

Chapter 10C

FCA senior managers regime
for approved persons in
SMCR firms

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*);
- (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), ■ (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						
Money laundering reporting function	SMF 17	√	√	x		Note (3)
Part 2 (Claims management firms)						
(1)	(2)	(3)	(4)			
Brief description of function	Function number	Class 1 claims management firms	Other claims management firms			
Required functions						
Compliance oversight function	SMF 16	√	x			
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); and
- (7) column four of Part 2 of the table (Other Claims management firms) refers to SUP 10C Annex 1 7.1R(9).

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	√	x	x

(1)	(2)	(3)	(4)	(5)
<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-for-profit 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*.