

CONTROLLED FUNCTIONS (AMENDMENT) INSTRUMENT 2010**Powers exercised**

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 59 (Approval for particular arrangements);
 - (2) section 60 (Applications for approval);
 - (3) section 64 (Conduct: statements and codes);
 - (4) section 138 (General rule-making power);
 - (5) section 156 (General supplementary powers); and
 - (6) section 157(1) (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 May 2011

Amendments to the Handbook

- D. The modules of the FSA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2) below:

(1)	(2)
Glossary of definitions	Annex A
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex B
Statements of Principle and Code of Practice for Approved Persons (APER)	Annex C
The Fit and Proper test for Approved Persons (FIT)	Annex D
Supervision manual (SUP)	Annex E
Credit Unions sourcebook (CRED)	Annex F

Citation

- E. This instrument may be cited as the Controlled Functions (Amendment) Instrument 2010.

By order of the Board
23 September 2010

Annex A

Amendments to the Glossary of definitions

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

<i>chairman function</i>	<i>controlled function</i> CF2a in the <i>table of controlled functions</i> , described more fully in SUP 10.6.9AR.
<i>chairman of the audit committee function</i>	<i>controlled function</i> CF2d in the <i>table of controlled functions</i> , described more fully in SUP 10.6.9BR.
<i>chairman of the remuneration committee function</i>	<i>controlled function</i> CF2e in the <i>table of controlled functions</i> , described more fully in SUP 10.6.9CR.
<i>chairman of the risk committee function</i>	<i>controlled function</i> CF2c in the <i>table of controlled functions</i> , described more fully in SUP 10.6.9DR.
<i>finance function</i>	<i>controlled function</i> CF13 in the <i>table of controlled functions</i> , described more fully in SUP 10.8.1R.
<i>internal audit function</i>	<i>controlled function</i> CF15 in the <i>table of controlled functions</i> , described more fully in SUP 10.8.3R.
<i>parent entity significant influence function</i>	<i>controlled function</i> CF00 in the <i>table of controlled functions</i> , described more fully in SUP 10.6.30R.
<i>risk function</i>	<i>controlled function</i> CF14 in the <i>table of controlled functions</i> , described more fully in SUP 10.8.2R.
<i>senior independent director function</i>	<i>controlled function</i> CF2b in the <i>table of controlled functions</i> , described more fully in SUP 10.6.9ER.

Amend the following as shown. Underlining indicates new text and strikethrough indicates deleted text.

<i>governing function</i>	any of <i>controlled functions</i> 4 <u>CF00</u> to 6 in the <i>table of controlled functions</i> (<u>SUP 10.4.5R</u>).
<i>systems and controls function</i>	<u>any of</u> <i>controlled functions</i> CF28 <u>13 to 15</u> in the <i>table of controlled functions</i> (<u>SUP 10.4.5R</u>), <u>and</u> described more fully in SUP 10.8. 1R .

Annex B

Amendments to the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

1.1A Application

- 1.1A.1 G The application of this sourcebook is summarised at a high level in the following table. The detailed application is cut back in SYSC 1 Annex 1 and in the text of each chapter.

Type of firm	Applicable chapters
<i>Insurer</i>	Chapters 2, 3, 11 to 18, <u>21</u>
<i>Managing agent</i>	Chapters 2, 3, 11, 12, 18, <u>21</u>
<i>Society</i>	Chapters 2, 3, 12, 18, <u>21</u>
Every other <i>firm</i>	Chapters 4 to 12, 18, 19, <u>21</u>

...

1.4 Application of SYSC 11 to SYSC ~~19~~21

What?

- 1.4.1 G The application of each of chapters SYSC 11 to SYSC ~~19~~21 is set out in those chapters.

Actions for damages

- 1.4.2 G A contravention of a *rule* in SYSC 11 to SYSC ~~19~~21 does not give rise to a right of action by a *private person* under section 150 of the *Act* (and each of those *rules* is specified under section 150(2) of the *Act* as a provision giving rise to no such right of action).

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2.1 Apportionment of Responsibilities

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- 2.1.1A G *Firms* should also consider the additional *guidance* on risk-centric governance arrangements for effective risk management contained in SYSC

21.

- 2.1.2 G The role undertaken by a *non-executive director* will vary from one *firm* to another. For example, the role of a *non-executive director* in a *friendly society* may be more extensive than in other *firms*. Where a *non-executive director* is an *approved person*, for example where the *firm* is a *body corporate*, his responsibility and therefore liability will be limited by the role that he undertakes. ~~Provided that he has personally taken due care in his role, a *non-executive director* would not be held disciplinarily liable either for the failings of the *firm* or for those of individuals within the *firm*. The *non-executive director function*, for the purposes of the *approved persons regime*, is described in *SUP 10*.~~

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3.1 Systems and controls

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- 3.1.2A G *Firms* should also consider the additional *guidance* on risk-centric governance arrangements for effective risk management contained in *SYSC 21*.

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3.2 Areas covered by systems and controls

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Risk assessment

- 3.2.10 G (1) Depending on the nature, scale and complexity of its business, it may be appropriate for a *firm* to have a separate risk assessment function responsible for assessing the risks that the *firm* faces and advising the *governing body* and *senior manager* on them.
- (2) ...
- (3) The term 'risk assessment-function' refers to the generally understood concept of risk assessment within a *firm*, that is, the function of setting and controlling risk exposure. The 'risk assessment function' is not a *controlled function* itself, ~~but is part of the *systems and controls functions* (CF28).~~ However, the *person* who reports to the *governing body* of a *firm*, or its risk committee (or its equivalent) in relation to setting and controlling a *firm's* risk exposure, may perform the *risk function*, which is *controlled function 14*, as described in *SUP 10.8.2R*.
- (4) The *FSA* expects that where a *person* is performing the *risk function* as described in *SUP 10.8.2R*, that *person* will be an employee, partner or officer of the *firm*. The *FSA* would expect *firms* not to outsource *controlled function 14* to an employee of an external

service provider.

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Internal audit

- 3.2.16 G (1) Depending on the nature, scale and complexity of its business, it may be appropriate for a *firm* to delegate much of the task of monitoring the appropriateness and effectiveness of its systems and controls to an internal audit function. An internal audit function should have clear responsibilities and reporting lines to an audit committee or appropriate *senior manager*, be adequately resourced and staffed by competent individuals, be independent of the day-to-day activities of the *firm* and have appropriate access to a *firm*'s records.
- (2) The term 'internal audit function' refers to the generally understood concept of internal audit within a *firm*, that is, the function of assessing adherence to and the effectiveness of internal systems and controls, procedures and policies. The 'internal audit function' is not a *controlled function* itself, but is part of the *systems and controls function* (CF28). However, the *person* who reports to the *governing body* of a *firm*, or its audit committee (or its equivalent) in relation to controlling adherence to a *firm*'s internal systems and controls, may perform the *internal audit function*, which is *controlled function 15*, as described in SUP 10.8.3R.
- (3) The FSA expects that where a *person* is performing the *internal audit function* as described in SUP 10.8.3R, that *person* will be an *employee, partner or officer of the firm*. The FSA would expect *firms* not to outsource *controlled function 15* to an employee of an external service provider.

