

Senior managers and certification regime: Allocation of prescribed responsibilities

Chapter 24

Senior managers and
certification regime:
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responsibilities



24.2 Allocation of FCA-prescribed senior management responsibilities: Main allocation rules

Allocation of FCA-prescribed senior management responsibilities

24.2.1 **R** A firm must allocate each of the *FCA-prescribed senior management responsibilities* in the table in ■ SYSC 24.2.6R that apply to it to one or more *SMF managers* of the firm.

24.2.2 **G**

- (1) Subject to (2), ■ SYSC 24 Annex 1 (Which prescribed responsibilities apply to which kind of firm) sets out which *FCA-prescribed senior management responsibilities* apply to which kind of *SMCR firm*.
- (2) In some cases, an *FCA-prescribed senior management responsibility* is subject to further restrictions on the types of *firm* and circumstances to which it applies, as set out in the table in ■ SYSC 24.2.6R (Table: *FCA-prescribed senior management responsibilities*).

24.2.3 **R**

- (1) A firm may not allocate an *FCA-prescribed senior management responsibility* to an *SMF manager* who is only approved to perform the *other overall responsibility function* or the *other local responsibility function* for that firm, subject to (2).
- (2) A firm may allocate *FCA-prescribed senior management responsibility* (z) in the table in ■ SYSC 24.2.6R (functions in relation to *CASS*) to an *SMF manager* who is only approved to perform the *other overall responsibility function* or the *other local responsibility function*.

24.2.4 **R** A firm must make the allocations of *FCA-prescribed senior management responsibilities* in this chapter in such a way that it is clear who has which of those responsibilities.

What the FCA-prescribed senior management responsibilities are

24.2.5 **R** The *FCA-prescribed senior management responsibilities* are set out in the table in ■ SYSC 24.2.6R.

24.2.6 **R** Table: FCA-prescribed senior management responsibilities

FCA-prescribed senior management responsibility	Explanation	Reference letter
(1) Responsibility for the <i>firm's</i> performance of its obligations under the senior managers regime	<p>The senior managers regime means the requirements of the <i>regulatory system</i> applying to <i>SMCR firms</i> insofar as they relate to <i>SMF managers</i> performing <i>designated senior management functions</i>, including SUP 10C (FCA senior managers regime for approved persons).</p> <p>This responsibility includes:</p> <ul style="list-style-type: none"> (1) compliance with conditions and time limits on approval; (2) compliance with the requirements about the <i>statements of responsibilities</i> (but not the allocation of responsibilities recorded in them); (3) compliance by the <i>firm</i> with its obligations under section 60A of the Act (Vetting of candidates by authorised persons); and (4) compliance by the <i>firm</i> with the requirements in SYSC 22 (Regulatory references) (and the corresponding <i>PRA</i> requirements) so far as they relate to the senior managers regime, including the giving of references to another <i>firm</i> about an <i>SMF manager</i> or former <i>SMF manager</i>. 	(a)
(2) Responsibility for the <i>firm's</i> performance of its obligations under the certification regime	<p>The certification regime means the requirements of sections 63E and 63F of the <i>Act</i> (Certification of employees) and all other requirements of the <i>regulatory system</i> about the matters dealt with in or relating to those sections, including:</p> <ul style="list-style-type: none"> (1) SYSC 27 (Senior managers and certification regime: Certification Regime); (2) the requirements in SYSC 22 (Regulatory references) so far as they relate to the certification regime, including the giving of references to another <i>firm</i> about a <i>certification employee</i> or former <i>certification employee</i>; and 	(b)

