representative* of an *SMCR firm* could come within one of the *controlled functions* in this chapter. If so, that *person* will be performing a *senior management function* and this chapter would apply. However, the *FCA* thinks that such a situation should rarely arise unless the *person* is seconded to the *firm*.
- If a *person* is an *approved person* under this chapter and under ■ SUP 10A for the same *firm*, this chapter applies to *FCA-designated senior management functions* under this chapter and ■ SUP 10A applies to *controlled functions* under ■ SUP 10A. It is unlikely that such a scenario would normally arise in practice.
- (5) Both this chapter and ■ SUP 10A deal with an *appointed representative* that has a *limited permission* to carry on a *regulated activity* prescribed for the purposes of section 39(1E)(a) of the *Act*.

### Insolvency practitioners

10C.1.9 **R** This chapter does not apply to a function performed by a *person* acting as:

- (1) an insolvency practitioner within the meaning of section 388 of the *Insolvency Act 1986*;

a nominee in relation to a voluntary arrangement under Parts I (Company Voluntary Arrangements) and VIII (Individual Voluntary Arrangements) of the Insolvency Act 1986;

(3) an insolvency practitioner within the meaning of article 3 of the Insolvency (Northern Ireland) Order 1989; or

(4) a nominee in relation to a voluntary arrangement under Parts II (Company Voluntary Arrangements) and VIII (Individual Voluntary Arrangements) of the Insolvency (Northern Ireland) Order 1989.

### Swiss general insurers

**10C.1.10** **R** For *Swiss general insurers*, references in this chapter 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*.

**10C.1.11** **G** *Swiss general insurers* are in the *large non-directive insurers* sector of the *PRA Rulebook* and the *PRA* applies to them, in relation to their *controlled functions*, provisions equivalent to those applying to third country branches in the *Solvency II firms* sector of the *PRA Rulebook*. The *FCA* includes them as third country undertakings of *Solvency II firms* and so they must follow the requirements for *Solvency II firms* set out in this chapter.

**Insurance and mortgage credit mediation**

10C.1.12 **G**

See ■ MIPRU 2.2 (Allocation of the responsibility for insurance distribution activity or MCD credit intermediation activity) for how the FCA’s senior managers regime for SMCR firms is adjusted for a firm carrying on insurance distribution activity or MCD credit intermediation activity.



## 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 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*;
- 10C.2.2** **G** [deleted]
- 10C.2.3** **G**
- (1) The *FCA* has certain powers in relation to *PRA-approved 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.
  - (2) However, **■** SUP 10C.12.1G has material about the *FCA's* policy on giving its consent to applications made to the *PRA* about conditional and time-limited approvals for *SMF managers* in *PRA-authorised persons*.
- 10C.2.4** **G** **■** SUP 10C.14 (Changes to an approved person's details) applies, in certain cases, to *PRA-approved persons*. Where this is the case, it says so.



## 10C.3 General material about the definition of controlled functions

### Purpose

**10C.3.1** **G** This section has general provisions that apply to the definition of all *controlled functions*.

### Types of controlled function

**10C.3.2** **G** There are two types of *FCA controlled function* under the Act:

- (1) an *FCA-designated senior management function*; and
- (2) an *FCA controlled function* that is not a *designated senior management function*.

**10C.3.3** **G** All the *controlled functions* that the FCA has specified in this chapter are *designated senior management functions*. The FCA has not, in this chapter, used its power to specify *controlled functions* that are not *designated senior management functions*.

**10C.3.4** **G** The FCA has (in **■ SUP 10A** (FCA Approved Persons in Appointed Representatives)) specified *controlled functions* for *SMCR firms* that are not *designated senior management functions*.

**10C.3.5** **G**

- (1) Except as described in **■ SUP 10C.3.4G**, in this chapter, *FCA controlled function* and *FCA-designated senior management function* cover the same functions.
- (2) Therefore, a function is only covered by **■ SUP 10C.4.3R** (Table of FCA-designated senior management functions) if that function meets both the following sets of requirements:
  - (a) the requirements of **■ SUP 10C.3.6R** (Definition of FCA controlled function: arrangements); and
  - (b) the requirements of **■ SUP 10C.3.10R** (Definition of FCA-designated senior management function).

### Definition of FCA controlled function: arrangements

**10C.3.6** **R** In accordance with section 59 of the Act (Approval 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:

- (1) a *firm*; or
- (2) a contractor of the *firm*;

in relation to the carrying on by the *firm* of a *regulated activity*.

**10C.3.7** G Section 59(1) and (2) of the *Act* provide that approval 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.3.8** G

- (1) *Arrangement* is defined in section 59(10) of the *Act* as any kind of arrangement for the performance of a function which is entered into by a *firm* or any of its contractors with another *person*.
- (2) *Arrangement* includes the appointment of a *person* to an office, a *person* becoming a *partner*, or a *person's* employment (whether under a contract of service or otherwise).
- (3) An *arrangement* need not be a written contract but could arise by conduct, custom and practice.

**10C.3.9** G If a *firm* is a member of a group, a *person* employed elsewhere in the *group* (for example, by the *holding company*) who carries out a function in relation to the *firm* will only perform an *FCA controlled function*:

- (1) if the function is performed under an *arrangement* entered into by the *firm* (under section 59(1)); or
- (2) if:
  - (a) there is a contract (under section 59(2)) between the *firm* and the relevant *group* member permitting this; and
  - (b) the function is performed under an *arrangement* entered into by the contractor.

**Definition of FCA-designated senior management function**.....

**10C.3.10** R Each *FCA-designated senior management function* is one which comes within the definition of a *senior management function*.

**10C.3.11** G Section 59ZA(2) of the *Act* says that a function is a 'senior management function', in relation to the carrying on of a *regulated activity* by a *firm*, if:

- (1) the function will require the *person* performing it to be responsible for managing one or more aspects of the *firm's* affairs, so far as relating to the activity; and
- (2) those aspects involve, or might involve, a risk of serious consequences:

- (a) for the *firm*; or
- (b) for business or other interests in the *United Kingdom*.

10C.3.12 **G** Section 59ZA(3) of the *Act* says that ‘managing’ includes, for these purposes, taking decisions, or participating in the taking of decisions, about how one or more aspects of the *firm’s* affairs should be carried on.

### The 12-week rule

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10C.3.13 **R**

If:

- (1) a *firm* appoints an individual 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* whose absence is:
  - (a) temporary; or
  - (b) reasonably unforeseen; and
- (3) the appointment is for less than 12 weeks in a consecutive 12-month period;

the description of the relevant *FCA-designated senior management function* does not relate to those activities of that individual.

10C.3.14 **G** ■ SUP 10C.3.13R enables cover to be given for (as an example) holidays and emergencies and avoids the need for the precautionary approval of, for example, a deputy. However, as soon as it becomes apparent that a *person* will be performing an *FCA-designated senior management function* for more than 12 weeks, the *firm* should apply for approval.

10C.3.15 **G** See ■ SUP 10C.12.7G to ■ SUP 10C.12.14G (time-limited approvals) for procedures for temporary appointments longer than 12 weeks.

10C.3.16 **G**

- (1) A *firm* to which ■ SYSC 26 (Senior managers and certification regime: Overall and local responsibility) applies may have allocated responsibilities under that chapter to an *SMF manager* who is absent under ■ SUP 10C.3.13R.
- (2) ■ SYSC 26.4.6R (Exclusion where the 12-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 and ■ SUP 10C.3.13R 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*.

10C.3.17 **G**

- (1) If:
- (a) a *firm* allocates any *FCA-prescribed senior management responsibilities* to an *SMF manager*; and
  - (b) the *SMF manager* later becomes absent;  
the *firm* should reallocate them to another *SMF manager*.
- (2) The *firm* may not allocate the absent manager's *FCA-prescribed senior management responsibilities* to the *person* providing cover for that manager unless the *person* providing cover is also an *SMF manager* of the *firm*.



## 10C.4 Specification of functions

- 10C.4.1** **R** (1) Each function described in **■** SUP 10C.4.3R is an *FCA controlled function*.
- (2) In accordance with section 59(6A) of the Act (Approval 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 which of the functions in **■** SUP 10C.4.3R apply to which kind of *firm*.

- 10C.4.3** **R** Table of FCA-designated senior management functions for SMCR firms

Type	SMF	Description of FCA controlled function
<i>FCA governing functions</i>	SMF 1	<i>Chief executive function</i>
	SMF 3	<i>Executive director function</i>
	SMF 7	<i>Group entity senior manager function</i>
	SMF 9	<i>Chair of the governing body function</i>
	SMF 10	<i>Chair of the risk committee function</i>
	SMF 11	<i>Chair of the audit committee function</i>
	SMF 12	<i>Chair of the remuneration committee function</i>
	SMF 13	<i>Chair of the nomination committee function</i>
	SMF 14	<i>Senior independent director function</i>
	SMF 15	<i>Chair of the with-profits committee function</i>
	SMF 19	<i>Head of third country branch function</i>
	SMF 27	<i>Partner function</i>

Type	SMF	Description of FCA controlled function
<i>FCA required functions</i>	SMF 16	<i>Compliance oversight function</i>
	SMF 17	<i>Money laundering reporting function</i>
	SMF 18	<i>Other overall responsibility function</i>
	SMF22	<i>Other local responsibility function</i>
	SMF 23b	<i>Conduct risk oversight (Lloyd's) function</i>
	SMF 29	<i>Limited scope function</i>
Other high-level management functions	SMF 21	<i>EEA branch senior manager function</i>
Systems and controls functions	SMF 2	<i>Chief finance officer function</i>
	SMF 4	<i>Chief risk officer function</i>
	SMF 5	<i>Head of internal audit function</i>
	SMF 24	<i>Chief operations function</i>

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**10C.4.4**

**G**

As described in ■ SUP 10C.1.7R to ■ SUP 10C.1.8G (Appointed representatives), ■ SUP 10A (FCA Approved Persons in Appointed Representatives) specifies certain other *controlled functions* for *SMCR firms*.



**10C.4A FCA governing functions: General**

**PRA-authorized persons**

**10C.4A.1** **G** ■ SUP 10C.9 (Minimising overlap with the PRA approved 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-authorized person* will not in fact require approval from the *FCA* to perform the function and will just require *PRA* approval.

**Sole traders**

- 10C.4A.2** **G**
- (1) An individual *sole trader* themselves will not need approval to perform any of the *FCA governing functions*. Therefore the *FCA governing functions* do not apply to a *sole trader* with no employees.
  - (2) It is possible, although perhaps not likely in practice, that the *FCA governing functions* could apply to staff working for the *sole trader*.
  - (3) In particular, it is possible for the *sole trader* to give sufficient authority to a staff member that the staff member meets the *Glossary* definition of a *director*.
  - (4) This might happen, for example, if the *sole trader's* business is so large that the *sole trader* sets up a *governing body* to run it.



**10C.5 FCA governing functions: Executive**

**Executive director function (SMF3): General**

- 10C.5.1 **R**
  - (1) For a *UK SMCR firm*, the *executive director function* is the function of acting in the capacity of a *director* (other than a *non-executive director*) of a the *firm*.
  - (2) For an *overseas SMCR firm*, the *executive director function* is the function of acting in the capacity of a *director* (other than a *non-executive director*) in relation to its *branch* in the *United Kingdom* where the *person* performing that function has responsibility for managing one or more aspects of the *firm's* affairs so far as relating to the activities of the *branch*.
  - (3) Paragraph (2) includes a *person* who is a member (other than a non-executive member) of the *branch's governing body*.
  - (4) The *executive director function* does not apply to a *UK SMCR firm* that is:
    - (a) a *partnership*; or
    - (b) a *limited liability partnership*.
- 10C.5.2 **R** [deleted] [*Editor's note*: The text of this provision has been moved to ■ SUP 10C.5A.3R]
- 10C.5.3 **G** [deleted] [*Editor's note*: The text of this provision has been moved to ■ SUP 10C.5A.4G]
- 10C.5.4 **G** [deleted]
- 10C.5.5 **G** [deleted]
- 10C.5.6 **G** [deleted] [*Editor's note*: The text of this provision has been moved to ■ SUP 10C.5A.1G]
- 10C.5.7 **G** [deleted]

**Executive director function: Extension of definition for Lloyd's**

10C.5.8 **R** In the case of the *Society*, the *executive director function* also includes the function of acting in the capacity of an executive member of a committee to which the Council of the *Society* directly delegates authority to carry out the *Society's* regulatory functions.

**Executive director function: Adjustment of definition for non-directive friendly societies**

10C.5.9 **R**

- (1) This *rule* applies to a *non-directive friendly society*.
- (2) The *executive director function* is the function of directing the affairs of the *firm*, either alone or jointly with others. Each such *person* is referred to in this *rule* as a "director".
- (3) The *executive director function* includes the function of being or acting in the capacity of:
  - (a) a member of the *firm's governing body*; or
  - (b) (in the case of an *FCA-authorised firm*) the *chief executive*.
 The term *director* also includes each such a *person*.
- (4) If the principal purpose of the *firm* is to carry on *regulated activities*, each *director* performs the *FCA controlled function*.
- (5) If the principal purpose of the *firm* is other than to carry on *regulated activities*, a *director* performs the *FCA controlled function* only to the extent that they have responsibility for a *regulated activity*.
- (6) Each *person* on the *firm's governing body* will be taken to have responsibility for its *regulated activities*, unless the *firm* has apportioned this responsibility to one particular *person* to whom it is reasonable to give this responsibility.
- (7) The "particular" *person* referred to in (6) need not be a member of the *firm's governing body*.
- (8) The *executive director function* does not include acting in the capacity of a *non-executive director*.
- (9) This *rule* applies in place of ■ SUP 10C.5.1R.

10C.5.10 **G**

- (1) Typically a *non-directive friendly society* will appoint a "committee of management" to direct its affairs.
- (2) However, the governing arrangements may be informal and flexible. If this is the case, the *FCA* would expect the society to resolve to give responsibility for the carrying on of *regulated activities* to one individual who is appropriate in all the circumstances.
- (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* under ■ SUP 10C.5.9R.

- 10C.5.11 **G**
- (1) In practice, the *FCA* expects that most *non-directive friendly societies* will be *PRA-authorised persons*.
  - (2) Where that is the case, the *executive director function* will often not apply (see **■ SUP 10C.4A.1G**).

**Executive director function: Addition for small non-directive insurers**

- 10C.5.12 **R**
- (1) This *rule* applies to a *small non-directive insurer*.
  - (2) The *executive director function* includes being a *chief executive* of the *firm*.

- 10C.5.13 **G** **■ SUP 10C.5.12R** means:
- (1) that being the *chief executive* of a *small non-directive insurer* is an *FCA controlled function* (subject to (4));
  - (2) but being *chief executive* is not an *FCA controlled function* in its own right but is rolled up into the *executive director function*;
  - (3) that being promoted from executive director to *chief executive* does not require a new approval from the *FCA*;
  - (4) that being the *chief executive* is not an *FCA controlled function* where **■ SUP 10C.4A.1G** applies; and
  - (5) **■ SUP 10C.5.9R(4)** to **■ SUP 10C.5.9R(7)** do not apply to the *chief executive*.

**Partner function (SMF27): Partnerships and limited liability partnerships**

- 10C.5.14 **R**
- (1) This *rule* applies to a *UK SMCR firm* that is a *partnership*.
  - (2) The *partner function* is the function of being or occupying the position of a *partner* in that *firm*.
  - (3) The *partner function* also includes:
    - (a) the function of being or occupying the position of a partner in that *firm* (by whatever name called); and
    - (b) acting as a member of the *firm's governing body*.

- 10C.5.15 **G**
- (1) The purpose of **■ SUP 10C.5.14R(3)** is to make sure that every partner and everyone else performing a function in **■ SUP 10C.5.14R(3)** is potentially included in the *partner function* even if the *Glossary* definition of *partner* is not wide enough to cover them all.
  - (2) Therefore, for example, the *partner function* applies to every partner in a *firm* unless **■ SUP 10C.5.18G** applies.
  - (3) In practice most functions in **■ SUP 10C.5.14R(3)** will also fall within **■ SUP 10C.5.14R(2)**.

- 10C.5.16 **R**
- (1) This *rule* applies to a *UK SMCR firm* that is a *limited liability partnership*.
  - (2) The *partner function* is the function of being or acting in the capacity of:
    - (a) a member in that *firm* or a *person* occupying the position of a member (by whatever name called);
    - (b) a person appointed to direct the *firm's* affairs;
    - (c) a member of the *firm's governing body*; or
    - (d) a *person* in accordance with whose directions or instructions (not being advice given in a professional capacity) the members or *directors* are accustomed to act.

#### Partner function: Limited partnerships

- 10C.5.17 **R**
- If a *partnership* is registered under the Limited Partnership Act 1907, the *partner function* does not extend to any function performed by a limited partner.

#### Partner function: Partners without influence

- 10C.5.18 **G**
- (1) ■ SUP 10C.5.14R to ■ SUP 10C.5.17R (Partner function) are drafted to cover all partners and members.
  - (2) However, the *partner function* (as are all *FCA-designated senior management functions*) is subject to ■ SUP 10C.3.10R (Definition of *FCA-designated senior management function*).
  - (3) The effect is that unless the function performed by the partner or member in question comes within the definition of a *senior management function*, the function does not come within the *partner function*. Therefore partners or members who play no part in the management of the *firm* are unlikely to be performing the *partner function*.

#### Partner function: When partners and members do not require approval

- 10C.5.19 **R**
- (1) This *rule* applies to an *SMCR firm* that is an *FCA-authorised person* to which the *partner function* applies.
  - (2) If the principal purpose of the *firm* is to carry on one or more *regulated activities*, each *person* in ■ SUP 10C.5.14R to ■ SUP 10C.5.16R (a "*partner*") performs the *partner function*.
  - (3) If the principal purpose of the *firm* is other than to carry on *regulated activities*:
    - (a) a partner performs the *partner function* to the extent only that they have responsibility for a *regulated activity*; and
    - (b) a partner in a *firm* will be taken to have responsibility for each *regulated activity* except where the *firm* has apportioned responsibility to another partner or group of partners.

10C.5.20 **G**

- (1) This paragraph ■ SUP 10C.5.20G describes some of the combined effects of ■ SUP 10C Annex 1 2.1R and ■ SUP 10C.5.19R.
- (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*.
- (3) What amounts to the principal purpose of the *firm* is a matter of fact in each case having regard to all the circumstances, including the activities of the *firm* as a whole.
- (4) Any *regulated activities* which such a partner carries on are not within the description of the *partner function*.

### Chief executive function (SMF1)

10C.5.21 **R**

- (1) The *chief executive function* is the function of acting in the capacity of a *chief executive* of a *firm*.
- (2) This function does not apply to a *non-directive friendly society*.

10C.5.22 **G**

This function is having the responsibility, alone or jointly with one or more others, under the immediate authority of the *governing body* for the conduct of the whole of the business (or relevant activities) of the *firm*.

10C.5.23 **G**

- (1) A *person* performing the *chief executive function* may be a member of the *governing body* but need not be.
- (2) If the chairman of the *governing body* is also the *chief executive*, they will be discharging this function.
- (3) If the responsibility is divided between more than one *person* but not shared, there is no *person* exercising the *chief executive function*.
- (4) But if that responsibility is discharged jointly by more than one *person*, each of those *persons* will be performing the *chief executive function*.

### Head of third country branch function (SMF 19)

10C.5.24 **R**

- (1) This *rule* applies to an *overseas SMCR firm*.
- (2) The *head of third country branch function* is the function of having responsibility alone or jointly with others, for the conduct of all activities of the *United Kingdom branch* of the *firm* which are subject to the *UK regulatory system*.