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4.1 General requirements

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Risk control: additional guidance

- 4.1.13 G *Firms* should also consider the additional *guidance on risk-centric governance arrangements for effective risk management contained in SYSC 21.*

Apportionment of responsibilities: the role of the non-executive director

- 4.1.14 G The role undertaken by a *non-executive director* will vary from one *firm* to another. Where a *non-executive director* is an *approved person*, for example where the *firm* is a *body corporate*, his responsibility and therefore liability will be limited by the role that he undertakes.

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4.4 Apportionment of Responsibilities

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Maintaining a clear and appropriate apportionment

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- 4.4.4 G ~~The role undertaken by a *non-executive director* will vary from one *firm* to another. Where a *non-executive director* is an *approved person*, for example where the *firm* is a *body corporate*, his responsibility and therefore liability will be limited by the role that he undertakes. Provided that he has personally taken due care in his role, a *non-executive director* would not be held disciplinarily liable either for the failings of the *firm* or for those of individuals within the *firm*. The *non-executive director* function, for the purposes of the *approved persons* regime is described in SUP 10. [deleted]~~

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6.2 Internal audit

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- 6.2.2 G The term ‘internal audit function’ in SYSC 6.2.1R (and SYSC 4.1.11G) refers to the generally understood concept of internal audit within a *firm*, that is, the function of assessing adherence to and the effectiveness of internal systems and controls, procedures and policies. The ‘internal audit function’ is not a *controlled function* itself, ~~but is part of the *systems and controls function* (CF28).~~ However, the person who reports to the governing body of a *firm*, or its audit committee (or its equivalent) in relation to controlling adherence to a *firm*’s internal systems and controls, may perform the *internal audit function*, which is *controlled function* 15, as described in SUP 10.8.3R.
- 6.2.3 G The FSA expects that where a *person* is performing the *internal audit function* as described in SUP 10.8.3R, that *person* will be an employee, partner or officer of the *firm*. The FSA would expect *firms* not to outsource *controlled function* 15 to an employee of an external service provider.

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7.1 Risk control

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- 7.1.7C G *Firms* should also consider the additional *guidance* on risk-centric governance arrangements for effective risk management contained in SYSC 21.

- 7.1.8 G (1) SYSC 4.1.3R requires a *BIPRU firm* to ensure that its internal control mechanisms and administrative and accounting procedures permit the verification of its compliance with *rules* adopted in accordance with the *Capital Adequacy Directive* at all times. In complying with this obligation, a *BIPRU firm* should document the organisation and responsibilities of its risk management function and it should document its risk management framework setting out how the risks in the business are identified, measured, monitored and controlled.
- (2) The term ‘risk management function’ in SYSC 7.1.6R and SYSC 7.1.7R refers to the generally understood concept of risk assessment within a *firm*, that is, the function of setting and controlling risk exposure. The ‘risk management function’ is not a *controlled function* itself, ~~but is part of the *systems and controls function* (CF28).~~ However, the *person* who reports to the *governing body* of a *firm*, or its risk committee (or its equivalent) in relation to setting and controlling a *firm’s* risk exposure, may perform the *risk function*, which is *controlled function 14*, as described in SUP 10.8.2R.
- (3) The *FSA* expects that where a *person* is performing the *risk function* as described in SUP 10.8.2R, that *person* will be an employee, partner or officer of the *firm*. The *FSA* would expect *firms* not to outsource *controlled function 14* to an employee of an external service provider.

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14 Prudential risk management and associated systems and controls for insurers

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Internal controls: risk assessment

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- 14.1.39 G (1) In accordance with SYSC 3.2.10G a *firm* should consider whether it needs to set up a separate risk assessment function (or functions) that is responsible for assessing the risks that the *firm* faces and advising its *governing body* and *senior managers* on them.
- (2) The term ‘risk assessment function’ refers to the generally understood concept of risk assessment within a *firm*, that is, the function of setting and controlling risk exposure. The ‘risk assessment function’ is not a *controlled function* itself, ~~but is part of the *systems and controls function* (CF28).~~ However, the *person* who reports to the *governing body* of a *firm*, or its risk committee (or its equivalent) in relation to setting and controlling a *firm’s* risk exposure, may perform the *risk function*, which is *controlled function 14*, as described in SUP 10.8.2R.
- (3) The *FSA* expects that where a *person* is performing the *risk function*

as described in SUP 10.8.2R, that *person* will be an employee, partner or officer of the *firm*. The FSA would expect *firms* not to outsource *controlled function* 14 to an employee of an external service provider.

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Internal audit

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- 14.1.43 G (1) In accordance with SYSC 3.2.15G and SYSC 3.2.16G, a *firm* should consider whether it needs to set up a dedicated internal audit function.
- (2) The term ‘internal audit function’ refers to the generally understood concept of internal audit within a *firm*, that is, the function of assessing adherence to and the effectiveness of internal systems and controls, procedures and policies. The ‘internal audit function’ is not a *controlled function* itself, ~~but is part of the *systems and controls function* (CF28).~~ However, the *person* who reports to the *governing body* of a *firm*, or its audit committee (or its equivalent) in relation to controlling adherence to a *firm*’s internal systems and controls, may perform the *internal audit function*, which is *controlled function* 15, as described in SUP 10.8.3R.
- (3) The FSA expects that where a *person* is performing the *internal audit function* as described in SUP 10.8.3R, that *person* will be an employee, partner or officer of the *firm*. The FSA would expect *firms* not to outsource *controlled function* 15 to an employee of an external service provider.

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After SYSC 20, insert the following new chapter. The text is not underlined.

21 Risk control: additional guidance

21.1 Risk control: guidance on governance arrangements

Additional guidance on governance arrangements

- 21.1.1 G (1) This chapter provides additional guidance on risk-centric governance arrangements for effective risk management. It expands upon the general organisational requirements in SYSC 2, SYSC 3, SYSC 4 and SYSC 7, and so applies to the same extent as SYSC 3.1.1R (for *insurers, managing agents* and the *Society*) and SYSC 4.1.1R (for every other *firm*).

- (2) *Firms* should, taking account of their size, nature and complexity, consider whether in order to fulfil the general organisational requirements in *SYSC 2*, *SYSC 3*, *SYSC 4* and *SYSC 7* their risk control arrangements should include:
- (a) appointing a Chief Risk Officer; and
 - (b) establishing a *governing body* risk committee.

