

Chapter 10C

FCA senior managers regime
for approved persons in
SMCR firms



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:

10C.5B.6 G

- (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.

- (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.