## 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 *non-executive director* will not need to be approved to perform any *FCA-designated senior management function* unless they perform one of the *FCA-designated senior management functions* set out in this section.

### No requirement to set up committees

- 10C.5A.2 G
- (1) This section says that being the chair of certain committees is an *FCA-designated senior management function*.
  - (2) If a *firm* is not otherwise required to have one of the committees described in this section but chooses to set one up anyway:
    - (a) being the chair of that committee is still an *FCA-designated senior management function*; and
    - (b) this is the case even if the *firm* is not subject to any requirements of the *regulatory system* about the matters dealt with by the committee.
  - (3) So for example being the chair of the *firm's* nomination committee is an *FCA-designated senior management function* even if the *firm*:
    - (a) is not required to have a nomination committee by ■ SYSC 4.3A.8R or some other requirement of the *regulatory system*; and
    - (b) is not subject to any requirements of the *regulatory system* dealing with nominations to the *firm's governing body* or the other matters covered by ■ SYSC 4.3A.9R.
  - (4) However, nothing in ■ SUP 10C requires a *firm* to set up one of the committees mentioned in this section if the *firm* is not required to have that committee by a *rule* elsewhere in the *FCA Handbook* or by some other requirement of the *regulatory system*.
  - (5) So for example if a *firm* is not otherwise required to have a nomination committee nothing in this section requires it to set one up.
  - (6) If a *firm*:

- (a) is not otherwise required to have one of the committees described in this section;
  - (b) chooses to set it up anyway; and
  - (c) gets approval for the chair of the committee to perform the applicable *FCA-designated senior management function*;
- then:
- (d) the *firm* is free to scrap that committee later; and
  - (e) if it does so, the chair will cease to perform that *FCA-designated senior management function*.

**Chair of the nomination committee function (SMF13)**

**10C.5A.3** **R** If the *firm* has a nomination committee, the *chair of the nomination committee function* is the function of acting in the capacity of the chair of that committee.

**10C.5A.4** **G** See **■ SYSC 4.3A** (Management body and nomination committee) for material about nomination committees.

**Chair of the with-profits committee function (SMF15)**

**10C.5A.5** **R** If the *firm* has a *with-profits committee*, the *chair of the with-profits committee function* is the function of acting in the capacity of a non-executive chair of the committee.

**10C.5A.6** **R** If the *firm* has a *with-profits advisory arrangement*, the *chair of the with-profits committee function* is the function of being whichever of the following applies to the *firm*:

- (1) the independent person referred to in paragraph (a) of the definition of *with-profits advisory arrangement*; or
- (2) the *non-executive directors* referred to in paragraph (b) of that definition.

**Chair of the governing body function (SMF9)**

**10C.5A.7** **R** The *chair of the governing body function* is the function of having responsibility for chairing, and overseeing the performance of the role of, the *governing body* of the *firm*.

**Chair of the risk committee function (SMF10)**

**10C.5A.8** **R** The *chair of the risk committee function* is the function of having responsibility for chairing, and overseeing the performance of, any committee responsible for the oversight of the risk management systems, policies and procedures of the *firm*, including, where applicable to the *firm*, a committee established in accordance with the *risk control requirements for SMCR firms*.

**Chair of the audit committee function (SMF11)**

10C.5A.9 **R** The *chair of the audit committee function* is the function of having responsibility for chairing, and overseeing the performance of, any committee responsible for the oversight of the internal audit system of the *firm* including, where applicable to the *firm*, a committee established in accordance with the *internal audit requirements for SMCR firms*.

**Chair of the remuneration committee function (SMF12)**

10C.5A.10 **R** The *chair of the remuneration committee function* is the function of having responsibility for chairing, and overseeing the performance of, any committee responsible for the oversight of the design and the implementation of the *remuneration* policies of a *firm*, including, where applicable to the *firm*, a committee established in accordance with:

- (1) [deleted]
- (2) ■ SYSC 19B.1.9R (AIFM Remuneration Principle 3: Governance);
- (3) [deleted]
- (4) ■ SYSC 19D.3.12R (Remuneration Principle 4: Governance);
- (5) ■ SYSC 19E.2.9R (UCITS Remuneration Principle 3: Governance); and
- (6) ■ MIFIDPRU 7.3.3R (Remuneration committee).

**Senior independent director function (SMF14)**

10C.5A.11 **R** The *senior independent director function* is the function of performing the role of a senior independent director, and having particular responsibility for leading the assessment of the performance of the person performing the *chair of the governing body function*.

## 10C.5B FCA governing functions: Group entities

### Group entity senior manager function (SMF7)

10C.5B.1 R

- (1) The *group entity senior manager function* is the function of having a significant influence on the management or conduct of one or more aspects of the affairs of a *firm* in relation to its *regulated activities*.
- (2) This *controlled function* does not include having such influence in the course of performance of another *designated senior management function* for that *firm*.
- (3) This *controlled function* only applies if it is performed by:
  - (a) a *person* employed by; or
  - (b) an officer of:  
any of the following:
    - (c) a *parent undertaking* or *holding company* of the *firm*; or
    - (d) another *undertaking* which is a member of the *firm's group*.

### Basis on which group entity senior manager function is included

10C.5B.2 G

- (1) This provision explains the basis on which the *group entity senior manager function* is included as a *controlled function*.
- (2) The basic position is set out in ■ SUP 10C.3.9G. As is the case with all *controlled functions* in this chapter, the definition of the *group entity senior manager function* is subject to the overriding provisions in ■ SUP 10C.3.6R, which sets out the requirements of section 59(1) and (2) of the *Act*.
- (3) This means that unless the *firm* has an *arrangement* permitting the performance of these roles by the *persons* concerned, these persons will not be performing the *group entity senior manager function*.
- (4) Therefore, the *FCA* accepts that there will be cases in which a *person* performing the role described in ■ SUP 10C.5B.1R will not require approval.
- (5) However where there is such an *arrangement* the function may apply.

When the group entity senior manager function applies

- 10C.5B.3 **G**
- (1) Individuals in the management of a group in which a *firm* is a subsidiary do not automatically come within the *group entity senior manager function* because their job relates to the *firm*.
  - (2) The *FCA* does not aim or expect to approve individuals to perform this function for every *firm* to which the function potentially applies under ■ SUP 10C Annex 1 (What functions apply to what type of firm) just because the *firm* is part of a group.
  - (3) The *FCA* would not consider it to be unusual for there to be no one performing the *group entity senior manager function* for a *firm* that is a subsidiary in a group.
- 10C.5B.4 **G**
- Whether someone performs the *group entity senior manager function* should be assessed on a case-by-case basis. The factors to be taken into account include:
- (1) the organisational structures of the group and the *firm*;
  - (2) the split of key responsibilities between the group and *firm* boards and senior management; and
  - (3) whether *SMF managers* based in the *firm* have an appropriate level of authority within the group to ensure that the *firm* complies with the requirements of the *regulatory system*.
- 10C.5B.5 **G**
- (1) An individual based elsewhere in a group whose responsibilities in relation to a subsidiary in the group that is a *firm* are limited to developing the group's overall strategy is unlikely to be performing the *group entity senior manager function*.
  - (2) The function is more likely to apply to individuals who are directly responsible for implementing the group's strategy in the *firm*.
  - (3) Therefore, if an individual based elsewhere in the group:
    - (a) is directly responsible for taking decisions about how the *firm* should conduct its *regulated activities*; and
    - (b) has not delegated this responsibility to an *SMF manager* based in the *firm*;
 it is likely that they will require approval to perform the *group entity senior manager function* (or, as described in ■ SUP 10C.5B.6G, another *designated senior management function*).
  - (4) If however the *firm's governing body* has sufficient discretion in how it applies and responds to proposals coming from group committees or individuals based in parent entities, approval would generally not be required. In this case the individual will be carrying on a group-level function rather than performing a function on behalf of the *firm*.
  - (5) So, where:

- (a) a *firm* has in place the required *SMF managers* based in the *firm*; and
  - (b) those *SMF managers* are effective and have sufficient control over the *firm*;
- the *FCA* would not routinely expect the *firm* to have *persons* performing the *group entity senior manager function* in place.

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* will often not need to be approved to perform the *group entity senior manager function* for that *firm* as well.
- (2) So for example if the individual has responsibility for the *firm's* finances they may be performing the *chief finance officer function*. If that is the case the individual will not be performing the *group entity senior manager function* by carrying out the functions of a chief finance officer.
- (3) Similarly an individual who is approved to perform another *designated senior management function* for the *firm* 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.7 G

The *group entity senior manager function* is potentially relevant:

- (1) whether the individual is located in or outside the *United Kingdom*; and
- (2) whether the group is headquartered in the *United Kingdom* or overseas.

10C.5B.8 G

- (1) The parent of a subsidiary *firm* cannot itself perform the *group entity senior manager function*.
- (2) A shareholder in the parent will also not perform this function unless the shareholder is also a director, officer or employee of the parent and is exerting significant influence over the *firm* through that role.



## 10C.6 FCA required functions

### Compliance oversight function (SMF16)

**10C.6.1** **R** The *compliance oversight function* is the function of acting in the capacity of a person who is allocated the function in:

■ SYSC 6.1.4R(2);

article 22(3) of the *MiFID Org Regulation*;

article 22(3) 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);

(4) ■ SYSC 6.1.4CR;

(5) ■ SYSC 3.2.8R; or

(for a *full-scope UK AIFM*) article 61(3)(b) of the *AIFMD level 2 regulation*.

### Money laundering reporting function (SMF17)

**10C.6.2** **R** The *money laundering reporting function* is the function of acting in the capacity of the *money laundering reporting officer* of a firm.

**10C.6.3** **G** [deleted]

### Conduct risk oversight (Lloyd's) function (SMF23b)

**10C.6.4** **R** The *conduct risk oversight (Lloyd's) function* is the function of acting in the capacity of a person who is allocated the function in ■ SYSC 3.2.9AR.

### Limited scope function (SMF29)

**10C.6.5** **R** The *limited scope function* is the function of acting in the capacity of a person:

responsible for the apportionment function and/or the oversight function set out in ■ SYSC 4.4.5R;

who has the responsibility allocated under ■ MAR 8.5.2R (Responsibility for benchmark activities: regulated benchmark administrators); or

performing the role of the senior manager described in  
■ MAR 8.5.4R(2) (Responsibility for benchmark activities: regulated  
benchmark administrators).

10C.6.6 **G** [deleted]

10C



## 10C.6A

## Systems and controls functions: Finance, risk and internal audit

### Introduction

- 10C.6A.1 **G** The *FCA-designated senior management functions* in this section apply even if the *firm*:
- (1) is not required by the *regulatory system* to allocate any of these roles to someone; or
  - (2) is not subject to any requirements of the *regulatory system* dealing with the management of the matters referred to in ■ SUP 10C.6A.3R to ■ SUP 10C.6A.6R.

### Seniority

- 10C.6A.2 **G** The *FCA* expects a *firm* to ensure that a person performing a function in this section for a *firm* has sufficient expertise and authority to perform that function effectively. A *director* or *senior manager* would meet this expectation.

### Chief finance officer function (SMF2)

- 10C.6A.3 **R** The *chief finance officer function* is the function of having responsibility for management of the financial resources of the *firm*, including reporting directly to the *governing body* of the *firm* in relation to its financial affairs.

### Chief risk officer function (SMF4)

- 10C.6A.4 **R** The *chief risk officer function* is the function of having responsibility for overall management of the risk controls of a *firm*, including:
- (1) the setting and managing of the *firm's* risk exposures; and
  - (2) reporting directly to the *governing body* of the *firm* in relation to its risk management arrangements.
- 10C.6A.5 **G**
- (1) Risk controls systems include ones designed to deal with the kinds of matters in the *risk control requirements for SMCR firms*.
  - (2) However ■ SUP 10C.6A.4R applies even if the provisions in (1) do not apply to the *firm*.

Head of internal audit function (SMF5)

10C.6A.6 **R** The *head of internal audit function* is the function of having responsibility for management of the internal audit function of the *firm*, including reporting directly to the *governing body* of the *firm* on the internal audit function.

- 10C.6A.7 **G**
- (1) Internal audit covers the kinds of matters in the *internal audit requirements for SMCR firms*.
  - (2) However **R** SUP 10C.6A.6R applies even if the provisions in (1) do not apply to the *firm*.



## 10C.6B

## Systems and controls functions: Other

### Seniority

- 10C.6B.1 **G** The FCA expects a *firm* to ensure that a person performing a function in this section for a *firm* has sufficient expertise and authority to perform that function effectively. A *director* or *senior manager* would meet this expectation.

### The chief operations function (SMF24)

- 10C.6B.2 **R**
- (1) The *chief operations function* is the function of having overall responsibility for managing all or substantially all the internal operations or technology of the *firm* or of a part of the *firm*.
  - (2) In deciding whether a *person* has overall responsibility for managing all or substantially all the matters described in (1) for the purposes of this *rule*, the following are left out of account if one or more other *persons* have overall responsibility for them:
    - (a) the matters to which the *internal audit requirements for SMCR firms*, the *compliance requirements for SMCR firms* or the *risk control requirements for SMCR firms* relate;
    - (b) the matters to which any of the *FCA required functions* relate; or
    - (c) any part of the *firm* responsible for advising other parts of the *firm*.
  - (3) (2) applies to a *firm* whether or not the requirements in (2)(a) or the functions in (2)(b) apply to it.
  - (4) The *chief operations function* does not include the function of acting in the capacity of a *chief executive* of a *firm*.
  - (5) A *person* (P) does not perform the *chief operations function* by managing the internal operations or technology of a part of a *firm* that carries out other functions (such as a part of the *firm* that carries on *regulated activities with clients*) as part of P's function of managing that part of the *firm*.
  - (6) A *firm's SMCR legal function* is not included in the *firm's* internal operations or technology for the purpose of the definition of the *chief operations function*.

- 10C.6B.3** **G** (1) In **■ SUP 10C.6B.2R** technology refers principally to the *firm's* information and communications technology (ICT) systems and services.
- (2) Those services include but may not be necessarily limited to the mechanisms and networks that support the operations of a *firm*, including data entry, data storage, data processing and reporting services, but also monitoring, business and decision support services.

- 10C.6B.4** **G** The *chief operations function* may include but not necessarily be limited to areas such as:
- (1) business continuity (including responsibility for compliance with **■ SYSC 4.1.6R** and **■ SYSC 4.1.7R** (Business continuity), if those *rules* apply to the *firm*);
  - (2) cybersecurity;
  - (3) information technology;
  - (4) internal operations;
  - (5) operational continuity, resilience and strategy;
  - (5) outsourcing, procurement and vendor management; and
  - (5) management of services shared with other *group* members.

- 10C.6B.5** **G** As explained in **■ SYSC 26.11.4G** (Overall responsibility for internal operations), if:
- (1) a *firm* does not have anyone who performs the *chief operations function*; but
  - (2) **■ SYSC 26** (Senior managers and certification regime: Overall and local responsibility) applies to the *firm*;

the *firm* should allocate responsibility for the functions in **■ SUP 10C.6B.4G** among its *SMF managers* under **■ SYSC 26**.

- 10C.6B.6** **G** If a *firm* is required to have a *management responsibilities map*, the map should include the functions in **■ SUP 10C.6B.4G**, whether or not the *firm* has someone who performs the *chief operations function* (see **■ SYSC 25 Annex 1** (Examples of the business activities and functions of an SMCR firm)).

- 10C.6B.7** **G** The table in **■ SUP 10C.6B.8G** gives examples of how the *chief operations function* applies.

- 10C.6B.8** **G** Table: Examples of how the chief operations function applies

Example	Comments
<p>(1) <i>Firm A</i> has the following three individuals.</p> <ul style="list-style-type: none"> <li>- Chief Operating Officer (COO);</li> <li>- Chief Information &amp; Technology Officer (CITO);</li> <li>- Head of Human Resources (Head of HR).</li> </ul> <p>The Head of HR and the CITO report to the COO.</p>	<p>The COO is the only person performing the <i>chief operations function</i>.</p>
<p>(2) <i>Firm A</i> has the following two individuals:</p> <ul style="list-style-type: none"> <li>- Chief Operating Officer (COO);</li> <li>- Chief Information and Technology Officer (CITO).</li> </ul> <p>The COO and CITO are equally senior. Both have separate reporting lines to the Board and the CEO.</p> <p>Overall responsibility for information technology is shared between the COO and CITO.</p> <p>The COO has overall responsibility for all other internal operations.</p>	<p>Both individuals perform the <i>chief operations function</i>.</p>
<p>(3) <i>Firm A</i> has two business lines (broking and advice). It has the following individuals:</p> <ul style="list-style-type: none"> <li>- a Chief Operating Officer responsible for the internal operations of the broking business (other than technology) (B)</li> <li>- a Chief Information and Technology Officer for the broking business (C)</li> <li>- an individual who combines the roles of Chief Operating Officer and Chief Information and Technology Officer for the advice business (D).</li> </ul> <p>B, C and D are equally senior. They all have separate reporting lines to the Board and the CEO.</p>	<p>B, C and D perform the <i>chief operations function</i>.</p>
<p>(4) <i>Firm A</i> 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. <i>Firm A</i> also has a Chief Information &amp; Technology Officer (CITO) with responsibility for all the <i>firm's</i> technology.</p>	<p>The CITO performs the <i>chief operations function</i>.</p> <p>None of the others perform the <i>chief operations function</i>. This is because none of them has responsibility for the <i>firm's</i> internal operations as a whole or for all the internal operations of a part of the business. <i>Firm A</i> has divided the responsibility based on function rather than business line.</p>

Example	Comments
<p>Each individual is equally senior.</p>	<p>However those others may be performing the <i>other overall responsibility function</i>.</p>
<p>(5) <i>Firm A</i> has a Chief Operating Officer (B) responsible for its internal operations. However <i>Firm A</i> separates its internal advisory functions (such as economic and market analysis) and allocates them to C.</p>	<p>B performs the <i>chief operations function</i>. C does not. The same answer would apply if C's functions were split between several others.</p>
<p>(6) <i>Firm A</i> has a Chief Operating Officer (B). B does not report to the <i>firm's governing body</i>. B reports to several directors about different aspects of B's job, who in turn report to the <i>governing body</i>.</p>	<p>B does not perform the <i>chief operations function</i>. B does not have overall responsibility for internal operations as B does not have direct responsibility to the <i>governing body</i>. SYSC 26.7 (Meaning of local and overall responsibility: Reporting to the governing body) is relevant to the meaning of overall responsibility in this context.  The directors to whom B reports do not perform the <i>chief operations function</i> either, for the reasons in Example (4).</p>
<p>(7) <i>Firm A</i> has two business lines (broking and advice). B is chief executive of the broking division and C is chief executive of the advisory division. Each chief executive is responsible for the internal operations and IT of their division. Both B and C report to the Board.</p>	<p>SUP 10C.6B.2R(5) means that neither B nor C performs the <i>chief operations function</i>.</p>
<p>(8) <i>Firm A</i> has a Chief Operating Officer (B) responsible for its internal operations. B is not responsible for <i>Firm A's</i> legal department, which is managed by the <i>firm's</i> general counsel (C).</p>	<p>B performs the <i>chief operations function</i>. C does not.</p>



## 10C.7 Other overall responsibility function (SMF18)

### Application

- 10C.7.1-2** **R** This section applies to a *firm*:
- (1) to which **■ SYSC 26** (Senior managers and certification regime: Overall and local responsibility) applies; and
  - (2) that is a *UK SMCR firm*.