The functions of a Chief Risk Officer and *governing body* risk committee are explained further in this section.

- (3) The *FSA* considers that *banks* and *insurers* that are included in the FTSE 100 Index are examples of the types of *firm* that should structure their risk control arrangements in this way. However, this *guidance* will also be relevant to some similar sized *firms* (whether or not *listed*) and some smaller *firms*, by virtue of their risk profile or complexity.

Chief Risk Officer

- 21.1.2 G (1) A Chief Risk Officer should:
- (a) be accountable to the *firm's governing body* for oversight of *firm-wide* risk management;
 - (b) be fully independent of a *firm's* individual business units;
 - (c) have sufficient authority, stature and resources for the effective execution of his responsibilities;
 - (d) have unfettered access to any parts of the *firm's* business capable of having an impact on the *firm's* risk profile;
 - (e) ensure that the data used by the *firm* to assess its risks are fit for purpose in terms of quality, quantity and breadth;
 - (f) provide oversight and challenge of the *firm's* systems and controls in respect of risk management;
 - (g) provide oversight and validation of the *firm's* external reporting of risk;
 - (h) ensure the adequacy of risk information, risk analysis and risk training provided to members of the *firm's governing body*;
 - (i) report to the *firm's governing body* on the *firm's* risk exposures relative to its risk appetite and tolerance, and the extent to which the risks inherent in any proposed business strategy and plans are consistent with the *governing body's* risk appetite and tolerance. The Chief Risk Officer should also alert the *firm's governing body* to and provide challenge on, any business

strategy or plans that exceed the *firm's* risk appetite and tolerance;

- (j) provide risk-focused advice and information into the setting and individual application of the *firm's remuneration* policy (where the *Remuneration Code* applies, see Remuneration Principle 2 at SYSC 19.3.3E).

- (2) *Firms* will need to seek the *FSA's* approval for a Chief Risk Officer to perform the *risk function* (see SUP 10 (Approved persons)).
- (3) The *FSA* expects that where a *firm* is part of a *group* it will structure its arrangements so that a Chief Risk Officer at an appropriate level within the *group* will exercise functions in (1) taking into account *group-wide* risks.

Reporting lines of Chief Risk Officer

- 21.1.3 G (1) The Chief Risk Officer should be accountable to a *firm's governing body*.
- (2) The *FSA* recognises that in addition to the Chief Risk Officer's primary accountability to the *governing body*, an executive reporting line will be necessary for operational purposes. Accordingly, to the extent necessary for effective operational management, the Chief Risk Officer should report into a very senior executive level in the *firm*. In practice, the *FSA* expects this will be to the *chief executive*, the chief finance officer or to another executive *director*.

Appointment of Chief Risk Officer

- 21.1.4 G (1) *Firms* should ensure that a Chief Risk Officer's *remuneration* is subject to approval by the *firm's governing body*, or an appropriate sub-committee.
- (2) *Firms* should also ensure that the Chief Risk Officer may not be removed from that role without the approval of the *firm's governing body*.

Governing body risk committee

- 21.1.5 G (1) The *FSA* considers that, while the *firm's governing body* is ultimately responsible for risk governance throughout the business, *firms* should consider establishing a *governing body* risk committee to provide focused support and advice on risk governance.
- (2) Where a *firm* has established a *governing body* risk committee, its responsibilities will typically include:
- (a) providing advice to the *firm's governing body* on risk strategy, including the oversight of current risk exposures of the *firm*,

with particular, but not exclusive, emphasis on prudential risks;

- (b) development of proposals for consideration by the *governing body* in respect of overall risk appetite and tolerance, as well as the metrics to be used to monitor the *firm's* risk management performance;
 - (c) oversight and challenge of the design and execution of stress and scenario testing;
 - (d) oversight and challenge of the day-to-day risk management and oversight arrangements of the executive;
 - (e) oversight and challenge of due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the *governing body*;
 - (f) provide advice to the *firm's remuneration committee* on risk weightings to be applied to performance objectives incorporated in the incentive structure for the executive;
 - (g) providing advice, oversight and challenge necessary to embed and maintain a supportive risk culture throughout the *firm*.
- (3) Where a *governing body* risk committee is established, its chairman should be a *non-executive director*, and while its membership should predominantly be non-executive it may be appropriate to include senior executives such as the chief finance officer.

- 21.1.6 G In carrying out their risk governance responsibilities, a *firm's governing body* and *governing body* risk committee should have regard to any relevant advice from its audit committee or internal audit function concerning the effectiveness of its current control framework. In addition, they should remain alert to the possible need for expert advice and support on any risk issue, taking action to ensure that they receive such advice and support as may be necessary to meet their responsibilities effectively.

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Annex C

Amendments to the Statements of Principle and Code of Practice for Approved Persons (APER)

In this Annex, all the text is new and is not underlined.

After APER 3.2 insert the following new section.

3.2A Factors relating to the conduct of an approved person performing the parent entity significant influence function

- 3.2A.1 G A list of frequently asked questions concerning the application of the *Statements of Principle* to an *approved person* performing the *parent entity significant influence function* is at Schedule 7 to the *Code of Practice for Approved Persons*.

After APER 4, insert the following new appendix.

Appendix 1 Frequently Asked Questions concerning the conduct of Approved Persons performing the Parent Entity Significant Influence Function

Q1 What do these questions cover?

These questions consider how *APER* applies to a person carrying out the *parent entity significant influence function* (*SUP* 10.6.30R to *SUP* 10.6.32G, and *SUP* 10.6.33G for FAQs) when he is not formally appointed as an officer or official of the *firm*.

Use of the term “firm” in these FAQs refers to the authorised subsidiary.

Q2 What are the general principles?

All *approved persons* are required to abide by *APER*, including those performing the *parent entity significant influence function*.

APER applies to the *parent entity significant influence function* as it does to the other significant influence functions. As such, (as well as *Statements of Principle* 1 to 4, which apply to all *approved persons*) *Statements of Principle* 5 to 7, which relate to the exercise of significant influence, will apply to persons performing the *parent entity significant influence function*.

Part of the definition of the *parent entity significant influence function* is that the person concerned is one whose decisions or actions are regularly taken into account by the *governing body* of the firm. Therefore, in assessing the standards applicable to the *parent entity significant influence function*, it should be treated as a *governing body* level role. The standards expected of a person carrying out this role are similar to those of a *director* or a *non-executive director* (or equivalent), of the firm, and the same as the standards that would apply if the firm had formally appointed the person to carry out the functions from a position within the firm.

Q3 What parts of the business is a person carrying out this function responsible for?