FCA-prescribed senior management responsibility	Explanation	Reference letter
(3) Responsibility for the <i>firm's</i> policies and procedures for countering the risk that the <i>firm</i> might be used to further <i>financial crime</i>	<p>(3) the corresponding <i>PRA</i> requirements; and</p> <p>(4) the requirements in SUP 16.26 (Reporting of information about Directory persons), which require a <i>firm</i> to report information to the <i>FCA</i> about its <i>Directory persons</i>.</p> <p>(1) This includes:</p> <p>(a) responsibility for the <i>firm's</i> policies and procedures in relation to the matters in SYSC 3.2.6R (Systems and controls in relation to compliance, financial crime and money laundering);</p> <p>(b) the functions in SYSC 3.2.6HR or SYSC 6.3.8R (<i>firm</i> must allocate to a <i>director</i> or <i>senior manager</i> overall responsibility within the <i>firm</i> for the establishment and maintenance of effective anti-money laundering systems and controls);</p> <p>if any of those <i>rules</i> apply to the <i>firm</i>.</p>	(d)
<p>(4) Responsibility for the <i>firm's</i> obligations for:</p> <p>(a) conduct rules training; and</p> <p>(b) conduct rules reporting.</p>	<p>(2) The <i>firm</i> may allocate this <i>FCA-prescribed senior management responsibility</i> to the <i>MLRO</i> but does not have to.</p> <p>(3) If the <i>firm</i> does not allocate this <i>FCA-prescribed senior management responsibility</i> to the <i>MLRO</i>, this <i>FCA-prescribed senior management responsibility</i> includes responsibility for supervision of the <i>MLRO</i>.</p> <p>(1) The <i>firm's</i> obligations for conduct rules training means its obligations under section 64B of the <i>Act</i> (Rules of conduct: responsibilities of authorised persons).</p> <p>(2) The <i>firm's</i> obligations for conduct rules reporting means its obligations under section 64C of the <i>Act</i> (Requirement for authorised persons to notify regulator of disciplinary action).</p>	(b-1)
(5) Responsibility for:		(f)

FCA-prescribed senior management responsibility	Explanation	Reference letter
<p>(a) leading the development of; and</p> <p>(b) monitoring the effective implementation of;</p> <p>policies and procedures for the induction, training and professional development of all members of the <i>firm's governing body</i>.</p>		
<p>(6) Responsibility for monitoring the effective implementation of policies and procedures for the induction, training and professional development of all the <i>firm's</i>:</p> <p>(a) <i>SMF managers</i>; and</p> <p>(b) key function holders;</p> <p>other than members of the <i>firm's governing body</i>.</p>	<p>(1) Key function holder has the same meaning as it does in the Glossary Part of the <i>PRA Rulebook</i>.</p> <p>(2) Paragraph (b) of column (1) of this row (6) only applies to a <i>firm</i> if and to the extent that the <i>PRA's</i> requirements about key function holders apply to it.</p>	(g)
<p>(7) Responsibility for:</p> <p>(a) safeguarding the independence of; and</p> <p>(b) oversight of the performance of;</p> <p>the internal audit function, in accordance with the <i>internal audit requirements for SMCR firms</i> and the <i>PRA</i> requirements referred to in column (2) of this row</p>	<p>(1) This responsibility includes responsibility for:</p> <p>(a) safeguarding the independence of; and</p> <p>(b) oversight of the performance of;</p> <p>a person approved to perform the Head of Internal Audit function for the <i>firm</i> if that function applies to the <i>firm</i>.</p> <p>(2) This responsibility only applies if and to the extent that:</p> <p>(a) the <i>internal audit requirements for SMCR firms</i>; or</p> <p>(b) any requirements of the <i>PRA</i> about the matters in paragraph (1) of this column of this row (7);</p> <p>apply to the <i>firm</i>.</p>	(j)

