

## Chapter 24

# Senior managers and certification regime: Allocation of prescribed 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.
- 24.2.5

R

What the *FCA-prescribed senior management responsibilities* are

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> <p>(1) compliance with conditions and time limits on approval;</p> <p>(2) compliance with the requirements about the <i>statements of responsibilities</i> (but not the allocation of responsibilities recorded in them);</p> <p>(3) compliance by the <i>firm</i> with its obligations under section 60A of the Act (Vetting of candidates by authorised persons); and</p> <p>(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>.</p>	(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 Act (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> <p>(1) SYSC 27 (Senior managers and certification regime: Certification Regime);</p> <p>(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</p>	(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>	(3) the corresponding <i>PRA</i> requirements; and  (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> .	
	(1) This includes:  (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);  (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);  if any of those <i>rules</i> apply to the <i>firm</i> .  (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.  (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> .	(d)
(4) Responsibility for the <i>firm's</i> obligations for:  (a) conduct rules training; and  (b) conduct rules reporting.	(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).  (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).	(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>(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 requirements</i> referred to in column (2) of this row</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> <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>	<p>(g)</p> <p>(j)</p>

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

FCA-prescribed senior management responsibility	Explanation	Reference letter
	is required by the requirements referred to in paragraph (2) of this column of this row (9).	
	(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> .	
(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)	This responsibility does not apply to a <i>firm</i> to which SYSC 19D does not apply.	(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
	<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> .	
(12) Responsibility for compliance with the requirements of the <i>regulatory system</i> about the <i>management responsibilities map</i>	<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
	(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).	
(15) Responsibility for management of the <i>firm's</i> risk management processes in the <i>UK</i>		(aa)
(16) Responsibility for the <i>firm's</i> compliance with the <i>UK regulatory system</i> applicable to the <i>firm</i>		(ff)
(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>	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> .	(ee)
(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:  (a) supervision and management of the work of outsourced internal auditors; and  (b) management of potential conflicts of interest between	This only applies if the <i>firm</i> outsources its internal audit function.	(j-3)

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 <a href="#">MIFIDPRU 7.5</a> (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 <a href="#">MIFIDPRU 7.5</a> applies.	(s)
(20) The responsibilities allocated under <a href="#">COLL 6.6.27R</a> , <a href="#">COLL 8.5.22R</a> or <a href="#">COLL 15.7.24R</a> (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)