Several provisions of *APER* 5 to 7 refer to the business for which the *approved person* is responsible. In the case of a person performing the *parent entity significant influence function*, this refers to areas of the business to which the decisions or actions regularly taken into account by the *governing body* of the firm relate.

A CF00's responsibilities do not necessarily extend to the whole of the firm's business. They will only extend to the part of the firm's business covered by his decisions or actions that the firm's governing body regularly takes into account (see *SUP* 10.6.33G for FAQs). This is in contrast to the role of the *director*, which covers the whole of a firm's business.

Q4 Does a person carrying out this function manage the business?

The parts of *APER* 5 to 7 that deal with how an *approved person* performing a *significant influence function* should manage the business of a firm for which he is responsible in his *controlled function* will generally apply. The seniority of the role combined with the tasks that have to be carried out to perform the role properly will mean that the individual is carrying out a management role.

Q5 Does a person carrying out this function control any part of the business?

Various parts of *APER* deal with how an *approved person* should carry out his responsibilities for the areas of the business under his control. These parts of *APER* may not apply to someone carrying out the *parent entity significant influence function*. That is because that function will often fall short of controlling part of the firm's business.

The way in which a person performing the *parent entity significant influence function* discharges his responsibilities under *APER* may differ from an executive of the firm. As he may not have any direct control over areas of the firm's business, he may only need to satisfy himself that the firm has the appropriate systems and controls in place to address the requirements set out in *APER*, rather than implementing those controls personally. In this respect his role may be similar to that of a *non-executive director*.

Q6 What level of understanding does a person carrying out this function need to

have?

A person performing the *parent entity significant influence function* will need to have whatever level of understanding of the firm's business is appropriate in order to carry out his role properly and to meet the requirements of *APER* relating to that role. The fact that the *approved person* may not have been formally appointed by the firm or that his functions are exercised indirectly does not reduce the level of understanding he is expected to have. The same principle applies to establishing what it is reasonable to expect him to know and what steps are reasonable for him to take to inform himself about the affairs of the firm. (See also Q2).

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Annex D

Amendments to the Fit and Proper test for Approved Persons (FIT)

In this Annex, underlining indicates new text and striking through indicates deleted text.

2.2 Competence and capability

- 2.2.1 G In determining a *person's* competence and capability, the *FSA* will have regard to all relevant matters including but not limited to:
- (1) whether the *person* satisfies the relevant *FSA* training and competence requirements in relation to the *controlled function* the *person* performs or is intended to perform;
 - (2) whether the *person* has demonstrated by experience and training that the *person* is suitable, or will be suitable if approved, to perform the *controlled function*;
 - (3) whether the *person* has adequate time to perform the *controlled function* and meet the responsibilities associated with that function.

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- 2.2.3 G In considering whether a *person* performing the *controlled functions* 2 and 2a to 2e inclusive has adequate time to perform that *controlled function*, the *FSA* may take into account the process a *firm* has undertaken to determine the time commitment required.

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Annex E

Amendments to the Supervision manual (SUP)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

10.1 Application

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Overseas firms: UK establishments

10.1.7 R Only the following *controlled functions* apply to an *overseas firm* which maintains an establishment in the *United Kingdom* from which *regulated activities* are carried on:

- (1) ~~the *director function* where the *person* performing that function:~~
- (a) ~~has responsibility for the *regulated activities* of a *UK branch* which are likely to enable him to exercise significant influence over that branch; or~~
 - (b) ~~is someone whose decisions or actions are regularly taken into account by the *governing body* of that branch.~~

the following *governing functions* where the *person* performing that function either has responsibility for the *regulated activities* of a *UK branch* which are likely to enable him to exercise significant influence over that branch or is someone whose decisions or actions are regularly taken into account by the *governing body* of that branch:

- (a) the *director function*;
- (b) the *non-executive director function*;
- (c) the *chairman function*;
- (d) the *chairman of the audit committee function*;
- (e) the *chairman of the remuneration committee function*;
- (f) the *chairman of the risk committee function*;
- (g) the *senior independent director function*;
- (h) the *chief executive function*;
- (i) the *parent entity significant influence function*;

- (2) ~~the non-executive director function where the person performing that function:~~
- (a) ~~has responsibility for the regulated activities of a UK branch which is likely to enable him to exercise significant influence over that branch; or~~
 - (b) ~~is someone whose decisions or actions are regularly taken into account by the governing body of that branch. [deleted]~~
- (3) ~~the chief executive function; [deleted]~~
- (4) the *required functions*;
- (5) the *systems and controls function functions*;
- (6) the *significant management function* in so far as the function relates to:
- (a) *designated investment business business* other than *dealing in investments as principal*, disregarding article 15 of the *Regulated Activities Order*; or
 - (b) the processing confirmations, payments, settlements, insurance claims, *client money* and similar matters in so far as this relates to *designated investment business*; and
- (5) the *customer function*.

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Incoming EEA firms: passported activities from a branch

- 10.1.13 R Only the following *controlled functions* apply to an *incoming EEA firm* with respect to its *passported activities* carried on from a *branch* in the *United Kingdom*:
- (1) [deleted]
 - (2) [deleted]
 - (3) the *money laundering reporting function*;
 - (4) the *significant management function* in so far as the function relates to:
 - (a) *designated investment business* other than *dealing in investments as principal*, disregarding article 15 of the *Regulated Activities Order*; or
 - (b) processing confirmations, payments, settlements, insurance claims, *client money* and similar matters in so far as this

relates to *designated investment business*; ~~and~~ or

(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); and

(5) [deleted]

(6) the *customer function* other than where this relates to the function in SUP 10.10.7AR(4).

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Incoming EEA firms with a top-up permission activities from a UK branch

- 10.1.14 R In relation to the activities of a *firm* for which it has a *top-up permission*, only the following *controlled functions* apply:
- (1) the *required functions*, other than the *apportionment and oversight function* and the *compliance oversight function*;
 - (2) the *significant management function* in so far as it relates to:
 - (a) *designated investment business* other than *dealing in investments as principal*, disregarding article 15 of the *Regulated Activities Order*; or
 - (b) processing confirmations, payments, settlements, insurance claims, *client money* and similar matters in so far as this relates to *designated investment business*; ~~and~~ or
 - (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); and
 - (3) [deleted]
 - (4) the *customer function*.

- 10.1.15 ~~G~~ R ~~[deleted]~~ A *person* does not perform the *significant management function* for a *firm* under SUP 10.1.13R or SUP 10.1.14 R if that *person* would not have been treated as performing any *controlled function* for that *firm* if that *firm* had been a *UK firm*.