FCA-prescribed senior management responsibility	Explanation	Reference letter
<p>(8) Responsibility for:</p> <p>(a) safeguarding the independence of; and</p> <p>(b) oversight of the performance of;</p> <p>the compliance function in accordance with the <i>compliance requirements for SMCR firms</i>.</p>	<p>(3) Independence means independence to the extent it is required by the requirements referred to in paragraph (2) of this column of this row (7).</p> <p>(4) The Head of Internal Audit function means the <i>head of internal audit function</i> or the <i>PRA's Head of Internal Audit designated senior management function</i>.</p> <p>(1) This responsibility includes responsibility for:</p> <p>(a) safeguarding the independence of; and</p> <p>(b) oversight of the performance of;</p> <p>the person performing the <i>compliance oversight function</i> for the <i>firm</i>.</p> <p>(2) This responsibility only applies if and to the extent that the <i>compliance requirements for SMCR firms</i> apply to the <i>firm</i>.</p> <p>(3) "Independence" means independence to the extent it is required by the <i>compliance requirements for SMCR firms</i>.</p>	(k)
<p>(9) Responsibility for:</p> <p>(a) safeguarding the independence of; and</p> <p>(b) oversight of the performance of;</p> <p>the risk function, in accordance with the <i>risk control requirements for SMCR firms</i> and the <i>PRA requirements</i> referred to in column (2) of this row (9).</p>	<p>(1) This responsibility includes responsibility for:</p> <p>(a) safeguarding the independence of; and</p> <p>(b) oversight of the performance of;</p> <p>a person approved to perform the Chief Risk function for the <i>firm</i> if that function applies to the <i>firm</i>.</p> <p>(2) This responsibility only applies if and to the extent that:</p> <p>(a) the <i>risk control requirements for SMCR firms</i>; or</p> <p>(b) any requirements of the <i>PRA</i> about the matters in paragraph (1) of this column of this row (9);</p> <p>apply to the <i>firm</i>.</p> <p>(3) "Independence" means independence to the extent it</p>	(l)

FCA-prescribed senior management responsibility	Explanation	Reference letter
(10) Responsibility for overseeing the development of and implementation of the <i>firm's</i> remuneration policies and practices in accordance with SYSC 19D (Remuneration Code)	<p>is required by the requirements referred to in paragraph (2) of this column of this row (9).</p> <p>(4) The Chief Risk function means the <i>chief risk officer function</i> or the <i>PRA's Chief Risk designated senior management function</i>.</p> <p>This responsibility does not apply to a <i>firm</i> to which SYSC 19D does not apply.</p>	(m)
(11) Responsibility for the <i>firm's</i> compliance with CASS	<p>(1) This responsibility only applies to a <i>firm</i> to which CASS applies.</p> <p>(2) A <i>firm</i> may include in this <i>FCA-prescribed senior management responsibility</i> whichever of the following functions apply to the <i>firm</i>:</p> <p>(a) CASS 1A.3.1R (certain CASS compliance functions for a <i>CASS small firm</i>);</p> <p>(b) CASS 1A.3.1AR (certain CASS compliance functions for a <i>CASS medium firm</i> or a <i>CASS large firm</i>);</p> <p>(c) CASS 11.3.1R (certain CASS compliance functions for certain <i>CASS small debt management firms</i>);</p> <p>(d) CASS 11.3.4R (certain CASS compliance functions for a <i>CASS large debt management firm</i>); or</p> <p>(e) CASS 13.2.3R (certain CASS compliance functions for a <i>firm</i> carrying on a <i>regulated claims management activity</i>);</p> <p>but it does not have to.</p> <p>(3) If the <i>firm</i> does not include the functions in paragraph (2) of this column of this row (11) in this <i>FCA-prescribed senior management responsibility</i>, this <i>FCA-prescribed senior management</i></p>	(z)