- 10C.7.1-1** **G** The effect of **■ SUP 10C.7.1-2R** is that this section only applies to one of the following types of *UK SMCR firm*:
- (1) an *SMCR banking firm*;
  - (2) a *Solvency II firm* (including a *large non-directive insurer*) but excluding an *insurance special purpose vehicle* and certain *firms in run-off*; and
  - (3) an *enhanced scope SMCR firm*.

### Definition

- 10C.7.1** **R** A *person* performs the *other overall responsibility function* in relation to a *firm* if that *person*:
- (1) is performing:
    - (a) a function allocated to that *person* under **■ SYSC 26.3.1R** (Main rules) in relation to the *firm*;
    - (b) *FCA-prescribed senior management responsibility (z)* in the table in **■ SYSC 24.2.6R** (functions in relation to CASS) allocated to that *person* under **■ SYSC 24.2** (Allocation of FCA-prescribed senior management responsibilities: Main allocation rules); or
    - (c) (if the *firm* has allocated such a function to someone) the function of having overall responsibility for any of the activities, business areas and management functions of the *firm* excluded from **■ SYSC 26.3** (Main rules) by **■ SYSC 26.4.18R** (Exclusion for AIFMD); and
  - (2) does not have an approval to perform any other *designated senior management function* in relation to the *firm*.

The other overall responsibility function does not apply if approved for another function

10C.7.2 **G** The table in ■ SUP 10C.7.3G gives examples of how ■ SUP 10C.7.1R(2) works.

10C.7.3 **G** Table: Examples of how the other overall responsibility function applies

Example	Comments
(1) 'A' is appointed to perform the <i>executive director function</i> and to perform a potential <i>other overall responsibility function</i> for the same firm.	A only needs approval to perform the <i>executive director function</i> .
(2) 'A' is approved to perform the <i>other overall responsibility function</i> . Later, A is appointed to perform the <i>executive director function</i> for the same firm.	A requires approval for the <i>other overall responsibility function</i> when A is first appointed. When A is later approved to perform the <i>executive director function</i> , A stops performing the <i>other overall responsibility function</i> . The firm should use Form E to apply for approval for A to perform the <i>executive director function</i> and to notify the FCA that A is no longer performing the <i>other overall responsibility function</i> .
(3) 'A' is appointed to perform the PRA's Head of Key Business Area <i>designated senior management function</i> for Firm X and to perform a potential <i>other overall responsibility function</i> for the same firm. Firm X is an SMCR banking firm.	A only needs approval to perform the PRA's Head of Key Business Area <i>designated senior management function</i> . It does not make any difference whether the potential <i>other overall responsibility function</i> that A performs is connected to the PRA's Head of Key Business Area <i>designated senior management function</i> .
(4) 'A' is approved to perform the <i>other overall responsibility function</i> for Firm X. Firm X is an SMCR banking firm. Later, A is appointed to perform the PRA's Head of Key Business Area <i>designated senior management function</i> for the same firm.	A requires approval for the <i>other overall responsibility function</i> when A is first appointed. When A is later approved to perform the PRA's Head of Key Business Area <i>designated senior management function</i> , A stops performing the <i>other overall responsibility function</i> .
(5) 'A' is appointed to perform: (a) the <i>compliance oversight function</i> for one firm (Firm X) in a group (which may or may not be an SMCR firm to which the <i>other overall responsibility function</i> applies); and (b) a function coming within the scope of the <i>other overall responsibility function</i> for another firm (which is a an SMCR firm to which the <i>other overall responsibility function</i> applies) in the same group (Firm Y).	A needs approval to perform the <i>compliance oversight function</i> for Firm X and the <i>other overall responsibility function</i> for Firm Y.
(6) 'A' is appointed to be head of	A only needs approval to perform

Example	Comments
<p>sales for Firm X and to report directly to the <i>firm's governing body</i> about this. This function also comes within the <i>PRA's Head of Key Business Area designated senior management function</i>. Firm X is an <i>SMCR banking firm</i>.</p>	<p>the <i>PRA's Head of Key Business Area designated senior management function</i>.</p>
<p>(7) 'A' is appointed to take on some functions that come within the <i>other overall responsibility function</i>. Later, A is appointed as chief risk officer.</p> <p>The <i>firm</i> is one of those for which being chief risk officer is a <i>PRA-designated senior management function</i> or an <i>FCA-designated senior management function</i>.</p>	<p>On A's first appointment, A will need to be approved to perform the <i>other overall responsibility function</i>.</p> <p>On being appointed as chief risk officer, A will stop performing the <i>other overall responsibility function</i>.</p>
<p>(8) 'A' is appointed to a role for Firm X that comes within the <i>other overall responsibility function</i>. Firm X is an <i>SMCR banking firm</i>. Later, the firm reorganises and A's role comes within the <i>PRA's Head of Key Business Area designated senior management function</i>. A's role does not otherwise change.</p>	<p>On A's first appointment, A will need to be approved to perform the <i>other overall responsibility function</i>.</p> <p>When A is later approved to perform the <i>PRA's Head of Key Business Area designated senior management function</i>, A stops performing the <i>other overall responsibility function</i>.</p>
<p>(9) 'A' is appointed to a role for Firm X that comes within the <i>PRA's Head of Key Business Area designated senior management function</i>. It is also a potential <i>other overall responsibility function</i>. Later, the <i>firm</i> reorganises—A's role stays the same but now it falls outside the <i>PRA's Head of Key Business Area designated senior management function</i>.</p>	<p>On A's first appointment, A only needs approval to perform the <i>PRA's Head of Key Business Area designated senior management function</i>. Following the reorganisation, the <i>firm</i> has three months to get approval for A to perform the <i>other overall responsibility function</i>. This three-month period applies because the relevant <i>PRA</i> rules keep the <i>PRA's Head of Key Business Area designated senior management function</i> in place, which means that the <i>other overall responsibility function</i> does not apply during that period.</p> <p>The relevant <i>PRA</i> rules can be found in Chapter 2 of the part of the <i>PRA Rulebook</i> titled 'Senior Management Functions', Chapter 2 of the part of the <i>PRA Rulebook</i> titled 'Insurance - Senior Management Functions' and Chapter 2 of the part of the <i>PRA Rulebook</i> titled 'Large Non-Solvency II Firms – Senior Management Functions'.</p>
<p>(10) 'A' is appointed to a role for Firm X that comes within the <i>PRA's Head of Key Business Area designated senior management function</i>. A also performs a potential <i>other</i></p>	<p>The answer to example (9) applies.</p>

Example	Comments
<p><i>overall responsibility function. Later, A gives up the PRA role but carries on with the potential other overall responsibility function.</i></p> <p>(11) 'A' is appointed as an executive director. A then resigns and takes up a job with the same firm coming within the other overall responsibility function.</p> <p>Note (1): A potential other overall responsibility function means a function that would have come within the other overall responsibility function but is excluded by SUP 10C.7.1R(2).</p> <p>Note (2): A potential other overall responsibility function should be recorded in A's statement of responsibilities and in the firm's management responsibilities map.</p>	<p>On A's first appointment, A will need to be approved to perform the executive director function. A will need to get approval to perform the other overall responsibility function before A takes up their new responsibilities.</p>

**Non-executive directors**

10C.7.4 **G** For the reasons described in ■ SYSC 26.4.5G, the FCA does not expect that a non-executive director will ever perform the other overall responsibility function.

**Temporary absences**

10C.7.5 **R** A person does not perform the other overall responsibility function in relation to a firm by performing a function allocated to that person under ■ SYSC 26.4.6R (Exclusion where the 12-week rule applies) in relation to the firm.

**Head of the legal function**

10C.7.6 **R** A person does not perform the other overall responsibility function by having overall responsibility for the SMCR legal function under ■ SYSC 26.3.

10C.7.7 **G**

- (1) The purpose of ■ SUP 10C.7.6R (together with ■ SYSC 26.4.9R(2)) is to ensure that a firm can allocate overall responsibility for its legal function to someone who is not an SMF manager. That means that the head of its legal function need not be an SMF manager.
- (2) However, that does not mean that the head of a firm's legal function cannot be an SMF manager. For example, they could be an executive director performing the executive director function.

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## 10C.8 The other local responsibility function (SMF22)

### Application

- 10C.8-2 **R** This section:
- (1) applies to an *overseas SMCR firm* to which **SYSC 26** (Senior managers and certification regime: Overall and local responsibility) applies; and
  - (2) does not apply to an *EEA SMCR firm*.

- 10C.8-1 **G** The *other local responsibility function* only applies to one of the following types of *overseas SMCR firm*:
- (1) an *SMCR banking firm*; and
  - (2) a *Solvency II firm* (including a *large non-directive insurer*) but excluding certain *firms* in run-off;
- but does not apply to any *EEA SMCR firm*.

### Other local responsibility function (SMF22)

- 10C.8.1 **R** A *person* performs the *other local responsibility function* in relation to a *branch* maintained in the *United Kingdom* by an *overseas SMCR firm* if that *person*:
- (1) is performing:
    - (a) a function allocated to that *person* under **SYSC 26.3.1R** (Main rules) in relation to the *firm*; or
    - (b) *FCA-prescribed senior management responsibility (z)* in the table in **SYSC 24.2.6R** (functions in relation to CASS) allocated to that *person* under **SYSC 24.2** (Allocation of FCA-prescribed senior management responsibilities: Main allocation rules); and
  - (2) does not have an approval to perform any other *designated senior management function* in relation to the *branch*.

- 10C.8.2 **G** The table in **SUP 10C.8.3G** gives:
- (1) examples of how **SUP 10C.8.1R(2)** works; and
  - (2) other examples of how the *other local responsibility function* works.

10C.8.3 **G** Table: Examples of how the other local responsibility function applies

Example	Comments
(1) 'A' is allocated local responsibility for one of a <i>branch's</i> main business lines. A is also appointed to perform a <i>PRA-designated senior management function</i> for the same <i>branch</i> . The <i>firm</i> is a <i>PRA-authorised person</i> .	A only needs approval to perform the <i>PRA-designated senior management function</i> .
(2) 'A' is outside the <i>branch's</i> management structure and A's responsibilities for the <i>branch</i> are limited to setting overall strategy for the <i>branch</i> . A does not have responsibility for implementing that strategy.	A is not performing the <i>other local responsibility function</i> . The reason for this is explained in SYSC 26.8.3G. SUP 10C.8.1R(2) is irrelevant to this example.
(3) A small branch undertakes two business lines (wholesale lending and corporate investments). 'A' is head of wholesale lending and is also an <i>executive director</i> of the branch. 'B' is head of corporate investments and does not sit on the branch management committee but reports to it on corporate investments. The branch allocates local responsibility for these functions to A and B. Neither A nor B performs any other <i>FCA-designated senior management function</i> or (if the firm is a <i>PRA-authorised person</i> ) <i>PRA-designated senior management function</i> .	A only needs approval to perform the <i>executive director function</i> . B needs approval to perform the <i>other local responsibility function</i> .
(4) A <i>branch</i> does not have a Head of Internal Audit. 'P' is allocated local responsibility for internal audit in relation to that <i>branch</i> .	P needs approval to perform the <i>other local responsibility function</i> . However, if P has already been approved to perform another <i>FCA-designated senior management function</i> or (if the firm is a <i>PRA-authorised person</i> ) <i>PRA-designated senior management function</i> for that <i>firm</i> , then P will not be performing the <i>other local responsibility function</i> .
(5) 'A' is appointed to perform the <i>executive director function</i> . The same branch also allocates local responsibility for some branch functions to A.	A only needs approval to perform the <i>executive director function</i> .
(6) 'A' is approved to perform the <i>other local responsibility function</i> . Later, A is appointed to perform the <i>executive director function</i> for the same <i>firm</i> .	A requires approval for the <i>other local responsibility function</i> when A is first appointed. When A is later approved to perform the <i>executive director function</i> , A stops performing the <i>other local responsibility function</i> . The <i>firm</i> should use Form E to apply for approval for A to perform the <i>executive director function</i> and to notify the <i>FCA</i> that A is no longer performing the <i>other local responsibility function</i> .
(7) 'A' is appointed to perform:	A needs approval to perform the

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Example	Comments
<p>(a) the <i>compliance oversight function</i> for one <i>firm</i> (Firm X) in a group (which may or may not be an <i>SMCR firm</i> to which the <i>other local responsibility function</i> applies); and</p> <p>(b) a function coming within the scope of the <i>other local responsibility function</i> for the <i>United Kingdom branch</i> of another <i>firm</i> (which is an <i>overseas SMCR firm</i> to which the <i>other local responsibility function</i> applies) in the same group (Firm Y).</p>	<p><i>compliance oversight function</i> for Firm X and the <i>other local responsibility function</i> for Firm Y.</p>
<p>(8) 'A' is appointed to take on some functions that come within the <i>other local responsibility function</i>. Later, A is appointed as chief risk officer. A is a type of <i>firm</i> for which being chief risk officer is a <i>PRA designated senior management function</i> or an <i>FCA-designated senior management function</i>.</p>	<p>On A's first appointment, A will need to be approved to perform the <i>other local responsibility function</i>.</p> <p>On being approved as chief risk officer, A stops performing the <i>other local responsibility function</i>.</p>
<p>(9) 'A' is appointed as an executive director. A then resigns and takes up a job with the same <i>firm</i> coming within the <i>other local responsibility function</i>.</p>	<p>On A's first appointment, A will need to be approved to perform the <i>executive director function</i>. A will need to get approval to perform the <i>other local responsibility function</i> before A takes up their new responsibilities.</p>
<p>Note: Local responsibility is explained in SYSC 26 (Senior managers and certification regime: Overall and local responsibility).</p>	

**10C.8.4** R [deleted] [*Editor's note*: The text of this provision has been moved to ■ SUP 10C.8A.2R]

**10C.8.5** G [deleted] [*Editor's note*: The text of this provision has been moved to ■ SUP 10C.8A.3G]

**10C.8.6** G [deleted] [*Editor's note*: The text of this provision has been moved to ■ SUP 10C.8A.4G]

**10C.8.7** G [deleted] [*Editor's note*: The text of this provision has been moved to ■ SUP 10C.5A.3G]

**Temporary absences**

**10C.8.8** R A *person* does not perform the *other local responsibility function* in relation to a *firm* by performing a function allocated to that *person* under ■ SYSC 26.4.6R (Exclusion where the 12-week rule applies) in relation to the *firm*.

**Head of the legal function**

10C.8.9 **R** A person does not perform the *other local responsibility function* by having local responsibility for the *SMCR legal function* under **■ SYSC 26.3**.

10C.8.10 **G** The *guidance* in **■ SUP 10C.7.7G** also applies to **■ SUP 10C.8.9R**.

**10C.8A EEA branch senior manager function (SMF21)**

**10C.8A.1** **R** This section applies to an *EEA SMCR firm*.

**10C.8A.2** **R** (1) A person performs the *EEA branch senior manager function* in relation to the *branch* in the *United Kingdom* of an *EEA SMCR firm* if that person has significant responsibility for one or more significant business units of the *branch* that carry on any of the activities listed in (2).

(2) The activities listed in this paragraph are:

- (a) *designated investment business* other than *dealing in investments as principal*, disregarding article 15 of the *Regulated Activities Order*;
- (b) processing confirmations, payments, settlements, insurance claims, client money and similar matters, in so far as this relates to *designated investment business*;
- (c) the activity of *accepting deposits* from *banking customers* and activities substantially connected to that activity to the extent that it does not fall within (a) or (b), above; and
- (d) activities that are subject to *CASS*.

(3) In considering whether a person performs the functions in (2), only activities carried on from the *branch* are relevant.

(4) Paragraph (2)(d) only applies in relation to the *regulated activities* of a *firm* that are not *passport activities* as defined in (5) and (6).

For the purposes of this rule, “*passport activities*” of an *EEA PTV firm* means *regulated activities* that meet the following conditions:

they are included in the *permission* of the *EEA SMCR firm* under the *EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018*; and

(b) the *firm* was entitled to carry them on in the *United Kingdom* immediately before *IP completion day* by virtue of section 31(1)(b) or (c) of the *Act* as it was in force immediately before *IP completion day*.

(6) For the purposes of this rule, “*passport activities*” of an *EEA SMCR firm* also mean *regulated activities* that were subject to an *EEA right* applicable to the category of *firm* into which the *EEA SMCR firm* falls and which the *firm* is entitled to carry on in its Home State. For these

purposes EEA right has the meaning that it did in Schedule 3 of the Act as it was in force immediately before *IP completion day* and Home State has the meaning that it did in the *Glossary* as it was in force immediately before *IP completion day*.

**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*.
- (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.8A.4** G

A person performing the *EEA branch senior manager function* could, for example, be:

- (1) the head of a significant business unit carrying on the activities in ■ SUP 10C.8A.2R(2); or
- (2) a member of a committee (that is, a person who, together with others, has authority to commit the *branch*) making decisions about those activities.

**EEA branch senior manager function (SMF21): Meaning of “significance”**

**10C.8A.5** G

When considering whether a business unit is significant for the purposes of ■ SUP 10C.8A.2R, the *firm* should take into account all relevant factors in the light of the *firm’s* current circumstances and its plans for the future, including:

- (1) the risk profile of that unit;
- (2) its use or commitment of the *firm’s* capital;
- (3) its contribution to the profit and loss account;
- (4) the number of *employees* or *approved persons* working in the business unit;
- (5) the number of customers; and
- (6) any other factor which makes the unit significant to the conduct of the *branch’s* affairs.



### 10C.9 Minimising overlap with the PRA approved persons regime

#### Application

10C.9.-1 **G** This section only applies to a *PRA-authorised person*.

#### Introduction

10C.9.1 **G** ■ SUP 10C.9 deals with how the *FCA's* senior managers regime for *SMCR firms* interacts with the *PRA's* one.

10C.9.2 **G** Both the *FCA* and the *PRA* may specify a function as a *designated senior management function* in relation to a *PRA-authorised person*.

10C.9.3 **G** If a *person's* job for a *firm* involves performing:

- an *FCA-designated senior management function*, the *firm* should apply to the *FCA* for approval;
- (2) a *PRA-designated senior management function*, the *firm* should apply to the *PRA* for approval;
- (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).

#### 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 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* regimes to reduce the amount of overlap.

10C.9.6 **G**

- (1) ■ SUP 10C.9.8R applies when a *firm* is seeking approval from 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. ■ 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 the *person* has approval. 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:
  - (a) Chapter 2 of the part of the *PRA Rulebook* titled 'Senior Management Functions';
  - (b) Chapter 2 of the part of the *PRA Rulebook* titled 'Insurance - Senior Management Functions';
  - (c) Chapter 2 of the part of the *PRA Rulebook* titled 'Large Non-Solvency II Firms – Senior Management Functions';
  - (d) Chapter 2 of the part of the *PRA Rulebook* titled 'Non-Solvency II Firms - Senior Management Functions';
  - (e) Chapter 6 of the part of the *PRA Rulebook* titled 'Insurance - Senior Managers Regime – Transitional Provisions'; and
  - (f) Chapter 6 of the part of the *PRA Rulebook* titled 'Large Non-Solvency II Firms – Senior Managers Regime – Transitional Provisions'.