Appointed Representatives

- 10.1.16 R The descriptions of the following *controlled functions* apply to an *appointed representative* of a *firm*, except an *introducer appointed representative*, as they apply to a *firm*:
- (1) the *governing functions* 1 to 6 (excluding 2a to 2e), subject to SUP 10.1.16AR and except for a *tied agent* of an *EEA MIFID investment*

firm; and

...

...

10.4 Specification of functions

...

Controlled Table of controlled functions

10.4.5 R

Type	CF	Description of controlled function
<i>Governing functions*</i>	<u>00</u>	<u><i>Parent entity significant influence function</i></u>
	1	<i>Director function</i>
	2	<i>Non-executive director function</i>
	<u>2a</u>	<u><i>Chairman function</i></u>
	<u>2b</u>	<u><i>Senior independent director</i></u>
	<u>2c</u>	<u><i>Chairman of the risk committee function</i></u>
	<u>2d</u>	<u><i>Chairman of the audit committee function</i></u>
	<u>2e</u>	<u><i>Chairman of the remuneration committee function</i></u>
	3	<i>Chief executive function</i>
	4	<i>Partner function</i>
	5	<i>Director of unincorporated association function</i>
	6	<i>Small friendly society function</i>
<i>Required functions*</i>	8	<i>Apportionment and oversight function</i>
	10	<i>Compliance oversight function</i>
	11	<i>Money laundering reporting function</i>
	12	<i>Actuarial function</i>
	12a	<i>With-profits actuary function</i>

	12b	<i>Lloyd's actuary function</i>
<i>Systems and controls function functions*</i>	28	<i>Systems and controls function</i>
	13	<i>Finance function</i>
	14	<i>Risk function</i>
	15	<i>Internal audit function</i>
...		

...

10.5 Significant influence functions

What are the significant influence functions?

- 10.5.1 G The *significant influence functions*, which are specified in SUP 10.4.1R, comprise the *governing functions* (see SUP 10.6), the *required functions* (see SUP 10.7), the *systems and controls function functions* (see SUP 10.8) and the *significant management functions* (see SUP 10.9). SUP 10.5 applies to each of the *significant influence functions*.

...

10.6 Governing functions

...

- 10.6.2 R Each of the *governing functions* (other than the *non-executive director function* and the function described in SUP 10.6.4R(2)) includes where apportioned under SYSC 2.1.1R or SYSC 4.3.1R and SYSC 4.4.3R:
- (1) ~~the systems and controls function;~~ and
- (2) the *significant management function*.
- 10.6.3 G The effect of SUP 10.6.2R is that a person who is approved to perform a *governing function* (other than the *non-executive director function* and the function described in SUP 10.6.4R(2)) will not have to be specifically approved to perform the ~~systems and controls function~~ or the *significant management function*. A person who is approved to perform a *governing function* will have to be additionally approved before he can perform any of the systems and controls functions, the required functions or the *customer function*.

...

Director function (CF1)

- 10.6.4 R If a *firm* is a *body corporate* (other than a *limited liability partnership*), the *director function* is the function of acting in the capacity of either a:
- ~~(1)~~ director (other than a *non-executive director*) of that *firm*; ~~or~~
 - ~~(2)~~ a person:
 - (a) who is a *director*, partner, officer, member (if the *parent undertaking* or *holding company* is a *limited liability partnership*), *senior manager*, or employee (other than a *non-executive director*) of a the *parent undertaking* or *holding company* (except where that *parent undertaking* or *holding company* is an *EEA firm*); and
 - (b) whose decisions or actions are regularly taken into account by the *governing body* of the *firm*.
- 10.6.5 G Examples of where *SUP 10.6.4R(2)* would apply include (but are not limited to):
- (1) a chairman of an audit committee of a *parent undertaking* or *holding company* of a *UK firm* where that audit committee is working for that *UK firm* (that is, functioning as the audit committee for the *group*); ~~or~~
 - (2) a director (other than a *non-executive director*) of a *parent undertaking* or *holding company* of a *UK firm* exercising significant influence by way of his involvement in taking decisions for that *UK firm*; or
 - (3) an individual (such as a *senior manager*) of a *parent undertaking* or *holding company* of a *UK firm* who is responsible for and/or has significant influence in setting the objectives for and the remuneration of executive *directors* of that *UK firm*; or
 - (4) an individual who is a *director* (other than a *non-executive director*) or a *senior manager* of a *parent undertaking* or *holding company* of a *UK firm* who is accustomed to influencing the operations of that *UK firm*, and acts in a manner in which it can reasonably be expected that an executive *director* or *senior manager* of that *UK firm* would act; or
 - (5) an individual of an *overseas firm* which maintains an establishment in the *United Kingdom* from which *regulated activities* are carried on where that individual has responsibilities for those *regulated activities* which are likely to enable him to exercise significant influence over the *UK branch*. ~~[deleted]~~

...

Non-executive director function (CF2)

- 10.6.8 R (1) If a *firm* is a *body corporate*, the *non-executive director function* is the function of acting in the capacity of either a:
- (a) *non-executive director* of that *firm*; or
 - (b) ~~*non-executive director of a parent undertaking or holding company* (except where that *parent undertaking or holding company* has a *Part IV permission* or is regulated by an *EEA regulator*) whose decisions, or actions are regularly taken into account by the *governing body* of the *firm*.~~
- (2) If a *firm* is a *long-term insurer*, the *non-executive director function* is also the function of acting in the capacity of an individual (other than an individual performing the *director function* or the *non-executive director function* under (1)) who, as a member of a committee having the purpose of a *with-profits committee*, has responsibility in relation to corporate arrangements for *with-profits business* under COBS 20.3 (Principles and Practices of Financial Management).
- 10.6.9 G ~~Examples of where SUP 10.6.8R(1)(b) would apply include (but are not limited to):~~
- (1) ~~an individual who is a *non-executive director* of a *parent undertaking or holding company* who takes an active role in the running of the business of a *UK firm*, for example, as a member of a board or committee (on audit or remuneration) of that *firm*; or~~
 - (2) ~~an individual who is a *non-executive director* of a *parent undertaking or holding company* having significant influence in setting and monitoring the business strategy of the *UK firm*; or~~
 - (3) ~~an individual who is a *non-executive director* of a *parent undertaking or holding company* of a *UK firm* involved in carrying out responsibilities such as scrutinising the approach of executive management, performance, or standards of conduct of the *UK firm*; or~~
 - (4) ~~an individual who is a *non-executive director* of a *parent undertaking or holding company* of a *UK firm* who is accustomed to influence the operations of the *UK firm*, and acts in a way in which it can reasonably be expected that a *non-executive director* of the *UK firm* would act; or~~
 - (5) ~~an individual who is a *non-executive director* of an *overseas firm* which maintains a branch in the *United Kingdom* from which *regulated activities* are carried on where that individual has responsibilities for those *regulated activities* which are likely to enable him to exercise significant influence over the *UK branch*.~~
- [deleted]

Chairman function (CF2a)

- 10.6.9A R The *chairman function* is the function of acting in the capacity of the chairman of the *governing body* of a *firm*.