FCA-prescribed senior management responsibility	Explanation	Reference letter
(12) Responsibility for compliance with the requirements of the <i>regulatory system</i> about the <i>management responsibilities map</i>	<p><i>responsibility</i> includes re- responsibility for supervision of the person performing the functions in paragraph (2) of this column of this row (11) that apply to the <i>firm</i>.</p> <p>(1) This responsibility does not include allocating responsibilities recorded in the <i>management responsibilities map</i>.</p> <p>(2) This responsibility does not apply to a <i>firm</i> to which the requirements about <i>management responsibilities maps</i> in SYSC 25 (Senior managers and certification regime: Management responsibilities maps and handover procedures and material) do not apply.</p>	(c)
(13) Acting as the <i>firm's whistleblowers' champion</i>	<p>(1) The <i>whistleblowers' champion's</i> allocated responsibilities are set out in SYSC 18.4.4R.</p> <p>(2) This responsibility does not apply to a <i>firm</i> that is not required to have a <i>whistleblowers' champion</i>.</p>	(n)
<p>(14) Responsibility for:</p> <p>(a) providing for an effective internal audit function in accordance with one of the sections of the <i>PRA Rulebook</i> listed in paragraph (2) of column (2) of this row (14); and</p> <p>(b) overseeing the performance of the internal audit function.</p>	<p>(1) Only applies to a <i>firm</i>:</p> <p>(a) that outsources its internal audit function to an external third party service provider; and</p> <p>(b) to which one of the following internal audit <i>PRA-prescribed senior management responsibilities</i> applies:</p> <p>(i) the responsibility in rule 3.3(1) in the Insurance – Allocation of Responsibilities Part of the <i>PRA Rulebook</i>; or</p> <p>(ii) the responsibility in rule 3.2(1) in the Large Non-Solvency II Firms – Allocation of Responsibilities Part of the <i>PRA Rulebook</i>.</p> <p>(2) The parts of the <i>PRA Rulebook</i> referred to in column (1) of this row (14) are:</p> <p>(a) Solvency II firms - Conditions Governing Business 5; and</p> <p>(b) Non-Solvency II Firms – Governance 9.2.</p>	(j-2)

FCA-prescribed senior management responsibility	Explanation	Reference letter
<p>(15) Responsibility for management of the <i>firm's</i> risk management processes in the <i>UK</i></p> <p>(16) Responsibility for the <i>firm's</i> compliance with the <i>UK regulatory system</i> applicable to the <i>firm</i></p> <p>(17) Responsibility for the escalation of correspondence from the <i>PRA, FCA</i> and other regulators in respect of the <i>firm</i> to each of the <i>governing body</i> or the <i>management body</i> of the <i>firm</i> and, as appropriate, of the <i>firm's parent undertaking</i> and the ultimate <i>parent undertaking</i> of the <i>firm's group</i></p> <p>(18) Responsibility for taking reasonable steps to ensure that every <i>person</i> involved in the performance of the <i>firm's</i> internal audit function is independent from the <i>persons</i> who perform external audit, including:</p> <p>(a) supervision and management of the work of outsourced internal auditors; and</p> <p>(b) management of potential conflicts of interest between</p>	<p>(3) Terms used in column (1) of this row (14) have the same meaning as they do for the corresponding <i>PRA-prescribed senior management responsibility</i> described in paragraph (1) of this column of this row (14).</p> <p>This includes taking steps to ensure that the <i>senior management</i> of the <i>firm</i> and, where applicable, the <i>group</i>, are made aware of any views expressed by the <i>regulatory bodies</i> and any steps taken by them in relation to the <i>branch, firm</i> or <i>group</i>.</p> <p>This only applies if the <i>firm</i> outsources its internal audit function.</p>	<p>(aa)</p> <p>(ff)</p> <p>(ee)</p> <p>(j-3)</p>

FCA-prescribed senior management responsibility	Explanation	Reference letter
the provision of external audit and internal audit services.		
(19) Responsibility for: (a) managing the <i>firm's</i> internal stress tests; and (b) ensuring the accuracy and timeliness of information provided to the <i>FCA</i> and other <i>regulatory bodies</i> for the purposes of stress testing.	Stress testing refers to stress testing under MIFIDPRU 7.5 (ICARA process: capital and liquidity planning, stress testing, wind-down planning and recovery planning). This responsibility only applies to a <i>firm</i> to which MIFIDPRU 7.5 applies.	(s)
(20) The responsibilities allocated under COLL 6.6.27R , COLL 8.5.22R or COLL 15.7.24R (Allocation of responsibility for compliance to an approved person).	Only applies to a <i>firm</i> to which the <i>rules</i> in column (1) apply.	(za)
(21) Responsibility for the development and maintenance of the <i>firm's</i> business model by the <i>governing body</i> .	Business model means the same thing as it does in Schedule 6 to the <i>Act</i> (Threshold Conditions). This responsibility applies even if the business model <i>threshold condition</i> does not apply to it.	(t)