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) A has been approved by the *PRA* to perform 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) and the time in question, A has been the subject of a *current PRA approved person approval* to perform a *PRA-designated senior management function* in relation to B;
- (3) at the time of the *PRA* approval referred to in (1), A was not subject to a *current FCA approved person approval* to perform the particular *FCA governing function* in relation to B;

- (4) as part of the application for the *PRA* approval 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); and
- (5) A started to perform the potential *FCA governing function* at, or around the time of, the *PRA* approval in (1) 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 approval required	Comments
(1) A is appointed as chief risk officer and an executive director.	No. A is not treated as performing the <i>executive director function</i> .	Yes	Chief risk officer is a <i>PRA-designated senior management function</i> . A's functions as a director will be included in the <i>PRA-designated senior management function</i> . To avoid the need for <i>FCA</i> approval, A's appointment as director should not take effect before <i>PRA</i> approval for the chief risk officer role.
(2) Same as example (1), except that A will take up the role as an executive director slightly later because approval is needed from the <i>firm's</i> shareholders or <i>governing body</i> .	No	Yes	The answer for (1) applies. The arrangements in this section apply if the application to the <i>PRA</i> says that A will start to perform the potential <i>FCA governing function</i> around the time of the <i>PRA</i> approval as well as at that time.
(3) Same as example (1) but the application to the <i>PRA</i> does not mention that it is also intended that A is to be an	Yes, to perform the <i>executive director function</i> .	Yes	<a href="#">SUP 10C.9.8R</a> does not apply if the application for <i>PRA</i> approval does not say that A will also be performing what

Example	Whether FCA approval required	Whether PRA approval required	Comments
executive director.			would otherwise be an <i>FCA governing function</i> .
(4) A is to be appointed as chief executive and an executive director.	No. A is not treated as performing the <i>executive director function</i> .	Yes	Being a chief executive is a <i>PRA-designated senior management function</i> . A's functions as a director will be included in the <i>PRA controlled function</i> .
(5) A is appointed as chief risk officer. Later, A is appointed as an executive director while carrying on as chief risk officer.	Yes, when A takes up the director role. The <i>executive director function</i> applies.	Yes, when A takes up the chief risk officer role.	SUP 10C.9.8R does not apply because, when the firm applied for approval for A to perform the <i>PRA chief risk officer designated senior management function</i> , there was no plan for A also to perform the <i>executive director function</i> .
(6) A is appointed as an executive director. Later, A takes on the chief risk officer function and remains as an executive director.	Yes, when A is appointed as director. The <i>executive director function</i> applies.	Yes, when A takes up the chief risk officer role.	When A is appointed as chief risk officer, A is still treated as carrying on the <i>executive director function</i> . A retains the status of an <i>FCA-approved person</i> .
(7) A is appointed as chief risk officer. A then stops performing that role and for a while does not perform any <i>controlled function</i> for that firm. Later, A is appointed as an executive director with the same firm.	Yes, when A is appointed as an executive director. The <i>executive director function</i> applies.	Yes, when A takes up the chief risk officer role.	SUP 10C.9.8R does not apply because there is no current <i>PRA approval</i> when A is being appointed as a director.
(8) A is appointed as an executive director and chief risk officer at the same time. Later, A	No, on A's first appointment (see example (1)). But when A gives up the role as chief risk officer, <i>FCA</i>	Yes, on A's first appointment.	When A stops being a chief risk officer, A stops performing a <i>PRA-designated senior</i>

Example	Whether FCA approval required	Whether PRA approval required	Comments
<p>gives up the role as chief risk officer but remains as an executive director.</p>	<p>approval is needed to perform the <i>executive director function</i>.</p> <p>Form E should be used. The application should state that it is being made as a result of A ceasing to perform a <i>PRA-designated senior management function</i>.</p> <p>Form A should be used if there have been changes in A's fitness (SUP 10C.10.9D(4))</p>		<p><i>management function</i>. However, being an executive director requires FCA approval. A does not have that approval because A did not need it when A was first appointed.</p> <p>The combined effect of SUP 10C.9.8R and the relevant PRA rules is that the <i>firm</i> has three months to secure approval by the FCA. During that interim period, A keeps the status of a <i>PRA approved person</i> performing the director element of the <i>PRA chief risk designated senior management function</i> - which is included in that function under relevant PRA rules. The relevant PRA rules say that, during this transitional period, A is still treated as performing the <i>PRA chief risk designated senior management function</i> and SUP 10C.9.8R says that, for as long as A is performing a <i>PRA-designated senior management function</i>, A does not perform the <i>executive director function</i>.</p>

Example	Whether FCA approval required	Whether PRA approval required	Comments
(9) A is appointed as the chief finance officer and an executive director at the same time. Later, A switches to being chief risk officer while remaining as an executive director.	No	Yes	The arrangements in SUP 10C.9.8R continue to apply, even though A switches between <i>PRA-designated senior management functions</i> after the <i>PRA's</i> first approval.
(10) A is appointed chief risk officer and an executive director. A goes on temporary sick leave. A takes up their old job when A comes back.	No, neither on A's first appointment nor when A comes back from sick leave.	Yes, on A's first appointment.	SUP 10C.9.8R still applies on A's return because A does not cease to have approval for the <i>PRA's</i> chief risk function or permanently cease to perform what would otherwise have been the <i>executive director function</i> just because A goes on temporary sick leave.
(11) A is appointed to be chair of the <i>governing body</i> and chair of the nomination committee at the same time.	No. A does not need approval to perform the <i>chair of the nomination committee function</i> .	Yes, on first appointment.	Being chair of the <i>governing body</i> is a <i>PRA-designated senior management function</i> . Therefore, the answer for example (1) applies.
(12) 'A' is to be appointed to perform the Head of Overseas Branch <i>PRA-designated senior management function</i> (SMF19) for an overseas SMCR firm that is not an EEA SMCR firm. A is also an executive director of that firm's UK branch.	No. A is not treated as performing the <i>executive director function</i> .	Yes	A's functions as a director will be included in the <i>PRA controlled function</i> .
Note 1: The relevant <i>PRA</i> rules can be found in the parts of the <i>PRA Rulebook</i> listed in SUP 10C.9.6G.			

Example	Whether FCA approval required	Whether PRA approval required	Comments
<p>Note 2: Where one of the examples in this table includes someone being chief risk or finance officer or chair of the <i>governing body</i>, the example assumes that the <i>firm</i> is of a type for which that function is a <i>PRA-designated senior management function</i>.</p>			

10C.9.10 G

- (1) The potential *FCA governing functions* should be recorded in A's *statement of responsibilities* and in the *firm's management responsibilities map*.
- (2) A potential *FCA governing function* means a function that would have been an *FCA governing function* but which is not an *FCA governing function* because of ■ SUP 10C.9.8R.

**Further guidance on the arrangements between the FCA and PRA about approvals**

10C.9.11 G

The *PRA* cannot give its approval for the performance of a *PRA-designated senior management function* without the consent of the *FCA*. The *firm* does not need to apply to the *FCA* for that consent.

10C.9.12 G

Under section 59B of the *Act* (Role of FCA in relation to PRA decisions), the *FCA* may arrange with the *PRA* that, in agreed cases, the *PRA* may give approval without obtaining the consent of the *FCA*. No such arrangements are currently in force.



## 10C.10

## Application for approval and withdrawing an application for approval

### Purpose

**10C.10.1** **G** This section explains how a *firm* should apply for approval for a *person* to perform an *FCA-designated senior management function*.

**10C.10.2** **R** 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 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**.

### When to apply for approval

**10C.10.3** **G** (1) Section 59 of the *Act* (Approval 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) That means that where a *candidate* 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 they have prior approval from the *FCA*.

### 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, 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 controlled function* without approval; and

(b) at that time P knew, or could reasonably be expected to have known, that P was performing an *FCA controlled function* without approval;

it may impose a penalty on P of such amount as it considers appropriate.

- (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 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:

- (1) the *FCA candidate*; or
- (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.

(■ 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

Outsourcing arrangements	Explanation	Submitting form
<i>Firm A to firm B</i>	The <i>FCA</i> 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 <i>FCA-designated senior management functions</i> are performed by <i>FCA-approved SMF managers</i> , and that it is reasonable for A to rely on this.	<i>Firm B</i> submits <i>FCA-approved persons</i> forms on behalf of <i>firm A</i> .

Outsourcing arrangements	Explanation	Submitting form
Outsourcing by A to B (both being a member of the same <i>United Kingdom group</i> and each having its registered office in the <i>United Kingdom</i> )	See SUP 10C.3.9G	Either A or B may submit <i>FCA-approved persons</i> forms on behalf of <i>firms</i> in the group (see SUP 15.7.8G).
(i) A to B, where B: (a) is not an <i>authorised person</i> ; and (b) is not part of the same <i>group</i> as A; or (ii) A to B, where A is a <i>branch</i> of an <i>overseas firm</i> in the <i>United Kingdom</i> , and B is an <i>overseas undertaking</i> of the same <i>group</i> ; or (iii) A to B, where A is a <i>UK authorised subsidiary</i> of an <i>overseas firm</i> and B is an <i>overseas undertaking</i> of the same <i>group</i> .	Responsibility for (as opposed to the performance of) any activity <i>outsourced</i> to B will remain with A. See SYSC 8.	A ensures that an individual approved by the <i>FCA</i> or the <i>PRA</i> to perform a <i>designated senior management function</i> has responsibility for the <i>outsourced arrangement</i> and A submits a form in relation to that individual.

10C

**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.
- (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:

- (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:

- (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*:
  - (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.
- (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*.
- (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 G

Where:

- (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:*

- (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.

- 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*.
  - (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*.

**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.

### 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:

- (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*.

### Vetting of candidates by the firm

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**10C.10.14** G Under section 60A of the *Act*, before a *firm* makes an application for approval, it should be satisfied that the *candidate* is a fit and proper person to perform the function to which the application relates. In deciding that question, the *firm* should have particular regard to whether the *candidate*, or any *person* who may perform a function on the *candidate's* behalf:

- (1) has obtained a qualification;
- (2) has undergone, or is undergoing, training;
- (3) possesses a level of competence; or
- (4) has the personal characteristics;

required by *FCA rules* in relation to *persons* performing functions of the kind to which the application relates.

**10C.10.15** G For *guidance* on criteria that a *firm* should use for assessing whether an *FCA candidate* is fit and proper (including the *FCA rules* referred to in ■ SUP 10C.10.14G), see *FIT*.

### Criminal records checks and verifying fitness and propriety

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- 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 for particular arrangements) for the performance of an *FCA-designated senior management function*.
  - (2) A *firm* must (as part of its assessment of whether a *candidate* is a fit and proper person to perform an *FCA-designated senior management function* and to verify the information contained in the application to carry out the *FCA-designated senior management function*) obtain the fullest information that it is lawfully able to obtain about the *candidate* under Part V of the Police Act 1997 (Certificates of Criminal Records, &c) and related subordinated legislation of the *UK* or any part of the *UK* before making the application.
  - (3) This *rule* does not apply to a *firm* that is a *sole trader* if the *candidate* is the *sole trader* themselves.

- 10C.10.17** **G** (1) In England and Wales a *firm* should get an application form from the Disclosure and Barring Service (DBS) or an umbrella body (a registered body that gives access to DBS checks).
- (2) The *firm* should ask the *candidate* to fill in and return the form to the *firm*. The *firm* should then send the completed application form to the DBS or the *firm's* umbrella body.
- (3) The *firm* should then ask the *candidate* to show the *firm* the certificate when the *candidate* receives it from the DBS.
- (4) There is an equivalent procedure in Scotland (involving Disclosure Scotland) and Northern Ireland (involving AccessNI).
- 10C.10.18** **G** The *firm* should not send a copy of the certificate to the FCA unless required to do so under **■ SUP 10C.10.18AG** or **■ 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:
- (a) Long Form A; or
- (b) the MiFID Article 4 SMR Information Form.
- 10C.10.19** **G** If the *candidate* is employed by a contractor, the *firm* may ask the contractor to obtain the certificate.
- 10C.10.20** **G** A *firm* should also check the *Financial Services Register* as part of its assessment of whether a *candidate* is fit and proper and to verify the information contained in the application for approval.
- 10C.10.21** **G** If appropriate, a *firm* should:
- (1) carry out a criminal record check; and
- (2) check any equivalent of the *Financial Services Register*;
- in a jurisdiction outside the UK. This may be appropriate if the *candidate* has spent time working or living in that jurisdiction.
- 10C.10.22** **G** A *firm* should consider whether it should take additional steps to verify any information contained in an application to carry out an *FCA-designated senior management function* or that it takes into account in its assessment of whether a *candidate* is a fit and proper person.
- 10C.10.23** **G** Please see **■ SYSC 22** (Regulatory references) about the requirement for a *firm* to ask for references from previous employers.

- 10C.10.23A **G**
- (1) ■ SUP 10C.10.16R (Criminal records checks) does not require a *firm* to carry out a criminal records check for the purposes of its annual assessment of the fitness and propriety of its *SMF managers* under section 63(2A) of the Act.
  - (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 mentioned in SUP 10C.14.22R).

### Processing an application

10C.10.24 **G** The Act sets out the time that the FCA has to consider an application and come to a decision.

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:

- (1) the period within which an application for that *permission* must be determined; and
- the period of three months from the time it receives a properly completed application.

10C.10.26 **G** In any other case, it is the period of three 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:

- (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 period in which the FCA must determine a completed application:

- (1) will stop on the day the FCA requests the information; and
- (2) will start running again on the day on which the FCA finally receives all the requested information.

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.

- 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.
- (2) If forms are not completed fully and honestly, applications will be subject to investigation and the *FCA candidate's* suitability to be approved to undertake an *FCA controlled function* will be called into question.
- (3) A *person* who provides information to the *FCA* that is false or misleading may commit a criminal offence and could face prosecution under section 398 of the *Act*, regardless of the status of their application.

**10C.10.31** **G** The *FCA* may grant an application only if it is satisfied that the *FCA candidate* is a fit and proper *person* to perform the *FCA-designated senior management function* stated in the application form. Responsibility lies with the *firm* making the application to satisfy the *FCA* that the *FCA candidate* is fit and proper to perform the *FCA-designated senior management function* applied for.

**10C.10.32** **G** For further *guidance* on criteria for assessing whether an *FCA candidate* is fit and proper for the purposes of **■ SUP 10C.10.31G**, see *FIT*.

### Decisions on applications

- 10C.10.33** **G** The *FCA* must:
- (1) grant the application;
  - (2) grant the application subject to conditions or limitations (see **■ SUP 10C.12** for more information); or
  - (3) refuse the application.

**10C.10.34** **G** Whenever it grants an application, 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)** 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**.

### 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**).

**10C.10.37** **G** Under section 61(5) of the *Act* (Determination of applications), the *firm* may withdraw an application 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* making the application.

**10C.10.38** **G** ■ SUP 10C.15 (Forms and other documents and how to submit them to the  
FCA) explains how a notice of withdrawal should be submitted.

## 10C.11 Statements of responsibilities

### What a statement of responsibilities is

- 10C.11.1 **G**
- (1) Section 60(2A) of the *Act* (Applications for approval) says that, if a *firm* is applying for approval from the *FCA* or the *PRA* for a *person* to perform a *designated senior management function*, the regulator to which the application is being made must require the application to contain, or be accompanied by, a statement setting out the aspects of the affairs of the *firm* which it is intended that the *person* will be responsible for managing in performing the function.
  - (2) That statement is a *statement of responsibilities*.
  - (3) A *statement of responsibilities* includes a statement amended under section 62A of the *Act* (see ■ SUP 10C.11.5G).

### What this section covers

- 10C.11.2 **G**
- (1) This section is about the *FCA*'s requirements for *statements of responsibilities*.
  - (2) However, in the case of a *PRA-authorized person*, where applications and notifications relate both to *FCA-designated senior management functions* and to *PRA* ones, the regulators' requirements are consistent with each other.
  - (3) The general material in this section (■ SUP 10C.11.13D to ■ SUP 10C.11.35G) applies to *statements of responsibilities* submitted in all the cases covered by this section. It covers *statements of responsibilities* submitted as part of an application for approval or variation and revised *statements of responsibilities*.

### Applications for approval

- 10C.11.3 **D**
- 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 accompanied by a *statement of responsibilities* (■ SUP 10C Annex 10D).
- 10C.11.4 **G**
- (1) ■ SUP 10C.10 (Application for approval and withdrawing an application for approval) explains the procedures for applying for approval.
  - (2) ■ SUP 10C.15 (Forms and other documents and how to submit them to the *FCA*) explains how applications for approval should be submitted.

- (3) See the table in ■ SUP 10C.11.19G for examples of how the requirements of this section about including *statements of responsibilities* in applications for approval apply in different situations.

### Revised statements of responsibilities: Introduction

10C.11.5 **G**

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*. More precisely:

- (1) if a *firm* has made an application (which was granted) to the *FCA* for approval for a *person* to perform an *FCA-designated senior management function*;
- (2) the application contained, or was accompanied by, a *statement of responsibilities*; and
- (3) since the granting of the application, there has been any significant change in the aspects of the *firm's* affairs which the *FCA-approved SMF manager* is responsible for managing in performing the function;

the *firm* should provide the *FCA* with a revised *statement of responsibilities*.

### Revised statements of responsibilities: Meaning of significant change

10C.11.6 **G**

- (1) This paragraph sets out non-exhaustive examples of potential changes which, in the *FCA's* view, may be significant and thus require the submission of a revised *statement of responsibilities*.
- (2) A variation of the *FCA-approved SMF manager's* approval, either at the *firm's* request or at the *FCA's* or (in the case of a *PRA-authorised person*), *PRA's* initiative, resulting in the imposition, variation or removal of a condition or time limit, may involve a significant change.
- (3) Fulfilling or failing to fulfil a condition on approval may involve a significant change.
- (4) The addition, re-allocation or removal of any of the following (or part of one):
  - (a) an *FCA-prescribed senior management responsibility*;
  - (b) (in the case of a *PRA-authorised person*), a *PRA-prescribed senior management responsibility*; or
  - (c) responsibility for a function under ■ SYSC 26 (Senior managers and certification regime: Overall and local responsibility);may involve a significant change.
- (5) The sharing or dividing of an *FCA-prescribed senior management responsibility* or a *PRA-prescribed senior management responsibility* or, in the case of a *PRA-authorised person*, that was originally performed by one *person* between two or more *persons* may involve a significant change.

- (6) Ceasing to share an *FCA-prescribed senior management responsibility* or a *PRA-prescribed senior management responsibility* or, in the case of a *PRA-authorised person*, that was originally shared with another, or others, may involve a significant change.
- (6A) Beginning or ceasing to share responsibility for a function under ■ SYSC 26 (Senior managers and certification regime: Overall and local responsibility) may involve a significant change.
- (6B) Where an *FCA-approved SMF manager* goes on a temporary absence of longer than 12 weeks and on their return from that absence (see ■ SUP 10C.14.5CG).
- (7) A change is likely to be significant if it reflects a significant change to the job that the *person* is doing for the *firm*. Some factors relevant here include:
  - (a) the importance to the *firm* of the functions being given up or taken on;
  - (b) whether the *FCA-approved SMF manager's* seniority in the *firm's* management changes;
  - (c) whether there are changes to the identity, number or seniority of those whom the *FCA-approved SMF manager* manages; and
  - (d) whether there are changes to the skills, experience or knowledge needed by the *FCA-approved SMF manager* for the job.

#### Revised statements of responsibilities: Procedure

10C.11.7 D

- (1) A *firm* must provide a revised *statement of responsibilities* under section 62A of the *Act* (■ SUP 10C Annex 10D) under cover of Form J (■ SUP 10C Annex 9D).
- (2) A *firm* must not use Form J where the revisions are to be made as part of arrangements involving an application:
  - (a) for approval for the *FCA-approved SMF manager* concerned to perform another *designated senior management function* for the same *firm*; or
  - (b) to vary (under section 63ZA of the *Act* (Variation of senior manager's approval at request of relevant authorised person)) an approval for the *FCA-approved SMF manager* concerned to perform a *designated senior management function* for the same *firm*.
- (3) In the case of a *PRA-authorised person*, where the change to be notified to the *FCA* under section 62A of the *Act* is part of an arrangement under which:
  - (a) the *firm* is also required to make an application or notification about the *FCA-approved SMF manager* to the *PRA* which involves sending a *statement of responsibilities* for that *FCA-approved SMF manager* in relation to the same *firm* to the *PRA*; but
  - (b) the *firm* is not required to send any other application or notice about the *FCA-approved SMF manager* under this chapter directly to the *FCA*;

the *firm* must provide the revised *statement of responsibilities* to the FCA by including it with the application or notice to the PRA.