Senior independent director function (CF2b)

- 10.6.9B R The *senior independent director function* is the function of acting as a *non-executive director* who has been appointed by the *non-executive directors* to act as the senior independent director.

Chairman of the risk committee function (CF2c)

- 10.6.9C R The *chairman of the risk committee function* is the function of acting in the capacity of the chairman of the *governing body* risk committee of a *firm* (if there is such a committee). For these purposes, the *governing body* risk committee means the committee described in SYSC 21.1.5G.

Chairman of the audit committee function (CF2d)

- 10.6.9D R The *chairman of the audit committee function* is the function of acting in the capacity of the chairman of the audit committee of the *governing body* of a *firm* (if there is such a committee).

Chairman of the remuneration committee function (CF2e)

- 10.6.9E R The *chairman of the remuneration committee function* is the function of acting in the capacity of the chairman of the remuneration committee of the *governing body* of a *firm* (if there is such a committee).

Application of ~~CF1 and~~ CF2a to CF2e

- 10.6.10 G (1) This paragraph explains the basis on which the *director function* and *non-executive director function* are applied to persons who have a position with the *firm's parent undertaking or holding company* under SUP 10.6.4R(2) or SUP 10.6.8R(1)(b). The *chairman function*, the *senior independent director function*, the *chairman of the risk committee function*, the *chairman of the audit committee function* and the *chairman of the remuneration committee function* are not subsumed within *controlled functions* 00, 1, 2, 3, 4, 5 or 6.
- R (2) The basic position is set out in SUP 10.3.4G. As is the case with all *controlled functions*, SUP 10.6.4R(2) and SUP 10.6.8R(1)(b) are subject to the overriding provisions in SUP 10.3.1R, which sets out the requirements of sections 59(1) and (2) of the Act. This means that unless the *firm* has an *arrangement* or a contract permitting the performance of these roles by the *persons* concerned, these *persons* will not be performing these *controlled functions*. Therefore, the FSA accepts that there will be cases in which a *person* performing these roles will not require approval.

- (3) ~~However the FSA expects that in general a person who performs these roles will perform the *director function* or the *non-executive director function*. This is because the FSA would expect that a firm that allows major decisions to be taken by a group decision making body will do so on the basis of a formal delegation from the firm's governing body. This delegation will amount to an arrangement for the purposes of section 59 of the Act.~~

10.6.10A G The effect of SUP 10.6.10R is that a person who is approved for the chairman function, the senior independent director function, the chairman of the risk committee function, the chairman of the audit committee function and the chairman of the remuneration committee function will also require approval for whichever of controlled functions 1, 2, 3, 4, 5 or 6 are applicable unless his role does not come within controlled functions 1, 2, 3, 4, 5 or 6. For example, a non-executive director who is also the chairman of a firm's audit committee will require approval for the non-executive director function and the chairman of the audit committee function.

...

Parent entity significant influence function (CF00)

- 10.6.30 R ~~[deleted]~~ The parent entity significant influence function is the function of acting in the capacity of a person:
- (1) who is a director, non-executive director, partner, officer, member (if the parent undertaking or holding company is a limited liability partnership), senior manager, or employee of a parent undertaking or holding company of that firm (except where that parent undertaking or holding company is an EEA firm or is set up in another EEA state and is regulated by an EEA regulatory body); and
 - (2) whose decisions, or actions are regularly taken into account by the governing body of the firm.
- 10.6.31 G R (1) ~~[deleted]~~ Each of the governing functions 1 to 6 (but excluding controlled functions 2a to 2e inclusive) includes, with respect to a firm, the parent entity significant influence function where performed in relation to that firm.
- (2) The parent entity significant influence function does not include any of the activities described in any other controlled function.
- 10.6.32 G ~~[deleted]~~ The effect of SUP 10.6.31R(1) is that where a person is approved to perform governing functions 1 to 6 (but excluding controlled functions 2a to 2e inclusive) in relation to a firm and, through his position with the firm's parent undertaking or holding company, he would also otherwise perform the parent entity significant influence function in relation to that subsidiary, that person will not have to be specifically approved to perform the parent entity significant influence function in relation to the subsidiary.

10.6.33 G A list of frequently asked questions concerning *controlled function* 00 is at SUP 10 Annex 9.

...

10.8 Systems and controls functions

~~Systems and controls function (CF28)~~ The finance function (CF13)

10.8.1 R The *finance function* is the function of acting in the capacity of an employee of the *firm* with responsibility for reporting to the *governing body* of a *firm*, in relation to its financial affairs.

~~The *systems and control function* is the function of acting in the capacity of an *employee* of the *firm* with responsibility for reporting to the *governing body* of a *firm*, or the audit committee (or its equivalent) in relation to:~~

- ~~(1) its financial affairs;~~
- ~~(2) setting and controlling its risk exposure (see SYSC 3.2.10G and SYSC 7.1.6R);~~
- ~~(3) adherence to internal systems and controls, procedures and policies (see SYSC 3.2.16G and SYSC 6.2).~~

10.8.1 A G The FSA expects that where a *person* is performing the *finance function* as described in SUP 10.8.1R, that *person* will be an employee of the *firm*. The FSA would expect *firms* not to outsource *controlled function* 13 to an employee of an external service provider.

The risk function (CF14)

10.8.2 G ~~[deleted]~~ The *risk function* is the function of acting in the capacity of an employee of the *firm* with responsibility for reporting to the *governing body* of a *firm*, or its risk committee (or its equivalent) in relation to setting and controlling a *firm*'s risk exposure (see SYSC 3.2.10G and SYSC 7.1.6R).

10.8.2A G ~~Where an *employee* performs the *systems and control function* the FSA would expect the *firm* to ensure that the *employee* had sufficient expertise and authority to perform that function effectively. A *director* or *senior manager* would meet this expectation. [deleted]~~

The internal audit function (CF15)

10.8.3 R ~~[deleted]~~ The *internal audit function* is the function of acting in the capacity of an employee of the *firm* with responsibility for reporting to the *governing body* of a *firm*, or the audit committee (or its equivalent), in relation to controlling adherence to and effectiveness of a *firm*'s internal systems and controls, procedures and policies (see SYSC 3.2.16G and SYSC 6.2).