**10C.11.8** G Broadly, the intention of ■ SUP 10C.11.7D(2) is that there is no need for Form J if the revised *statement of responsibilities* is being submitted together with Form A, Form E, the MiFID Article 4 SMR Information Form or Form I for the same *firm*.

**10C.11.9** G

- (1) ■ SUP 10C.15 (Forms and other documents and how to submit them to the FCA) explains how revised *statements of responsibilities* should be submitted.
- (2) See the table in ■ SUP 10C.11.19G for examples of how the requirements of this section about submitting revised *statements of responsibilities* apply in different situations.
- (3) In particular, the table in ■ SUP 10C.11.19G gives examples of how ■ SUP 10C.11.7D(2) and (3) work.

#### Variation of approval

**10C.11.10** D An application by a *firm* to the FCA for the variation of an existing approval under section 63ZA of the Act (Variation of a senior manager's approval at request of authorised person) must be accompanied by a *statement of responsibilities*.

**10C.11.11** G

- (1) See ■ SUP 10C.13 (Variation of conditional and time-limited approvals) for more details about applications to vary an approval.
- (2) ■ SUP 10C.15 (Forms and other documents and how to submit them to the FCA) explains how applications to vary an approval should be submitted.
- (3) See the table in ■ SUP 10C.11.19G for examples of how the requirements of this section about submitting *statements of responsibilities* with applications to vary an approval apply in different situations.

#### Ceasing to carry on some functions

**10C.11.12** R

- (1) If:
  - (a) an FCA-approved SMF manager ceases to perform a *designated senior management function* for a *firm*; but
  - (b) continues to perform an FCA-designated *senior management function* for that *firm*;

the *firm* must (under Form J) submit a *statement of responsibilities* for the remaining FCA-designated *senior management functions* complying with the requirements of this section (including ■ SUP 10C.11.13D).
- (2) Where the matter to be notified to the FCA under (1) is part of an arrangement under which:

- (a) the *firm* is also required to make an application or notification about the *FCA-approved SMF manager* to the *PRA* that involves sending a *statement of responsibilities* for that *FCA-approved SMF manager* in relation to the same *firm* to the *PRA*; but
- (b) the *firm* is not required to give any other notice or make any application about the *FCA-approved SMF manager* under this chapter directly to the *FCA*;

the *firm* must provide the revised *statement of responsibilities* to the *FCA* by including it with the application or notice to the *PRA*.

### One document for each SMF manager for each firm

10C.11.13 D

- (1) A *firm* must prepare *statements of responsibilities* (including revised ones) for one of its *FCA-approved SMF managers* as a single document covering every *designated senior management function* for which:
  - (a) that *FCA-approved SMF manager* has approval; or
  - (b) for which an application for approval is being made; for that *firm*.
- (2) The statement must be up to date for each *designated senior management function*.

10C.11.14 G

- (1) ■ SUP 10C.11.13D means that, at any time, a *firm* should have a single document for an *FCA-approved SMF manager* that:
  - (a) contains *statements of responsibilities* for all *designated senior management functions* for which that *SMF manager* has approval; and
  - (b) where relevant, contains *statements of responsibilities* for all *designated senior management functions* for which the *firm* is applying for approval.
- (2) (In the case of a *PRA-authorized person*), the document in (1) should cover *PRA-designated senior management functions* as well as *FCA-designated senior management functions*.
- (3) The document should be updated:
  - (a) under section 62A of the Act (see ■ SUP 10C.11.5G); and
  - (b) whenever the *firm* has to submit *statements of responsibilities* under this section.
- (4) The *FCA* and the *PRA* have coordinated their arrangements so that a *PRA-authorized person* can prepare a single document that will meet the requirements of both regulators about *statements of responsibilities*.
- (5) The table in ■ SUP 10C.11.19G gives examples of how these requirements work.

10C.11.15 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*.

**10C.11.16** 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*.

**10C.11.17** G The requirement for a single document does not prevent the document having an attachment sheet for additional information where  
■ SUP 10C Annex 10D (the *FCA's template for statements of responsibilities*) allows this.

**Submitting statements of responsibilities: examples of how the requirements work**

**10C.11.18** G The table in ■ SUP 10C.11.19G gives examples of how the requirements in this section for submitting *statements of responsibilities* (combined, in the case of a *PRA-authorized person*, with the corresponding *PRA* requirements) work in different cases.

**10C.11.19** G Table: Examples of how the requirements for submitting statements of responsibilities work

Example	Comments
(1) A <i>firm</i> applies for approval for A to perform the <i>executive director function</i> and the <i>money laundering reporting function</i> .	There should be a single <i>statement of responsibilities</i> document that covers the two functions.  The combined document should be included with the application for approval.
(2) Firm X applies for approval for A to perform the <i>executive director function</i> . Firm Y applies for approval for A to perform the <i>money laundering reporting function</i> . Both <i>firms</i> are <i>SMCR firms</i> .	There should be separate <i>statements of responsibilities</i> for each <i>firm</i> .  This is the case even if Firm X and Firm Y are in the same group.
(3) A <i>firm</i> applies for approval for A to perform an <i>FCA-designated senior management function</i> and a <i>PRA-designated senior management function</i> .  The arrangements in SUP 10C.9 for <i>FCA</i> functions to be absorbed into <i>PRA</i> ones do not apply and so there are separate applications to the <i>FCA</i> and <i>PRA</i> .  The <i>firm</i> is a <i>PRA-authorized person</i> .	The single <i>statement of responsibilities</i> document should cover both the <i>FCA</i> and the <i>PRA</i> functions.
(4) A has approval to perform the <i>executive director function</i> . Later, A is to be appointed to perform the <i>money laundering reporting function</i> for the same <i>firm</i> . This will also result in substantial changes to A's duties as an executive director.	The <i>firm</i> should not use Form J to notify the changes to A's duties as an executive director.  The <i>firm</i> should submit a revised single <i>statement of responsibilities</i> document along with the application to perform the <i>money laundering reporting function</i> .  The single <i>statement of responsibilities</i> document should cover both

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Example	Comments
<p>(5) A has approval to perform the <i>executive director function</i>. Later, A is to be appointed to perform the PRA's chief risk officer <i>designated senior management function</i> for the same <i>firm</i>. This will also result in substantial changes to A's duties as an executive director.</p> <p>The <i>firm</i> is a PRA-<i>authorised person</i>.</p>	<p>functions. The part relating to A's duties as an executive director should be updated.</p> <p>The <i>firm</i> should not use Form J to notify the changes to A's duties as an executive director.</p> <p>The <i>firm</i> should submit a revised single <i>statement of responsibilities</i> document along with the application to perform the PRA function.</p> <p>The <i>firm</i> should not submit the revised single <i>statement of responsibilities</i> document separately to the FCA. Instead, it should include it as part of the application to the PRA.</p> <p>The single <i>statement of responsibilities</i> document should cover both the FCA and the PRA functions. The part relating to A's duties as an executive director should be updated.</p>
<p>(6) A has approval to perform the <i>money laundering reporting function</i>. The approval to perform the <i>money laundering reporting function</i> is subject to a condition. The <i>firm</i> is applying to vary that condition.</p>	<p>The <i>firm</i> should include a revised <i>statement of responsibilities</i> with the application.</p> <p>The <i>firm</i> should not use Form J. It should submit a revised <i>statement of responsibilities</i> along with the application to vary the approval.</p>
<p>(7) A has approval to perform the <i>executive director function</i> and the <i>money laundering reporting function</i> for the same <i>firm</i>. The approval to perform the <i>money laundering reporting function</i> is subject to a condition. The <i>firm</i> is applying to vary that condition. As part of the same arrangements, there are to be substantial changes to A's job as an executive director.</p>	<p>The <i>firm</i> should not use Form J to notify the changes to A's duties as an executive director.</p> <p>The <i>firm</i> should submit a revised single <i>statement of responsibilities</i> document along with the application to vary the approval for the <i>money laundering reporting function</i>.</p> <p>The single <i>statement of responsibilities</i> document should be updated and should cover both functions.</p>
<p>(8) A has approval to perform the <i>executive director function</i> and the PRA's chief risk officer <i>designated senior management function</i> for the same <i>firm</i>. The arrangements in SUP 10C.9 for FCA functions to be absorbed into PRA ones do not apply and so there are separate FCA and PRA approvals.</p> <p>The approval to perform the PRA's chief risk officer <i>designated senior management function</i> is subject to a condition. The <i>firm</i> is applying to vary that condition. As part of the same arrangements, there are to be substantial changes to A's job as an executive director.</p>	<p>The <i>firm</i> should not use Form J to notify the changes to A's duties as an executive director.</p> <p>The <i>firm</i> should submit a revised single <i>statement of responsibilities</i> document along with the application to vary the PRA function.</p> <p>The <i>firm</i> should not submit the revised document separately to the FCA. Instead it should include it as part of the application to the PRA.</p> <p>The single <i>statement of responsibilities</i> document should cover both the FCA and the PRA functions and should be updated.</p>

Example	Comments
<p>The <i>firm</i> is a <i>PRA-authorised person</i>.</p> <p>(9) A has approval to perform the <i>executive director function</i> and the <i>money laundering reporting function</i> for the same <i>firm</i>.</p> <p>Sometime later, A is to give up the <i>money laundering reporting function</i> and take up the <i>PRA's chief risk officer designated senior management function</i>. This will involve major changes to A's role as executive director.</p> <p>The <i>firm</i> is a <i>PRA-authorised person</i>.</p>	<p>The answer to example (5) applies.</p> <p>The application to the <i>PRA</i> to perform the <i>PRA</i> function should be accompanied by a single document that:</p> <ul style="list-style-type: none"> <li>(1) contains the <i>statement of responsibilities</i> for the new function;</li> <li>(2) contains the revised <i>statement of responsibilities</i> for the <i>executive director function</i>; and</li> <li>(3) reflects the fact that A is no longer performing the <i>money laundering reporting function</i>.</li> </ul>
<p>(10) A <i>firm</i> has approval for A to perform the <i>executive director function</i> and the <i>money laundering reporting function</i>.</p> <p>A then ceases to perform the <i>money laundering reporting function</i> but continues to perform the <i>executive director function</i>.</p>	<p>The <i>firm</i> must submit:</p> <ul style="list-style-type: none"> <li>(a) Form C for the <i>money laundering reporting function</i>;</li> <li>(b) Form J; and</li> <li>(c) a single updated <i>statement of responsibilities</i> document that covers the <i>executive director function</i> and reflects the fact that A is no longer performing the <i>money laundering reporting function</i>.</li> </ul>
<p>(11) A has approval to perform the <i>executive director function</i> and the <i>PRA's chief risk officer designated senior management function</i> for the same <i>firm</i>. Later, A gives up his role as chief risk officer.</p> <p>The <i>firm</i> is a <i>PRA-authorised person</i>.</p>	<p>The <i>firm</i> must submit:</p> <ul style="list-style-type: none"> <li>(a) Form C for the <i>PRA</i> function;</li> <li>(b) Form J; and</li> <li>(c) a single updated <i>statement of responsibilities</i> document that covers the <i>executive director function</i>.</li> </ul> <p>The <i>firm</i> should not submit the revised single <i>statement of responsibilities</i> document separately to the <i>FCA</i>. Instead, it should include it as part of the notification to the <i>PRA</i>.</p>
<p>(12) A has approval to perform the <i>executive director function</i>. Later, A is to be appointed to perform the <i>money laundering reporting function</i> for the same <i>firm</i>.</p> <p>The application is rejected.</p>	<p>The single <i>statement of responsibilities</i> document submitted as part of the application will no longer be correct as it reflects the proposed new approval.</p> <p>If the only changes to the single document in the version sent with the application are ones clearly and exclusively tied to the new function, the <i>firm</i> will not need to amend the document as the changes will automatically fall away.</p> <p>In any other case (for instance if the application is approved conditionally), it is likely that the <i>firm</i> will need to update it using Form J.</p>

Example	Comments
<p>(13) A has approval to perform the <i>money laundering reporting function</i>. Later, A is to be appointed as an executive director for the same <i>firm</i>.</p> <p>This will not result in any significant changes to A's duties in the <i>money laundering reporting function</i>. However, there have been some insignificant changes to A's role in the <i>money laundering reporting function</i> since the <i>firm</i> submitted the most recent <i>single statement of responsibilities</i> document. The changes are not connected to A's appointment as executive director.</p>	<p>In any case, the <i>FCA</i> may contact the <i>firm</i> to agree a revised <i>single statement of responsibilities</i> document.</p> <p>The answer for example (4) applies.</p> <p>The <i>single statement of responsibilities</i> document should be updated to cover the changes to A's duties in the money laundering role as well as covering A's appointment to perform the <i>executive director function</i>. It does not matter that the changes to A's money laundering role are not significant.</p>
<p>(14) A has approval to perform the <i>executive director function</i>. Later, A's business unit grows in size and so the <i>firm</i> needs to apply for A to be approved to perform the <i>PRA's</i> Head of Key Business Area <i>designated senior management function</i>. However, A's responsibilities do not change.</p> <p>The <i>firm</i> is a <i>PRA-authorised person</i>.</p>	<p>The <i>firm</i> should submit a revised <i>single statement of responsibilities</i> document along with the application to perform the <i>PRA</i> function.</p> <p>The <i>firm</i> should submit a <i>single statement of responsibilities</i> document that covers both the <i>FCA</i> and the <i>PRA</i> functions.</p> <p>It should not submit the revised <i>single statement of responsibilities</i> document separately to the <i>FCA</i>. Instead, it should include it as part of the application to the <i>PRA</i>.</p>
<p>(15) Firm X has a <i>branch</i> in the <i>United Kingdom</i>. Firm Y is a <i>UK authorised subsidiary</i> of firm X.</p> <p>Firm X is an <i>overseas SMCR firm</i> that is not an <i>EEA SMCR firm</i> and firm Y is a <i>UK SMCR firm</i>.</p> <p>Both <i>firms</i> apply for approval for the same individual (P) to perform the <i>executive director function</i>.</p>	<p>There should be separate <i>statement of responsibilities</i> for P for each <i>firm</i>.</p>
<p>(16) An <i>FCA-approved SMF manager</i> goes on or returns from a temporary absence of longer than 12 weeks.</p>	<p>The <i>firm</i> must submit:</p> <ul style="list-style-type: none"> <li>(a) Form D (SUP 10C Annex 6R);</li> <li>(b) Form J (SUP 10C Annex 9D); and</li> <li>(c) an updated <i>statement of responsibilities</i> document (SUP 10C Annex 10D).</li> </ul>
<p>Note: The <i>single statement of responsibilities</i> document means the single document described in SUP 10C.11.13D.</p>	

### Need for a complete set of current statements of responsibilities

10C.11.20 **R** A *firm* must, at all times, have a complete set of current *statement of responsibilities* for all its *SMF managers*.

- 10C.11.21 **G**
- (1) A complete set of current *statement of responsibilities* means all *statements of responsibilities* that the *firm* has provided to the *FCA* or (in the case of a *PRA-authorised person*), *PRA* as revised under section 62A of the *Act* and this chapter.
  - (2) A *statement of responsibilities* is not current if the *person* in question no longer performs any of the *controlled functions* to which it relates.

### Past versions

- 10C.11.22 **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*.

- 10C.11.22A **R**
- (1) This *rule* applies to an *SMCR firm* that is a *Solvency II firm* (including a *large non-directive insurer*).
  - (2) A *firm* must retain each version of a *statement of responsibilities* for:
    - (a) (in the case of a *large non-directive insurer*) six years; or
    - (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 in a position to provide each version to the *FCA* on request for as long as the *firm* is required to retain it.

### What statements of responsibilities should contain: General

- 10C.11.23 **G** A *statement of responsibilities* should:
- (1) show clearly how the responsibilities that the *SMF manager* performs as part of their *FCA-designated senior management function* fit in with the *firm's* overall governance and management arrangements;
  - (1A) be consistent with the *statement of responsibilities* for the *firm's* other *SMF managers*; and
  - (2) 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.)

- 10C.11.24 **G**
- (1) A *statement of responsibilities* (including its attachment sheet for additional information) 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, the corresponding *PRA* requirements (in the case of a *PRA-authorised person*), and the *Act* 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.

10C.11.25 **G** A *statement of responsibilities* should be:

- (1) practical and useable by the *FCA*;
- (2) without unnecessary detail; and
- (3) succinct and clear.

- 10C.11.26 **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:
    - (c) reduce or alter the scope of the prescribed requirements; or
    - (d) dilute or undermine the prescribed requirements.

10C.11.27 **G**

An example of the requirement that a *firm's statements of responsibilities* for its *SMF managers* should be consistent (see **■ SUP 10C.11.23G**) is that they should together demonstrate that there are no gaps in the allocation of responsibilities among the *firm's SMF managers*.

10C.11.28 **G**

- (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 certification regime: Overall and local responsibility) applies.

- (1) A statement of responsibilities of an *SMF manager* should include details about any:
  - (a) FCA-prescribed senior management responsibilities and (in the case of a PRA-*authorised person*) PRA-prescribed senior management responsibilities allocated to the *SMF manager*;
  - (b) (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 persons regime);
  - (c) responsibility for a function allocated to the *SMF manager* under ■ SYSC 26 (Senior managers and certification regime: Overall and local responsibility) if that chapter applies to the firm; and
  - (d) responsibilities allocated under ■ MIPRU 2.2 (Responsibility for insurance distribution activity or MCD credit intermediation activity).

- (2) Paragraph (1)(c) applies even if the responsibility is excluded from the other overall responsibility function under ■ SUP 10C.7.1R(2) (exclusion for approved person with approval to perform other controlled functions) or from the other local responsibility function under ■ SUP 10C.8.1R(2) (exclusion for approved person with approval to perform other controlled functions).

10C.11.29 **G**

- (1) The definition of every FCA-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 the FCA 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 FCA-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.

10C.11.30 **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*.

**What statements of responsibilities should contain: dividing and splitting responsibilities**

10C.11.31 **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 make this clear.
- (2) Where a responsibility or function is divided between an *SMF manager* and others, the *statements of responsibilities* for each *SMF manager* concerned should make it clear for what part of which responsibility or function that *SMF manager* has responsibility.
- (3) Together, the *statements of responsibilities* 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.

10C.11.32 **G**

- (1) Where:
  - (a) an *FCA-prescribed senior management responsibility* is divided or shared between several *SMF managers*; or
  - (b) any function allocated under ■ SYSC 26 (Senior managers and certification 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:

  - (c) explain why this has been done; and
  - (d) give full details of the arrangements, including the names of the other persons and their *FCA/PRA* Individual Reference Numbers (IRN) (if known).
- (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*.

10C.11.33 **G**

- (1) Where two 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 ■ SUP 10C.11.29G 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.

**What statements of responsibilities should contain: Non-executive directors**

**10C.11.34** **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*.

**10C.11.35** **G** The *FCA* does not require any of the general duties of a *non-executive director* described in section 2 of ■ **COCON 1 Annex 1** (The general role of a *NED*) to be included in the *non-executive director's statement of responsibilities*.



## 10C.12 Conditional and time-limited approvals

### Purpose

- 10C.12.1 **G**
- (1) ■ SUP 10C.12 describes the regime for conditional and time-limited approvals.
  - (2) In particular, ■ SUP 10C.12 sets out 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).
  - (3) (In the case of a *PRA-authorised person*) the policies described in ■ SUP 10C.12 also apply when the *FCA* is considering whether to give its consent to an application made to the *PRA* for approval.
  - (4) Material on variations of conditional and time-limited approvals can be found in ■ SUP 10C.13 (Variation of conditional and time-limited approvals).

- 10C.12.2 **G**
- (1) The power to grant an approval subject to conditions or for a limited period only applies to *senior management functions*.
  - (2) As all *FCA controlled functions* specified in this chapter are *senior management functions*, this means that this power applies to all *FCA controlled functions* specified in this chapter.
  - (3) The *FCA* has (in ■ SUP 10A (FCA Approved Persons in Appointed Representatives)) specified *controlled functions* for *SMCR firms* that are not *designated senior management functions*.
  - (4) The power to grant an approval subject to conditions or for a limited period does not apply to the *controlled functions* in (3).

### Introduction

- 10C.12.3 **G**
- The *FCA* may:
- (1) grant an application for approval subject to any conditions that the *FCA* considers appropriate; and
  - (2) grant the application to give approval only for a limited period.

**10C.12.4** **G** The *FCA* may use this power only if it appears to the *FCA* that it is desirable to do so to advance one or more of its *operational objectives*.

**10C.12.5** **G** Factors that the *FCA* will take into account include:

- (1) those relating to the *firm* at the time of the application, such as:
  - (a) its size, scale and complexity; and
  - (b) its plans and prospects; and
- (2) those relating to the *candidate* and, in particular, the *candidate's* fitness and properness.

**10C.12.6** **G** The *FCA* expects that the most common use of the power to give qualified approvals would be:

- (1) time-limited approvals;
- (2) a time limitation in relation to an ongoing or prospective enforcement investigation;
- (3) a competency-related condition; and
- (4) a role-limited condition.

**Time-limited approval**

**10C.12.7** **G** An example of a time-limited approval is where a *firm* needs to appoint the *candidate* on an interim basis while the *firm* seeks to appoint a permanent *candidate*. The *FCA* may approve the interim appointee on a time-limited basis.

**10C.12.8** **G** The *FCA* would not generally impose a time limitation in these circumstances for a period of less than 12 weeks. The *FCA* would expect the *firm* to use the 12-week rule in ■ SUP 10C.3.13R.

**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:

- (1) a *firm* needs to fill an *FCA-designated senior management function* vacancy immediately; but
- (2) it is likely to take longer than 12 weeks to recruit a permanent replacement; and
- (3) there is an individual at the *firm* not currently approved to perform the relevant *FCA-designated senior management function* whom the *firm* and the *FCA* think capable of fulfilling the role on an interim, provisional basis but not necessarily on a permanent basis.

**10C.12.10** **G** Generally, the *FCA* would not impose a time limitation of this type for longer than 12 to 18 months.

10C.12.11 **G** The *FCA* would consider using this power for a person who is in the running for the long-term appointment.

- 10C.12.12 **G**
- (1) An example of how the *FCA* could deal with a *person* who is in the running for the long-term appointment is outlined below.
  - (2) The head of compliance resigns unexpectedly from a *firm*. The *firm* wishes to appoint one of the deputies. The *FCA* and the *firm* believe the deputy to be capable of running the *firm's* compliance function on a day-to-day 'business as usual basis' but the deputy has no experience developing a long-term, firm-wide strategy. The *firm* estimates that it could take up to a year to recruit a permanent head of compliance. It also believes that the deputy could be the ideal candidate if the deputy could outline a viable compliance strategy for the *firm*.
  - (3) In this situation, it may be appropriate to approve the deputy as head of compliance subject to a 12-month time limit.
  - (4) Before the end of that period, the deputy would have to prepare a new compliance strategy and the deputy's ability to do so would be taken into account when deciding whether to approve the deputy on a permanent basis.

10C.12.13 **G** In deciding whether a *candidate* is fit and proper, the *FCA* will take into account the role that the *candidate* is going to perform. The standard for a *person* who is appointed on a temporary basis may be different from a *person* appointed on a permanent basis when the *person* with a temporary appointment has a more limited role.

10C.12.14 **G** The *FCA* may impose a condition on the approval, as well as time limitation. For example, in the example in **■ SUP 10C.12.12G**, the *FCA* may impose a condition prohibiting the *candidate* from significantly amending the management structure of the department.

- 10C.12.15 **G** The other main examples of a time-limited approval are:
- (1) an enforcement action time-limited approval (see **■ SUP 10C.12.16G**);
  - (2) a time limitation used in conjunction with a competence condition (see **■ SUP 10C.12.26G**); and
  - (3) a time limitation in relation to the scale of a role (see **■ SUP 10C.12.35G**).

**Enforcement action: time limitation**

10C.12.16 **G** An enforcement action time-limited approval relates to a case in which there is an enforcement investigation ongoing, or in prospect, the results of which may call into question the *candidate's* fitness and properness, but at the time of application there are no or insufficient grounds to refuse approval. The *candidate* may or may not be a subject of that investigation.

10C.12.17 **G** The *FCA* will generally limit an enforcement action time-limited approval for a period long enough to allow the investigation to be completed so far as relevant to the *candidate*. Imposing a time limitation on approval would allow the *FCA* to look at the situation in more detail after approval, with the benefit of all the facts arising from the investigation.

10C.12.18 **G** The policy on the length of time-limited approvals in **■ SUP 10C.12.8G** does not apply to time limitations of this type.

### Competence and related conditions

10C.12.19 **G** The *FCA* may take the view that a *candidate* would meet the fit and proper requirement with an approval subject to either, or both, of the following:

- (1) one or more conditions; and/or
- (2) a time limitation;

who would not have met that requirement without the qualification.

10C.12.20 **G** *Firms* should not see the power to give approval on this basis as an opportunity to put forward sub-standard *candidates* in the knowledge that they are unlikely to gain unconditional approval but may scrape through by way of a qualified approval.

- 10C.12.21 **G**
- (1) The *FCA* is likely only to give a qualified approval on the basis described in **■ SUP 10C.12.19G** in limited circumstances.
  - (2) Generally, the *FCA* would only use this power in place of rejection where the deficiency is in only a relatively small proportion of the required job competencies.
  - (3) Lack of technical knowledge is more likely to be easier to remedy than a problem with personal characteristics.
  - (4) The *FCA* is only likely to give its approval on this basis when the *candidate* has fallen short of the required standard by a reasonably small margin (a 'near miss').

10C.12.22 **G** One example of a conditional approval based on the competence of the *candidate* would be where the *candidate* would have met the fitness and properness standard but for a shortfall in the *candidate's* technical knowledge and the shortfall is in a relatively narrow and specific area.

10C.12.23 **G** The *FCA* does not see this as being a probationary or standalone measure. The competency-related limitation would be time specific and linked to something that the *FCA* would wish to re-examine after the period has expired.

- 10C.12.24 **G**
- (1) When the *FCA* is imposing a competence-related condition where there is a shortfall, approval will only be granted on the condition

that the *candidate* is required to undertake training or receive mentoring to eliminate the shortfall.

- (2) See ■ SUP 10C.12.39G (role-limited approval) for an example of a shortfall in competence that is not dealt with by trying to remove it.

10C.12.25 **G**

- (1) An example of where a qualified approval based on competence may be used is for a *candidate* with proven management skills who is new to the role or the industry and requires some new technical knowledge for the new role.
- (2) For instance, a *candidate* for the role of a senior manager may have a proven track record as a senior manager but may lack detailed knowledge of a specific area, such as money laundering or of the technical details of prudential capital requirements.
- (3) A competence condition would require the *candidate* to undertake training in the area of shortfall after appointment.

10C.12.26 **G**

- (1) A competency-related approval is likely to be linked with a time-limited approval.
- (2) Under an approval of this kind, the *candidate* will be required to undertake the necessary training or other remedial measures.
- (3) The time for which the approval will last would be set to give the *firm* and the *candidate* a reasonable time to complete the measures.
- (4) At the end of the period, the *firm* would need to apply to the *FCA* to appoint the *candidate* on a permanent basis.

10C.12.27 **G**

The *FCA* would only be likely to consider a qualified approval based on competence if it was sure that the *candidate* could achieve the required level of competence within a specified period, which is unlikely to be more than 12 to 18 months.

10C.12.28 **G**

- (1) The *FCA* may give a conditional approval instead of rejection in cases where the condition does not relate to the *candidate's* abilities.
- (2) For example, the *FCA* may consider that the *candidate* is suitable only if the *candidate* refrains from, or ceases undertaking, certain actions and makes the approval conditional on that basis.
- (3) The *FCA* may require the *candidate* to go beyond the regulatory requirements in a given area.

10C.12.29 **G**

- (1) An example of ■ SUP 10C.12.28G is where a *firm* wishes to appoint someone as an executive director who has a number of non-executive directorships.
- (2) The *FCA* may be concerned about the potential impact of these other commitments on that individual's ability to devote sufficient time to the proposed role with the *firm*.

- (3) In this situation, it might be appropriate to attach a condition to the individual's approval requiring that person to resign from some of their non-executive directorships.

### Role-limited

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10C.12.30 **G**

A role-limited approval means:

- (1) a time-limited approval; or
- (2) a condition;

relating to the nature or scope of the *candidate's* role.

10C.12.31 **G**

One example of a role-limited approval relates to the fact that the size, nature, scope and complexity of a *firm's* activities can change over time. An individual may be fit and proper to perform a *senior management function* at a certain *firm* at a point in time but the *FCA* may wish to re-assess that individual if the *firm's* situation changes.

10C.12.32 **G**

It is not *FCA* policy to impose role-limited approvals routinely for all *firms* or for a certain category of *firm*. For example, there is no blanket policy that approval of a *candidate* for a post in a small *firm* would be subject to a qualification based on the *firm* remaining small.

10C.12.33 **G**

Where a *firm* is expanding or transforming its business model or its risk profile and there are identifiable upcoming milestones, the *FCA* may wish to link the duration of a *candidate's* approval to these milestones.

10C.12.34 **G**

If the change is likely to occur in the near future and the details are clear, the *FCA* may consider its approval of the application in the light of this proposed change.

10C.12.35 **G**

- (1) Very often it will be uncertain whether a change in circumstances will happen at all, the details may not yet be known or the timing may be uncertain.
- (2) In that case, the *FCA* may, subject to (3), make its judgement based on the *candidate's* proposed role, without taking into account the possible change. This reflects the fact that the judgement of whether a *candidate* is fit and proper takes into account the role that they are actually going to play.
- (3) However, to reflect the possible change, the *FCA* would give a time-limited approval that would come to an end on the occurrence of the milestone.
- (4) The *firm* could then apply for a new and possibly unqualified approval.

10C.12.36 **G** An example under **■** SUP 10C.12.35G is as follows.

- (1) In this example:
  - (a) an individual is to perform an *FCA-designated senior management function* in an unlisted *firm* which currently operates only in the UK; and  
the *firm* is planning a listing and a string of acquisitions which are projected to treble the size of its balance sheet and give it a global footprint over the next three years, but the *candidate* has never worked for an institution as large or as complex.
- (2) In this situation:
  - (a) it may be appropriate to limit the *candidate's* approval to a specified period. If the projected time for completing the transactions is three years, the approval would be for three years; or
  - (b) it may be appropriate to draft the time limitation by reference to the milestone. For example, the approval might be expressed to come to an end at the point at which the *firm's* balance sheet exceeds a certain size.

10C.12.37 **G** The policy on the length of time-limited approvals in **■** SUP 10C.12.8G does not apply to time limitations of this type.

10C.12.38 **G** Another way of dealing with a *firm* that plans to reorganise itself but has not made a firm decision to do so or worked out the details, is to make the approval subject to the condition that the nature or scope of the *candidate's* role should not change. The *firm* could apply for the condition to be removed once the plans are ready to be carried out.

- 10C.12.39 **G**
- (1) Another example of a limited-role approval is where:
    - (a) a *candidate* is not competent to carry out all the functions that are capable of falling within the *FCA-designated senior management function* for which approval is sought; but
    - (b) the *candidate* will be fit to carry out most of them; and
    - (c) the *firm* has adequate arrangements to deal with the other aspects.
  - (2) In such circumstances, the condition would be that the *candidate* does not get involved in the aspects of the role for which that *candidate* is not competent, as specified in the condition.

#### Condition not based on fitness

10C.12.40 **G** The power to impose a conditional or time-limited approval:

does not depend on the *candidate* being unfit without that condition or limit; and

need not be related to the *candidate's* ability to do the job properly (see **■** SUP 10C.12.28G).

10C.12.41 **G** One example of a conditional approval when the *candidate* is fit and proper and able to do the job is to support supervisory action in relation to the *firm*. So, if a *firm* is running a remedial programme, it may be a condition of the *candidate's* approval that the *candidate* takes responsibility for aspects of that programme.

10C.12.42 **G** Although it is not general *FCA* policy to use the power to give qualified approval as a probationary measure, there may be circumstances where a *firm* wants to appoint a *candidate* to perform an *FCA-designated senior management function* who, although fit and proper, may, in the role, be responsible for the *firm's* approach to dealing with particularly unusual or severe challenges in the near future. In this situation, it might be appropriate to approve the *candidate* subject to a time limit with a view to reassessing that *candidate* for a permanent position in due course.

10C.12.43 **G** In this scenario, the time-limited approval may be accompanied by a condition requiring the *candidate* to:

- (1) complete an action or deliverable on or before the end of the time limit, eg a requirement on the acting Head of Sales to produce a revised strategy for treating customers fairly within the next six months; and

refrain from taking specific actions or decisions associated with the role until that person receives permanent approval, eg, a requirement not to introduce a new sales channel until they receive permanent approval.

#### Effects of a breach of condition

10C.12.44 **G** The provisions in:

- (1) section 59 of the *Act* that say a *firm* should take reasonable care to ensure that no *person* performs a *controlled function* without approval (see ■ SUP 10C.10.3G); and
- (2) section 63A of the *Act*, under which a *person* performing a *controlled function* without approval may be subject to a penalty (see ■ SUP 10C.10.4G);

apply not only to the performance of an *FCA-designated senior management function* by someone who has not been approved to perform that function but also to the performance of an *FCA-designated senior management function* for which the person has been approved in breach of a condition or time limitation.

10C.12.45 **G** Sections 59 and 63A of the *Act* show that failure to observe a condition does not in itself necessarily invalidate an approval. Instead, both the *firm* and the *SMF manager* may be subject to a penalty for breach of the *Act*. Such a failure may also:

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- (1) involve a breach of *FCA rules* by the *firm* and a breach by the *SMF manager* of *COCON*; and
- (2) call into question the fitness of the *SMF manager*.

**10C.12.46** **G** For example, if an *SMF manager* is subject to a role-limited condition under which the *SMF manager* is not allowed to carry out certain specified aspects of the *FCA-designated senior management function* but the *SMF manager* goes ahead and carries out those aspects, the *SMF manager's* approval does not automatically come to an end. Instead, both the *firm* and the *SMF manager* may be subject to a financial penalty.

**10C.12.47** **G** However the *Act* does allow a condition to be drafted in such a way that the approval ends if the condition is not met or is no longer met.



## 10C.13 Variation of conditional and time-limited approvals

### Purpose

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- 10C.13.1 **G** This section deals with variation of a conditional approval at the:
- (1) request of the *firm*; and
  - (2) initiative of the *FCA*.
- 10C.13.2 **G**
- (1) In particular, this section sets out the *FCA*'s policies about varying conditional approvals 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 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 at the request of the firm: general description

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- 10C.13.3 **G** A *firm* may apply to the *FCA* to change a conditional or time-limited approval. The changes for which a *firm* may apply are:
- (1) a variation of the condition;
  - (2) removal of the condition;
  - (3) the imposition of a new condition; or
  - (4) where the approval is time-limited:
    - (a) varying the time limit; or
    - (b) removing the time limit.
- 10C.13.4 **G**
- (1) If the *firm* applying for a change described in ■ SUP 10C.13.3G is a *PRA- authorised person*, there are requirements about whether it should apply to the *FCA* or the *PRA*. Paragraphs (2) to (3) summarise these requirements.

- (2) If the *firm* is applying for the imposition of a new condition, the *firm* should apply to the *FCA* if the approval to which the application relates was given by 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 was given by 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 was given by the *PRA*.
- (2C) Where the time limit or condition has been varied before and the *FCA* was the last to vary it, the *firm* should apply to the *FCA*. This applies whether the variation was made on the application of the *firm* or on the initiative of the *FCA* or the *PRA*.
- (3) In other cases, the application should be 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 has effect for an unlimited period.

10C.13.5A **G** The procedures described in this section for the variation of an approval 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).

**Variation of a conditional approval at the request of the firm: process**

10C.13.6 **D** An application by a *firm* to the *FCA* under section 63ZA of the *Act* (Variation of senior manager's approval at request of authorised persons) must be made by using Form I (■ SUP 10C Annex 8D).

- 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.
  - (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.

10C.13.9 **G** The *FCA* has until the end of the period of three months from the time it receives a properly completed application to consider the application and come to a decision.

10C.13.10 **G** The *FCA* must either grant the application or, if it proposes not to grant an application, issue a *warning notice* (see ■ DEPP 2).

**10C.13.11** **G** The *FCA* may refuse an application if it appears to the *FCA* that it is desirable to do so to advance one or more of its *operational objectives*.

**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 period in which the *FCA* must determine a completed application:

- (1) will stop on the day the *FCA* requests the information; and
- (2) will start running again on the day on which the *FCA* finally receives all the requested information.

**10C.13.13** **G** Whenever it grants an application, the *FCA* will confirm this in writing to all *interested parties*.

**10C.13.14** **G** If the *FCA* proposes to refuse an application, it must follow the procedures for issuing *warning notices* and *decision notices* to all *interested parties*. The requirements relating to warning and decision notices are in **■ DEPP 2**.

**10C.13.15** **R** A *firm* notifying the *FCA* of its withdrawal of an application for variation of an approval must use Form B (**■ SUP 10C Annex 4R**).

**10C.13.16** **G** **■ SUP 10C.15** (Forms and other documents 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 at request of authorised person), the *firm* may withdraw an application only if it also has the consent of:

- (1) the *approved person*; and
- (2) the person by whom the *approved person* is employed if this is not the *firm* making the application.

**Variation of a conditional approval at the request of the firm: policy**

**10C.13.18** **G** The *FCA's* policy on approving or refusing a request for a variation is the same as it is for imposing conditions on approval (see **■ SUP 10C.12** (Conditional and time-limited approvals)).

- 10C.13.19** **G**
- (1) An example of a situation in which the *FCA* would consider varying a condition would be a competency-related condition which required a training course to be completed (see, in particular, **■ SUP 10C.12.24G** for this type of condition).
  - (2) If the *firm* later concludes that a different course would be better, the *firm* may apply for a variation of the condition.

**10C.13.20** **G** Another example of a situation in which the *FCA* would consider varying a condition would be a condition relating to a remedial programme (see ■ SUP 10C.12.41G). If the remedial programme is changed, it may be appropriate to change the condition.

**10C.13.21** **G**

- (1) Other examples of where the *FCA* may agree to removing a condition are where:
  - (a) the *approved 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* 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* role of the type described in ■ SUP 10C.12.39G.

**10C.13.22** **G** See ■ SUP 10C.12.38G for another example of a case where the *FCA* may agree to removing a condition (condition imposed pending reorganisation).