Guidance on CF13, CF14 and CF15

- 10.8.4 G ~~{deleted}~~ Where an employee performs one of the *systems and controls functions* the *FSA* would expect the *firm* to ensure that the employee had sufficient expertise and authority to perform that function effectively. A director or senior manager would meet this expectation.
- 10.8.5 G ~~{deleted}~~ A *firm* may have more than one employee performing one of the *systems and controls functions*. Where this is the case, the *FSA* would only expect an employee to be approved for the relevant *controlled function* where that employee is responsible for the whole function, whether individually or jointly with others.
- 10.8.6 R ~~{deleted}~~ The *FSA* would expect the *firm* to ensure that an employee approved to perform the *internal audit function* is independent from any functions of the *firm* on which he audits, and therefore does not perform any of the *governing functions* for that *firm*.
- 10.8.7 G ~~{deleted}~~ A list of frequently asked questions concerning the *systems and controls functions* is at *SUP 10 Annex 9*.

...

10.9 Significant management functions

...

- 10.9.1 R *SUP 10.9* applies only to a *firm* which:
- (1) under *SYSC 2.1.1R* or *SYSC 4.4.4G 4.4.3R*, apportions a significant responsibility, within the description of the *significant management function*, to a *senior manager* of a significant business unit; or
 - (2) undertakes *proprietary trading*; or
 - (3) (in the case of an *EEA firm*) undertakes the activity of *accepting deposits from banking customers* and activities connected with this.
- 10.9.2 G The *FSA* anticipates that there will be only a few *firms* needing to seek approval for an individual to perform the *significant management function* set out in *SUP 10.9.1R(1)*. In most *firms*, those approved for the *governing functions*, *required functions* and, where appropriate, the *systems and controls function functions*, are likely to exercise all the significant influence at senior management level.
- 10.9.3 G The scale, nature and complexity of the *firm's* business may be such that a *firm* apportions under *SUP 10.9.1R(1)* a significant responsibility to an individual who is not approved to perform the *governing functions*, *required functions* or, where appropriate, the *systems and controls function functions*. If so, the *firm* should consider whether the functions of that individual fall within the *significant management function*. For the purposes of the description of the *significant management functions*, the following additional factors about the *firm* should be considered:

...

- 10.9.10 R (1) The *significant management function* is the function of acting as a *senior manager* with significant responsibility for a significant business unit that:
- (a) carries on *designated investment business* or other activities not falling within (b) to (d);
 - (b) *effects contracts of insurance* (other than *contractually based investments*);
 - (c) makes material decisions on the commitment of a *firm's* financial resources, its financial commitments, its assets acquisitions, its liability management and its overall cash and capital planning;
 - (d) processes confirmations, payments, settlements, insurance claims, and similar matters;
 - (e) (in the case of an *EEA firm*) undertakes the activity of *accepting deposits* from *banking customers* and activities connected with this.
- (1A) The *significant management function* also includes the function of acting as a *proprietary trader*.
- (2) This *controlled function* does not include any of the activities described in any other *controlled function* (except for the *parent entity significant influence function*) if that other *controlled function* applies to the *firm*.

...

10.12 Application for approval and withdrawing an application for approval

...

How to apply for approval

...

- 10.12.2B D Where a *person* performs the *parent entity significant influence function* in relation to a *UK firm*, and is already approved to perform another *governing function* in relation to the *parent undertaking* or *holding company* of that *UK firm*, the *UK firm* seeking approval should use the short Form A available on the *FSA's website*:
- <http://www.fsa.gov.uk/Pages/Doing/Regulated/Approved/persons/process/index.shtml>

...

10.13 Changes to an approved person's details

...

Ceasing to perform a controlled function

...

10.13.7A G (1) The obligations to supply information to:(a) the FSA under either SUP 10.13.6R or SUP 10.13.7R;(b) another firm under SUP 10.13.12R;

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. A firm should not enter into any such arrangements or agreements that could conflict with its obligations under this section.

(2) Failing to disclose relevant information to the FSA may be a criminal offence under section 398 of the Act.

...

Changes to an approved person's personal details

...

10.13.16 R (1) If a firm becomes aware of information which would reasonably be material to the assessment of an approved person's, or a candidate's, fitness and propriety (see FIT), it must inform the FSA on Form D, or (if it is more practical to do so and with the prior agreement of the FSA) by fax or e-mail, as soon as practicable.

(2) SUP 10.13.14R applies to the submission of Form D.

10.13.16A G Failing to disclose relevant information to the FSA may be a criminal offence under section 398 of the Act.

After 10 Annex 8, insert the following new annex. The text is not underlined.

10 Annex 9 Frequently Asked Questions concerning the Parent Entity Significant Influence Function

Q1 What do these FAQs cover?

These FAQs cover *controlled function 00: parent entity significant influence function*.

Use of the term “firm” in these FAQs refers to the authorised subsidiary.

Q2 What is the test that an individual would have to meet in order to fall within the scope of CF00?

CF00 captures those individuals, based in a *parent undertaking* or *holding company* (“parent entity”), whose decisions or actions are regularly taken into account by the *governing body* of the firm. This requirement looks at whether the *governing body* as a whole takes into account the individual’s decisions or actions in the parent entity, not whether individual members of the *governing body* have reporting lines to him.

It is not the job title held by a person within the parent entity that will determine whether they fall within the scope of the *approved persons* regime, but rather the exercise of the function fulfilled by a *person* in relation to the *regulated activities* of the firm.

There are various other conditions that need to be met as well:

- As is the case for all *controlled functions*, a function is a *controlled function* only to the extent that it is performed under an “arrangement” entered into by a firm in relation to the carrying on by the firm of a *regulated activity*. See Q6 for more on this.
- The function to be performed must be likely to enable the *person* responsible for it to exercise a significant influence on the conduct of the firm’s affairs, so far as relating to a *regulated activity*.
- The person exerting the significant influence must be a *director, non-executive director*, partner, officer, *senior manager*, or employee of one of the firm’s parent entities. If the parent entity is a limited liability partnership, this includes a member of that limited liability partnership.

Q3 When does the parent entity significant influence function apply?

Firms should be able to identify those persons in their parent entities likely to exercise significant influence, from the governance structures in place. However, we acknowledge that the situation may not always be clear cut (for example, in some cases the influence being exerted may be indirect or the “arrangement” may be informal in nature). In such cases we would encourage firms to speak with their supervisors, particularly for major complex, international groups with

subsidiaries or branches in the UK managed on a matrix basis.