**Variation of a conditional approval: action at the initiative of the FCA**

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**10C.13.23** **G** Under section 63ZB of the *Act* (Variation of senior manager's approval on initiative of regulator), the *FCA* may vary an approval given by 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 by:

- imposing a condition;
- (2) varying a condition;
- (3) removing a condition;
- (4) limiting the period for which the approval is to have effect; or
- (5) removing or varying a time limit on an approval.

**10C.13.25** **G** More information about the *FCA's* powers to vary a condition on its own initiative, including its policy on using these powers, can be found in ■ DEPP 8.

## 10C.14 Changes to an FCA-approved person's details

### Moving within a firm

10C.14.1 **G**

- (1) An *FCA-approved 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, an application must be made to the *FCA* for approval for the *SMF manager* to perform those *FCA-designated senior management functions*.

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* status to that individual for that *FCA-designated senior management function*.

- (4) Similarly (in the case of a *PRA-authorised person*), a *firm* must get the *FCA's* approval 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* 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*.
- (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*:

- (1) will no longer be performing an *FCA-designated senior management function* under an *arrangement* entered into by one *firm* or one of its contractors; but
- (2) will be performing the same or a different *FCA-designated senior management function* under an *arrangement* entered into by a new *firm* or one of its contractors (whether or not the new *firm* is in the same *group* as the old *firm*);

the new *firm* will be required to make a fresh application for 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) 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.

### 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* permanently ceases to perform an *FCA-designated senior management function*.
- (2) It must make that notification by submitting to the *FCA* a completed Form C (■ SUP 10C Annex 5R).
- (3) If:
  - (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. Permanent cessation does not mean that that *person* cannot return to perform that function, rather that if they do, they will need fresh approval.

- 10C.14.5B** **G** Examples of when an *FCA-approved 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*, approval to perform the relevant *FCA-designated senior management function* will continue and therefore the *firm* will not be required to submit a Form C (**■ SUP 10C Annex 5R**). See **■ SUP 10C.14.5IG** for guidance on interim appointments.
- 10C.14.5D** **G** As a result, an *FCA-approved SMF manager* who returns to perform the same *FCA-designated senior management function* following such a temporary absence will not need fresh approval.
- 10C.14.5E** **R**
- (1) If an *FCA-approved SMF manager* has been absent for more than 12 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 period.
  - (2) It must also notify the *FCA* on Form D (**■ SUP 10C Annex 6R**) within seven *business days* of their return.
- 10C.14.5F** **G** Where a *firm* is aware that an *FCA-approved SMF manager* will be absent for more than 12 weeks, that *firm* can notify the *FCA* prior to the end of the 12-week period.
- 10C.14.5G** **G**
- (1) The duty to notify in **■ SUP 10C.14.18R** and the sections of the *Act* 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* 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* 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*.
  - (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.

10C.14.5I **G**

(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).

(1) Where an *FCA-approved 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* was performing a *FCA required function*, the *firm* will be required to make an interim appointment.

(3) Unless ■ SUP 10C.3.13R (The 12-week rule) applies, the *firm* will be required to make a fresh application 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)). 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)).

(4) The *firm* will be required to notify the *FCA* under ■ SUP 10C.14.5R when the *person* who was appointed for the interim period gives up the role on the return of the *person* who was temporarily absent.

(5) A *firm* should consider what steps it should take in respect of handover procedures in relation to any interim appointment and the return of a *person* who is temporarily absent (see ■ SYSC 25.9 (Handover procedures and material)).

10C.14.5J **G**

If a *firm* is required to have a *management responsibilities map*, the map should be revised where appropriate to reflect any change in its management and governance arrangements as a result of a temporary absence described in ■ SUP 10C.14.5CG to ■ SUP 10C.14.5IG. In particular, a *firm* should update the map to take into account any temporary absence required to be notified under ■ SUP 10C.14.5ER or ■ SUP 10C.14.5FG, any interim appointment described in ■ SUP 10C.14.5IG or any return from temporary absence described in ■ SUP 10C.14.5ER (see ■ SYSC 25.2 (Management responsibilities maps: Main rules)).

10C.14.6 **G**

■ SUP 10C.15 (Forms and other documents and how to submit them to the FCA) explains how notifications should be submitted.

10C.14.6A **G**

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.

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.

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 for an *FCA-approved SMF manager*.
- (2) Form C is qualified if the information it contains:
  - (a) relates to the fact that the *firm* has dismissed, or suspended, the *FCA-approved SMF manager* from its employment;
  - (b) relates to the resignation by the *FCA-approved 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* fitness and propriety; or
  - (d) includes a notification about the *FCA-approved SMF manager* under one of the provisions of the Act listed in ■ SUP 10C.14.22R (notification of grounds for withdrawal of approval and disciplinary action).

10C.14.8 G

- (1) Notification under ■ SUP 10C.14.7R may be made by telephone, email or fax and should be made, where possible, within one *business day* of the *firm* becoming aware of the information.
- (2) Oral notifications should be given directly to the *firm's* usual supervisory contact at the FCA. An oral notification left with another *person* or left on a voicemail, or other automatic messaging service, is unlikely to have been given appropriately.

10C.14.9 G

A *firm* is responsible for notifying the FCA if any *FCA-approved 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* 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) to the FCA in advance of the cessation date.
- (2) If the actual cessation date turns out to be different from the one notified in advance, the *firm* should notify the FCA.
- (3) If the *firm*:
  - does not submit Form C (including a qualified one) following notification under ■ SUP 10C.14.7R; or
  - 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* 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* in relation to that *FCA-designated senior management function*.
  - (2) A *person* can only be an *FCA-approved SMF manager* in relation to a specific *FCA-designated senior management function*. Therefore, a *person* is not an *FCA-approved 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 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.

**Changes to an approved person's personal details**

**10C.14.13** R If an *FCA-approved 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* private address.

**Changes to arrangements**

**10C.14.15** R

If any of the details relating to:

- the arrangements in relation to any of a *firm's FCA-approved SMF managers*; or
- any *FCA-designated senior management functions* of one of its *FCA-approved SMF managers*;

are to change, the *firm* must notify the *FCA* on Form D (■ SUP 10C Annex 6R).

The notification under (1) must be made as soon as reasonably practicable after the *firm* becomes aware of the proposed change.

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).

**10C.14.16** G ■ SUP 10C.15 (Forms and other documents 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*.
- (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*, or of *candidate* to be one (see *FIT*), it must inform the *FCA* either:
- (a) on Form D; 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).

- 10C.14.19 **G** ■ SUP 10C.15 (Forms and other documents and how to submit them to the *FCA*) applies to the submission of Form D.

- 10C.14.20 **G** Failing to disclose relevant information to the *FCA* may be a criminal offence under section 398 of the *Act*.

- 10C.14.21 **G** 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.

- 10C.14.22 **R** If a *firm* is required to notify the *FCA* about an *FCA-approved 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
- (2) [deleted]
- (3) section 64C of the *Act* (Requirement for authorised persons to notify regulator of 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
- (6) (in any other case) in accordance with ■ SUP 10C.14.18R (Form D);

and in accordance with the requirements of this chapter about submission of those forms.

**10C.14.23** **G** The table in **■ SUP 10C.14.24G** summarises what the relevant parts of the sections of the Act listed in **■ SUP 10C.14.22R** say.

**10C.14.24** **G** Table: Explanation of the sections of the Act 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)	At least once a year, each <i>firm</i> must, in relation to every <i>SMF manager</i> for whom an approval has been given on the application of that <i>firm</i> :  (a) consider whether there are any grounds on which the <i>FCA</i> could withdraw the approval; and  (b) if the <i>firm</i> is of the opinion that there are such grounds, notify the <i>FCA</i> of those grounds.		<i>FIT</i> sets out guidance on the factors a <i>firm</i> should take into account when assessing the fitness and propriety of an <i>approved person</i> .
Section 64C of the Act (Requirement for authorised persons to notify regulator of disciplinary action)	If: (a) a <i>firm</i> takes disciplinary action in relation to an <i>SMF manager</i> ; and (b) the reason, or one of the reasons, for taking that action is a reason specified in SUP 15.11.6R;  the <i>firm</i> should notify the <i>FCA</i> of that fact.	SUP 15.11 (Notification of <i>COCON</i> breaches and disciplinary action)	An example of when a notification should be made using Form C rather than Form D is when a <i>firm</i> is required to notify the <i>FCA</i> under section 64C of the Act that it has dismissed an <i>SMF manager</i> .

**10C.14.25** **G** (1) When considering how to notify the *FCA* under **■ SUP 10C.14.18R** or **■ SUP 10C.14.22R**, a *firm* should have regard to the urgency and significance of a matter. If appropriate, the *firm* should also notify its

usual supervisory contact at the *FCA* by telephone or by other prompt means of communication, before submitting a written notification.

- (2) Oral notifications should be given directly to the *firm's* usual supervisory contact at the *FCA*. An oral notification left with another *person* or left on a voicemail, or other automatic messaging service, is unlikely to have been given appropriately.

### 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 of the *Act* listed in ■ SUP 10C.14.22R;

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* upon termination of the *employee's* employment.

- (2) A *firm* should not enter into any such arrangements or agreements that could conflict with its obligations under this section or the *Act*.

10C.14.27 **G**

Failing to disclose relevant information to the *FCA* may be a criminal offence under section 398 of the *Act*.

### Application of this section to PRA-approved persons

10C.14.28 **R**

This section also applies to a notification to the *FCA* about a *PRA-approved SMF manager* who is not an *FCA-approved SMF manager* required by any of the provisions of the *Act* listed in ■ SUP 10C.14.22R.

10C.14.29 **R**

The *PRA's rules* determine how a notification under ■ SUP 10C.14.28R is to be made.

10C.14.30 **G**

If a *firm* is required to notify the *FCA* about a *PRA-approved SMF manager* who is not an *FCA-approved SMF manager* under one of the sections 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 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 this chapter; and
  - (2) explain how they should be submitted to the FCA.

### Forms and documents

- 10C.15.2 **G** The main forms and other documents used in this chapter are listed in **■** SUP 10C.15.3G.

- 10C.15.3 **G** Table: FCA approved persons forms and other documents

Form or other document		Purpose	Handbook requirement
The relevant Form A	SUP 10C Annex 3D	Application to perform <i>designated senior management functions</i>	SUP 10C.10.8D
Form B	SUP 10C Annex 4R	Notice to withdraw an application to perform <i>controlled functions</i> 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
Form C	SUP 10C Annex 5R	Notice of ceasing to perform <i>controlled functions</i>	SUP 10C.14.5R

Form or other document		Purpose	Handbook requirement
Form D	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
Form E	SUP 10C Annex 7D	Internal transfer of an <i>approved person</i>	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 <i>statement of responsibilities</i>	SUP 10C.11
Relevant <i>statement of responsibilities</i>	SUP 10C Annex 10D		SUP 10C.11
MiFID Article 4 SMR Information Form	SUP 10C Annex 11D		SUP 10C.10.9BD
Annex III template	<a href="https://www.fca.org.uk/publication/forms/mifid-changes-management-body-form.docx">https://www.fca.org.uk/publication/forms/mifid-changes-management-body-form.docx</a>	As required by the <i>MiFID authorisation and management body change notification ITS</i>	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)]			

**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.

**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.

**10C.15.6** **G** To contact the FCA's Supervision Hub for *approved persons* enquiries:

- (1) telephone: 0300 500 0597;
- (2) email: [firm.queries@fca.org.uk](mailto: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**

(1) A *firm* other than *firm* in (2) must submit a document 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 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.

**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*.

**10C.15.9** **G**

It is up to the *firm* referred to in ■ SUP 10C.15.7D(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	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	SUP 10C.15.14R	SUP 10C.15.14R
Form C	SUP 10C.15.11R	SUP 10C.15.11R or SUP 10C.15.14R
Form D	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

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Form or other document	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))
Relevant <i>statement of responsibilities</i>	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](http://fca.org.uk) using the *FCA's* and *PRA's* *online notification and application system*.
- (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).
- (3) If the information technology systems used by the *FCA* fail and online submission is unavailable for 24 hours or more, ■ SUP 10C.15.14R applies until such time as facilities for online submission are restored.

**10C.15.12** G

If the information technology systems used by the *FCA* fail and online submission is unavailable for 24 hours or more, the *FCA* and *PRA* will endeavour to publish a notice on their websites confirming that:

- (1) online submission is unavailable; and
- (2) the alternative methods of submission in ■ SUP 10C.15.14R applies.

**10C.15.13** G

Where ■ SUP 10C.15.11R(3) applies to a *firm*, ■ GEN 1.3.2R (Emergency) does not apply.

**Method of submission: other forms of submission**

**10C.15.14** R

- (1) An application or submission by a *firm* made under this *rule* must be made in the way set out in ■ SUP 15.7.4R to ■ SUP 15.7.9G (Form and method of notification).
- (2) If the form or document is included in an Annex to this chapter, 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).

10C



## 10C.16 References and accurate information

### References

- 10C.16.1 **G** ■ SYSC 22 (Regulatory references) says that if a *firm* (A):
- (1) is considering appointing a *person* (P) to perform any *controlled function* or certain other functions;
  - (2) requests a reference from a *firm* (B) that is P's current or former employer; and
  - (3) indicates to B the purpose of the request;

B should, as soon as reasonably practicable, give a reference to A

- 10C.16.2 **G** ■ SYSC 22 also requires *firms* to get a reference before applying to have someone approved as an *approved person*.

- 10C.16.3 **G** [deleted]

- 10C.16.4 **G** [deleted]

### The need for complete and accurate information

- 10C.16.5 **G**
- (1) The obligations to supply information to:
    - (a) the *FCA* under this chapter;
    - (b) [deleted]apply notwithstanding any:
    - (c) agreement (for example a 'COT 3' Agreement settled by the Advisory, Conciliation and Arbitration Service (ACAS)); or
    - (d) any other arrangements entered into by a *firm* and an *employee* upon termination of the *employee's* employment.
  - (2) A *firm* should not enter into any such arrangements or agreements that could conflict with its obligations under this chapter.

- 10C.16.6 **G** Failing to disclose relevant information to the *FCA* may be a criminal offence under section 398 of the *Act*.



## What functions apply to what type of firm

### Part One: Introduction

This annex sets out which *FCA controlled function* applies to which type of *SMCR firm*.

If an *FCA controlled function* is not included in a table for a particular class of *firm*, that *FCA controlled function* does not apply to any *firm* in that class.

- (1) If one of the tables in this annex shows that an *FCA controlled function* applies to a type of *firm*, that function does not necessarily apply to every *firm* in that class.
- (2) That may be because of limitations in the description of the function itself. For example, the *partner function* only applies to partnerships.
- (3) Another reason would be if the *rules* defining the *FCA controlled function* refer to a *rule* elsewhere in the *FCA Handbook* and the latter only applies to certain types of *firm*. For example:
  - (a) ■ SYSC 1 Annex 1 (Detailed application of SYSC) cuts back the application of some of the *FCA required functions*;
  - (b) see the entry for this chapter in the table in ■ BENCH 2.1.2G (Parts of the Handbook applicable to the regulated activity of administering a benchmark) for an example relating to *FCA required functions*.
- (4) The exclusions in ■ SUP 10C.1 are also relevant.

In the tables in this annex:

- (1) ✓ means that the *FCA controlled function* applies; and
- (2) × means that the *FCA controlled function* does not apply.

### Part Two: General exclusions

- (1) This chapter, except in respect of the *FCA required functions*, does not apply to an *authorised professional firm* that is an *FCA-authorised person* in respect of its *non-mainstream regulated activities*, subject to (2).
- (2) Where the *authorised professional firm* has appointed *FCA-approved persons* to perform the *FCA governing functions* with equivalent responsibilities for the *firm's non-mainstream regulated activities* and other regulated activities, for the *firm's non-mainstream regulated activities* this chapter applies with respect to the *FCA governing functions* and the *FCA required functions* only.

### Part Three: Functions applying to banking sector firms

- (1) The table in ■ SUP 10C Annex 1 3.2R sets out which *FCA controlled function* applies to which type of *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*;
  - (b) an *EEA SMCR banking firm*; and
  - (c) an *overseas SMCR banking firm*.

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				
<i>Executive director function</i>	SMF 3	√	×	√
<i>Chair of the nomination committee function</i>	SMF 13	√	×	×
<i>Partner function</i>	SMF 27	√	×	×
Required functions				
<i>Compliance oversight function</i>	SMF 16	√	×	√
<i>Money laundering reporting function</i>	SMF 17	√	√	√
<i>Other overall responsibility function</i>	SMF 18	√	×	×
<i>Other local responsibility function</i>	SMF 22	×	×	√
Other high-level management functions				
<i>EEA branch senior manager function</i>	SMF 21	×	√	×

Note: The categories of *firm* in the column headings of this table are to be interpreted in accordance with the classification of *firms* in SUP 10C Annex 1 3.1R. Therefore:

(1) column three (UK firm) refers to SUP 10C Annex 1 3.1R(2)(a);

(2) column four (EEA firm) refers to SUP 10C Annex 1 3.1R(2)(b); and

(3) column five (Overseas firm) refers to SUP 10C Annex 1 3.1R(2)(c).

Part Four: Functions applying to insurance sector firms

- (1) The table in ■ SUP 10C Annex 1 4.2R sets out which *FCA controlled function* applies 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* not within any other paragraph of this rule;
  - (b) a *Solvency II firm* that is an *EEA PTV firm*;
  - (c) a *Solvency II firm* that:
    - (i) is within paragraph (b) of the *Glossary* 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*); and
    - (ii) does not fall within ■ SUP 10C Annex 1 4.1R(2)(b);
  - (d) a *small non-directive insurer*;
  - (e) a *firm* in ■ SYSC 23 Annex 1 5.2R (*firms* in run-off); and
  - (f) an *insurance special purpose vehicle*.
- (3) An *insurance special purpose vehicle* only falls into paragraph (2)(f). Subject to that, a *firm* in (2)(e) does not fall into any other paragraph.

References to a *Solvency II firm* include a *large non-directive insurer*.

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)Over-seas branches	(6) Small NDF and other	(7) ISPV
Governing functions						
<i>Executive director function</i>	SMF 3	√	×	√	√	√
<i>Chair of the nomination committee function</i>	SMF 13	√	×	×	×	×
<i>Chair of the with-profits committee function</i>	SMF 15	√	×	√	×	×
<i>Partner function</i>	SMF 27	√	×	×	√	×
Required functions						
<i>Compliance oversight function</i>	SMF 16	√	×	√	√	√
<i>Money laundering reporting function</i>	SMF 17	√	√	√	√	×
<i>Other overall responsibility function</i>	SMF 18	√	×	×	×	×
<i>Other local responsibility function</i>	SMF 22	×	×	√	×	×
<i>Conduct risk oversight (Lloyd's) function</i>	SMF 23b	√	×	×	×	×
See Note 2						
Other high-level management functions						
<i>EEA branch senior manager function</i>	SMF 21	×	√	×	×	×
<p>Note 1: The categories of <i>firm</i> in the column headings of this table are to be interpreted in accordance with the classification of <i>firms</i> at SUP 10C Annex 1 4.1R. Therefore:</p> <p>(a) column three (Solvency II and large NDF) refers to SUP 10C Annex 1 4.1R(2)(a);</p> <p>(b) column four (EEA branches) refers to SUP 10C Annex 1 4.1R(2)(b);</p> <p>(c) column five (Overseas branches) refers to SUP 10C Annex 1 4.1R(2)(c);</p> <p>(d) column six (Small NDF and other) refers to SUP 10C Annex 1 4.1R(2)(d) and (e); and</p> <p>(e) column seven (ISPV) refers to SUP 10C Annex 1 4.1R(2)(f).</p> <p>Note 2: The <i>conduct risk oversight (Lloyd's) function</i> only applies to the <i>Society</i>.</p>						

Part Five: Functions applying to core firms

- (1) The table in ■ SUP 10C Annex 1 5.2R sets out which *FCA controlled function* applies to which type of *core SMCR firm*.
- (2) *Firms* in (1) are divided into the following categories for the purposes of this *rule*:
  - (a) a *UK SMCR firm* not falling into (d);
  - (b) an *EEA SMCR firm*;
  - (c) an *overseas SMCR firm* not falling into (b); and

(d) a UK SMCR firm falling into ■ SYSC 23 Annex 1 7.4R (an exempt MiFID commodities firm whose only permission is bidding in emissions auctions).

Table: Controlled functions applying to core SMCR firms

(1)	(2)	(3)	(4)	(5)	(6)
Brief description of function	Function number	UK firm	EEA firm	Other overseas firm	Emission auction bidder
Governing functions					
Chief executive function	SMF 1	√	×	×	√
Executive director function	SMF 3	√	×	√	√
Chair of the governing body function	SMF 9	√	×	×	√
Head of third country branch function	SMF 19	×	×	√	×
Partner function	SMF 27	√	×	×	√
Required functions					
Compliance oversight function	SMF 16	√	×	√	×
Money laundering reporting function	SMF 17	√	√	√	√
Other high-level management functions					
EEA branch senior manager function	SMF 21	×	√	×	×

Note: The categories of *firm* in the column headings of this table are to be interpreted in accordance with the classification of *firms* at SUP 10C Annex 1 5.1R. Therefore:

- (a) column three (UK firm) refers to SUP 10C Annex 1 5.1R(2)(a);
- (b) column four (EEA firm) refers to SUP 10C Annex 1 5.1R(2)(b);
- (c) column five (Other overseas firm) refers to SUP 10C Annex 1 5.1R(2)(c); and
- (d) column six (Emission auction bidders) refers to SUP 10C Annex 1 5.1R(2)(d).

**Part Six: Functions applying to enhanced scope firms**

The table in ■ SUP 10C Annex 1 6.2R sets out which *FCA controlled functions* apply to an *enhanced scope SMCR firm*.

Table: Controlled functions applying to enhanced scope SMCR firms

Brief description of function	Function number
Governing functions	
Chief executive function	SMF 1
Executive director function	SMF 3
Group entity senior manager function	SMF 7
Chair of the governing body function	SMF 9
Chair of the risk committee function	SMF 10

Brief description of function	Function number
<i>Chair of the audit committee function</i>	SMF 11
<i>Chair of the remuneration committee function</i>	SMF 12
<i>Chair of the nomination committee function</i>	SMF 13
<i>Senior independent director function</i>	SMF 14
<i>Partner function</i>	SMF 27
Required functions	
<i>Compliance oversight function</i>	SMF 16
<i>Money laundering reporting function</i>	SMF 17
<i>Other overall responsibility function</i>	SMF 18
Systems and controls functions	
<i>Chief finance officer function</i>	SMF 2
<i>Chief risk officer function</i>	SMF 4
<i>Head of internal audit function</i>	SMF 5
<i>Chief operations function</i>	SMF 24

Part Seven: Functions applying to limited scope firms

Limited scope SMCR firms are divided into the following categories for the purposes of

■ SUP 10C Annex 1:

- (1) a firm falling within the table in ■ SYSC 23 Annex 1 6.4R that does not come within (2) to (4A) or (8) to (9);
- (2) a firm falling within row (5) of the table in ■ SYSC 23 Annex 1 6.4R (distribution of non-investment insurance contracts);
- (2A) a firm falling within row (6) of the table in ■ SYSC 23 Annex 1 6.4R (funeral plans);
- (3) a firm falling within ■ SYSC 23 Annex 1 6.7R (credit firms with limited permission) except for one falling within (4);
- (4) a firm falling within ■ SYSC 23 Annex 1 6.7R that is an appointed representative;
- (4A) a limited scope SMCR benchmark firm;
- (5) a sole trader who does not come within (1) to (4A), (8) or (9);
- (6) an authorised professional firm that does not come within (1) to (4A), (8) or (9);
- (7) a firm in the table in ■ SUP 10C Annex 1 7.10R;
- (8) a firm that comes within ■ SYSC 23 Annex 1 6.11R (claims management) that is a Class 1 firm as defined in ■ CMC OB 7.2.5R(1);
- (9) a firm that comes within ■ SYSC 23 Annex 1 6.11R (claims management) that is not a Class 1 firm as defined in ■ CMC OB 7.2.5R(1).

A firm in ■ SUP 10C Annex 1 7.1R(7) does not fall into any other paragraph of ■ SUP 10C Annex 1 7.1R.

- (1) The table in ■ SUP 10C Annex 1 7.4R sets out which FCA controlled functions apply to a limited scope SMCR firm covered by ■ SUP 10C Annex 1 7.1R(1), ■ (2), ■ (2A), ■ (3), ■ (4), ■ (4A), ■ (8) or ■ (9).
- (2) Parts 1.2 and 2 of that table apply to EEA SMCR firms.
- (3) Parts 1.1 and 2 of that table apply to other limited scope SMCR firms in (1).

Table: Controlled functions applying to limited scope SMCR firms except sole traders and authorised professional firms

Part 1.1 (UK and non-EEA firms)						
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Brief description of function	Function number	General	Insurance distribution firms	Credit firms	Consumer credit appointed representatives	Benchmark firms
Governing functions						
The governing functions that apply to core SMCR firms	Various	x	x	x	√	x
Required functions						
Compliance oversight function	SMF 16	√	x Note (4)	x	x	x
Money laundering reporting function	SMF 17	√	√	x	x	x
Limited scope function	SMF 29	√	√	√	√	√
Part 1.2 (EEA firms)						
(1)	(2)	(3)	(4)	(5)	(6)	
Brief description of function	Function number	General	Insurance distribution firms	Credit firms	Consumer credit appointed representatives	
Required functions						

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Part 1.2 (EEA firms)					
(1)	(2)	(3)	(4)	(5)	(6)
Money laundering reporting function	SMF 17	√	√	×	Note (3)

Part 2 (Claims management and funeral plan firms)				
(1)	(2)	(3)	(4)	(5)
Brief description of function	Function number	Class 1 claims management firms	Other claims management firms	Funeral plan firms
		Required functions		
Compliance oversight function	SMF 16	√	×	×
Limited scope function	SMF 29	√	√	√

**Notes to the table**

Note (1): The categories of *firm* in the column headings of this table are to be interpreted in accordance with the classification of *firms* at SUP 10C Annex 1 7.1R. Therefore:

- (1) column three of Parts 1.1 and 1.2 of the table (General) refers to SUP 10C Annex 1 7.1R(1);
- (2) column four of Parts 1.1 and 1.2 of the table (Insurance distribution firms) refers to SUP 10C Annex 1 7.1R(2);
- (3) column five of Parts 1.1 and 1.2 of the table (Credit firms) refers to SUP 10C Annex 1 7.1R(3);
- (4) column six of Parts 1.1 and 1.2 of the table (Consumer credit appointed representatives) refers to SUP 10C Annex 1 7.1R(4);
- (5) column seven of Part 1.1 of the table (Benchmark firms) refers to SUP 10C Annex 1 7.1R(4A);
- (6) column three of Part 2 of the table (Class 1 claims management firms) refers to SUP 10C Annex 1 7.1R(8);
- (7) column four of Part 2 of the table (Other Claims management firms) refers to SUP 10C Annex 1 7.1R(9); and
- (8) column five of Part 2 of the table (Funeral plan firms) refers to SUP 10C Annex 1 7.1R(2A).

Note (2): SUP 10C Annex 1 7.3R sets out which part of the table applies to which *firm*.

Note (3): Not applicable to these *firms* because SUP 10C Annex 1 7.2R means that the table does not apply to *firms* in this category.

Note (4): However, this function does apply to a *firm* that is also a Class 1 firm as defined in CMC0B 7.2.5R(1) (Classification of firms for prudential resources purposes).

- (1) This rule applies to a firm in ■ SUP 10C Annex 1 7.1R(4) (an appointed representative that has a limited permission).
- (2) The FCA required functions apply in relation to the carrying on of the regulated activity for which it has limited permission.
- (3) The FCA governing functions apply in relation to the carrying on of the regulated activity, for which it does not have permission, comprised in the business for which its principal has accepted responsibility.

(4) If the *appointed representative* meets the conditions in ■ SUP 10A.1.16R(2), only one of the *FCA governing functions* applies under (3), as appropriate, to an individual within that *appointed representative* who will be required to be an *FCA-approved person*.

The *customer function* also applies to a *firm* in ■ SUP 10C Annex 1 7.1R(4) under ■ SUP 10A (FCA Approved Persons in Appointed Representatives).

(1) The table in ■ SUP 10C Annex 1 7.8R sets out which *FCA controlled functions* apply to a *limited scope SMCR firm* that is covered by ■ SUP 10C Annex 1 7.1R(5) or ■ (6) (a *sole trader* or an *authorised professional firm*).

(2) *Firms* in (1) are divided into the following categories for the purposes of this *rule*:

- (a) a *UK SMCR firm*;
- (b) an *EEA SMCR firm*; and
- (c) an *overseas SMCR firm* not falling into (b).

Table: Controlled functions applying to limited scope SMCR firms that are sole traders or authorised professional firms

(1)	(2)	(3)	(4)	(5)
Brief description of function	Function number	UK firm	EEA firm	Other overseas firm
Governing functions				
<i>Chief executive function</i>	SMF 1	√	×	×
<i>Executive director function</i>	SMF 3	√	×	√
<i>Chair of the governing body function</i>	SMF 9	√	×	×
<i>Head of third country branch function</i>	SMF 19	×	×	√
<i>Partner function</i>	SMF 27	√	×	×
Required functions				
<i>Compliance oversight function</i>	SMF 16	√	×	√
<i>Money laundering reporting function</i>	SMF 17	√	√	√
<i>Limited scope function</i>	SMF 29	√	×	√
Other high-level management functions				
<i>EEA branch senior manager function</i>	SMF 21	×	√	×

Note: The categories of *firm* in the column headings of this table are to be interpreted in accordance with the classification of *firms* at SUP 10C Annex 1 7.2R. Therefore:

- (a) column three (UK firm) refers to SUP 10C Annex 1 7.7R(2)(a);
- (b) column four (EEA firm) refers to SUP 10C Annex 1 7.7R(2)(b); and
- (c) column five (Other overseas firm) refers to SUP 10C Annex 1 7.7R(2)(c).

None of the *FCA controlled functions* apply to a *limited scope SMCR firm* in the table in ■ SYSC 23 Annex 1 7.10R.

Table: Limited scope SMCR firms to which no controlled functions apply

Function	Comments
A firm in SYSC 23 Annex 1 6.8R ( <i>not-forprofit debt advice body</i> )	
A firm in SYSC 23 Annex 1 6.10R ( <i>internally managed AIF</i> )	
An EEA SMCR firm falling within SYSC 23 Annex 1 6.7R (credit firm with limited permission)	A firm is only excluded if it is an <i>appointed representative</i>

- (1) As explained in ■ SUP 10C Annex 1 1.3G, the full range of *FCA controlled functions* that are applied to a class of *firm* by this Annex may not apply to every *firm* in that class.
- (2) For example, in the case of a *limited scope SMCR firm* that is a *sole trader*:
  - (a) In practice it is unlikely that the *FCA governing functions* will apply to a *sole trader* (see ■ SUP 10C.4A.2G).
  - (b) The *money laundering reporting function* does not apply to a *sole trader* with no employees (see ■ SYSC 6.3.9R).
- (3) Another example is a *firm* falling within row (5) of the table in ■ SYSC 23 Annex 1 6.4R (*distribution of non-investment insurance contracts*). ■ SYSC 1 Annex 1 2.11R means that the *money laundering reporting function* does not apply to many or most such *firms*.



## Summary of forms and their use in the senior managers regime

Function	Form	Submission
(1) Person about to perform an FCA-designated senior management function if they have never been approved by the FCA or PRA before.	A	Submitted by the <i>firm</i> making the application before activities requiring approval commence.
(2) The <i>candidate</i> is to perform an FCA-designated senior management function and either: (a) has current approval to perform an FCA controlled function that is a significant-influence function, an FCA-designated senior management function, or a PRA controlled function; or (b) has had such an approval within the previous six months.	Shortened Form A (if the other conditions are met)	Submitted by the <i>firm</i> making the application before activities requiring approval commence.
(3) <i>Candidate</i> ceased to be an approved person more than six months ago.	A	Submitted by the <i>firm</i> making the application before activities requiring approval commence.
(4) Either: (a) <i>candidate</i> is seeking to perform an FCA-designated senior management function for the first time and has never been approved to perform an FCA controlled function that is a significant-influence function or a PRA controlled function before; or (b) <i>candidate</i> ceased to have approval from the FCA or PRA to perform an FCA controlled function that is a significant-influence function, an FCA-designated senior management function or a PRA controlled function more than six months ago.	A	Submitted by the <i>firm</i> making the application before activities requiring approval commence.
(5) <i>Firm</i> withdrawing an outstanding application to perform an FCA-designated senior management function.	B	Submitted by the <i>firm</i> : signed by all interested parties.
(6) Person permanently ceasing to perform an FCA-designated senior management function.	C (unless it should be notified under Form E)	Submitted by the <i>firm</i> within ten business days of approved person permanently ceasing to perform controlled function(s).
(7) Either: (a) an FCA-approved SMF manager's title, name or national insurance number changes; or (b) there is information which may be	D Form C to be used instead where the person is permanently ceasing to	Submitted by <i>firm</i> within seven business days of the firm becoming aware of the matter or, in the case of (c), within seven business days of the end of the 12-week period and on their return.

Function	Form	Submission
material to the continuing assessment of an <i>FCA-approved SMF manager's</i> fitness and propriety; or  (c) an <i>FCA-approved SMF manager</i> is temporarily absent.	perform a <i>controlled function</i> .	
(8) Firm obliged to notify the <i>FCA</i> about an <i>SMF manager</i> under:  (a) section 63(2A) of the <i>Act</i> (Duty to notify regulator of grounds for withdrawal of approval); or  (b) [deleted]  (c) section 64C of the <i>Act</i> (Requirement for relevant authorised persons to notify regulator of disciplinary action).	Form D.  Form C to be used instead where the <i>person</i> is permanently ceasing to perform a <i>controlled function</i> .	Submitted by <i>firm</i> within seven <i>business days</i> of the <i>firm</i> becoming aware of the matter.  A <i>firm</i> should not use Form H as that form only applies to notifications relating to breaches by those who are not <i>SMF managers</i> .
(9) <i>Person</i> remaining with the same <i>firm</i> but changing <i>FCA-designated senior management functions</i> .	E	Submitted by <i>firm</i> to the <i>FCA</i> before changes take place.
(10) <i>Person</i> remaining with the same <i>PRA-authorised person</i> but giving up a <i>PRA controlled function</i> and taking up an <i>FCA-designated senior management function</i> .	E	Submitted by <i>firm</i> to the <i>FCA</i> before changes take place.
(11) <i>Person</i> remaining with the same <i>PRA-authorised person</i> but giving up an <i>FCA-designated senior management function</i> and taking up a <i>PRA-designated senior management function</i> .	E	Submitted by <i>firm</i> to the <i>PRA</i> before changes take place (see the <i>PRA's</i> requirements).
(12) <i>Person</i> remaining with the same <i>PRA-authorised person</i> in the circumstances described in example 9 in the table in SUP 10C.7.3G (ceasing to perform a <i>PRA controlled function</i> triggering need for <i>FCA</i> approval to perform the <i>other overall responsibility function</i> ).	E	Submitted by <i>firm</i> to the <i>FCA</i> in advance of giving up the <i>PRA controlled function</i> .
(13) <i>Person</i> with approval to perform the <i>other overall responsibility function</i> remaining with the same <i>firm</i> but ceasing to require approval to perform that function because of being approved to perform another <i>controlled function</i> (see the table in SUP 10C.7.3G for examples).	E	Submitted by <i>firm</i> to:  (a) the <i>PRA</i> (if the new function is a <i>PRA controlled function</i> and the <i>firm</i> is a <i>PRA-authorised person</i> ); or  (b) the <i>FCA</i> (if the new function is an <i>FCA controlled function</i> ).
(14) <i>Person</i> remaining with the same <i>PRA-authorised person</i> in the circumstances described in example 8 in the table in SUP 10C.9.9G (giving up a <i>PRA controlled function</i> triggering need for <i>FCA</i> approval).	E	Submitted by <i>firm</i> to the <i>FCA</i> in advance of giving up the <i>PRA controlled function</i> .
(15) <i>Firm</i> applying for the variation of a conditional approval.	Form I	
(16) <i>Firm</i> withdrawing an outstanding application to vary a conditional approval.	Form B	Submitted by the <i>firm</i> : signed by all <i>interested parties</i> .

Function	Form	Submission
(17) Significant change to an <i>approved person's</i> responsibilities.	Form J  Form J should not be used if the <i>firm</i> is also submitting a Form A, E or I for the same <i>SMF manager</i> .	The revised <i>statement of responsibilities</i> should be included. A <i>statement of responsibilities</i> must be submitted in the format prescribed by the <i>FCA</i> (SUP 10C Annex 10D).
(18) <i>Person (P)</i> has approval to perform an <i>FCA governing function</i> under SUP 10A (FCA Approved Persons in Appointed Representatives) for an <i>appointed representative</i> of an <i>SMCR firm (F)</i> . <i>P</i> then takes up an <i>FCA-designated senior management function</i> position with <i>F</i> itself and gives up their role with the <i>appointed representative</i> .	E	Submitted by <i>F</i> to the <i>FCA</i> before changes take place.  <i>F</i> should use a Form E because the function <i>P</i> performs for the <i>appointed representative</i> is treated as being performed in relation to <i>F</i> and so <i>P</i> is applying for approval to perform an <i>FCA-designated senior management function</i> in relation to the same <i>firm (F)</i> .



## **Form A: Application to perform senior management functions**

### Long Form A

Long Form A – Dual-regulated firms (including third country firms)

Long Form A – UK and Overseas Firms (not incoming third country) for MiFID authorisation applications

Long Form A – Solo-regulated firms (including third country)

### Short Form A

Short Form A – Dual-regulated firms (including third country firms)

Short Form A – Solo-regulated firms (including third country)



**Form B: Notice to withdraw an application to perform controlled  
functions (including senior management functions)**

Form B – Notice to withdraw an application to perform controlled functions (including senior management functions)



**Form C: Notice of ceasing to perform controlled functions including  
senior management functions**

Form C: Notice of ceasing to perform controlled functions including senior management functions



**Form D: Notification: Changes to personal information/application  
details and conduct breaches/disciplinary action related to conduct**

Form D – Notification: Changes to personal information/application details and conduct breaches/  
disciplinary action related to conduct



## **Form E: Internal transfer of a person performing a controlled function**

Form E – Internal transfer of a person performing a controlled function for dual-regulated firms

Form E: Internal transfer of a person performing a controlled function



**Form I: Application to add, vary or remove a conditional approval for  
the performance of a senior management function**

Form I – Application to add, vary or remove a conditional approval for the performance of a senior management function



**Form J: Notification of significant changes in responsibilities of a  
person performing a senior management function**

Form J – Notification of significant changes in responsibilities of a person performing a senior  
management function



## **Statement of responsibilities**

Statement of responsibilities for dual-regulated SMCR firms

Statement of responsibilities for solo-regulated SMCR firms



## **MiFID Article 4 SMR Information Form**

MiFID Article 4 SMR Information Form