Examples of where the *parent entity significant influence function* may apply are where the person:

- (1) takes an active role in the running of the business of a UK firm, for example, as a result of being a member of a group board or committee (on audit, risk or remuneration); or
- (2) has a significant influence in setting or approving the business strategy of the UK firm; or
- (3) is involved in carrying out responsibilities such as assessing the approach of executive management, performance, or standards of conduct of the UK firm; or
- (4) is accustomed to influence the operations of the UK *firm*, and acts in a way in which it can reasonably be expected that a director of the UK firm would act; or
- (5) is exercising significant influence by way of his involvement in taking decisions for that UK firm and acts in a manner in which it can reasonably be expected that a director or senior manager of that UK firm would act; or
- (6) is responsible for and/or has significant influence in setting the objectives for and the remuneration of executive directors of that UK firm; or
- (7) (in the case of an overseas firm which maintains a *branch* in the United Kingdom from which *regulated activities* are carried on) has responsibilities for those *regulated activities* which are likely to enable him to exercise significant influence over the UK *branch*.

Broadly speaking there are therefore two main situations in which the *parent entity significant influence function* may apply.

One is where the individual is formally included in the firm's reporting lines and decision-making structures. See the answers to Q4 and Q8 for more on this.

Another is where the individual has a direct but informal influence on the firm's *governing body* that is sufficiently strong that his decisions or actions are regularly taken into account by that *governing body*.

If the firm's governing body has sufficient discretion on how it applies and responds to directions or proposals coming from group committees or individuals based in parent entities, the influence is unlikely to be significant and therefore approval would not be required. This distinguishes someone who is simply carrying on a group-level function from someone who is performing a function on behalf of the firm. If the firm is unable to evidence sufficient independence or autonomy within the *governing body* of the firm, it may be that the individual will be performing the *parent entity significant influence function*.

So, where a firm (a) has in place the required functional SIFs at the local level and (b) they are effective and have sufficient control over the firm, we would not routinely expect them to have Parent CF00 SIFs in place.

Q4 Do individuals on Group Committees fall within the scope of CF00?

It is not our assumption that members of group committees will automatically exert a significant influence by virtue of their membership of the committee in question, but it may be appropriate for certain members to be approved. For example where the group committee is acting as a committee of the firm itself (see Q8 for more on this). However, as explained in Q7 to Q9, this sort of arrangement will sometimes result in the individual carrying on one of the other *controlled functions* rather than the *parent entity significant influence function*.

If the group committee is not acting as a committee of the firm itself then, even if it carries out an important role in relation to the firm, it does not necessarily follow that the individuals on that committee will fall within the scope of CF00. The question is whether the particular individual meets the tests under Q2. In practice this is only likely to be the case if the group's reporting lines are set up so that there is a reporting line between the individual and the firm's *governing body* or if the individual has the sort of informal influence described in the answer to Q3.

In determining whether or not members of group committees require approval, consideration should be given to the extent to which the group committee has the power to direct the *governing body* of the firm to take or refrain from taking certain actions.

Q5 Could shareholders require approval under CF00?

No, unless the shareholder is also a *director, non-executive director, partner, officer, senior manager, or employee* of the parent entity and is exerting significant influence over it through that role.

Q6 What is meant by an "arrangement"?

As is the case with all controlled functions, the parent entity significant influence function is subject to the overriding provisions in SUP 10.3.1R, which sets out the requirements of sections 59(1) and (2) of the *Act*. This means that unless the firm (or its contractor) has an arrangement permitting the performance of the role by the *person* concerned, he will not be performing the *parent entity significant influence function*. Therefore, the *FSA* accepts that there could be cases in which a person exercising significant influence over a firm from its parent entity will not require approval.

If a firm allows major decisions to be taken by a group decision-making body or by a person based in a parent entity on the basis of a formal delegation from the firm's governing body, such a formal delegation will amount to an arrangement for the purposes of section 59 of the *Act*. However, formal delegation of this kind **is not** the only form of "arrangement" adopted by firms. As explained in SUP

10.3.4G an arrangement can arise, for example, by conduct, custom and practice.

The *FSA* would also be likely to regard an “arrangement” as being in place between a parent entity and a firm in the following examples (NB these are not exhaustive):

- (1) where the parent entity imposes a requirement on the firm to seek prior approval from the parent entity in respect of material business decisions such as approving the firm’s strategy and business plan, making capital investments, acquiring or disposing of other companies etc.;
- (2) where the parent entity requires the firm to take certain actions affecting its risk profile: for example the taking on or limiting of significant financial risk exposures;
- (3) where the parent entity requires the firm to amend aspects of its internal control arrangements: for example to change its approach to risk or compliance monitoring arrangements;
- (4) where ‘dotted’ or functional reporting lines exist between executive management of certain functions in the firm, and executive management in the parent entity, through which group management has influence over the staffing, budgets and activities of the relevant functions within the firm. For example, this could be where business heads or control functions in the firm report to equivalent group business heads or control functions, in addition to established management reporting lines within the firm.

The above arrangements are common, but are not enough in themselves to mean that a person is automatically performing the *parent entity significant influence function*. The other requirements in Q2 must also be met.

However, although an “arrangement” does not need to be a formal contract or appointment, in any form of “arrangement” it is our expectation that both the firm and the person carrying on the *parent entity significant influence function* will be fully aware of the circumstances of that arrangement i.e. the responsibilities of the function being performed by the person on behalf of the firm, in relation to the firm’s *regulated activities*.

Q7 If a person is fulfilling one of the governing functions, CF1 to CF6 for an authorised firm, would the individual also need to be approved for the Parent SIF function, if he is also performing a role at group level or from a parent entity?

No. *SUP* 10.6.31R(1) and *SUP* 10.6.32G explain that he does not need to get approval for the *parent entity significant influence function* if he is already approved for one of the *governing functions* CF1 to CF6 (excluding CF2a to CF2e) in relation to the firm.

Q8 Please explain how the granular governing functions (i.e. CF2a-CF2e) and the parent significant influence function interact when the person is performing a role at the group level.

If the group committee is also acting as a committee of the firm itself, the chairman of the committee will require the relevant granular governing function (CF2c to CF2e). He will not require the *parent entity significant influence function* as the committee will be a committee of the firm. He would only need the *parent entity significant influence function* in addition where he has substantial influence on the *firm* that comes outside his role on the group committee. It is unlikely though that the *chairman function* or the *senior independent director function* will be exercised through a group committee in this way.

A group committee will be acting as a committee of the firm if the firm formally appoints it as one. It may also function as a committee of the firm if in practice the group committee performs that function, but only if it does so under an arrangement as described in the answer to Q6.

If, as will often be the case, the group committee is not functioning as a committee of the firm, the chairman will not be performing the granular *governing function*. If he is performing a *controlled function* at all it will be the *parent entity significant influence function*. Q4 has more on this.

Q9 Please explain how the systems and controls functions (CF13-CF15) and the parent significant influence function interact when the person is performing a role at the group level.

This deals with the group finance, risk and internal audit officers.

Two of the main features of these *controlled functions* are that the person must be an employee, partner or officer of the firm in question and that he must be responsible for reporting to the firm's *governing body* or the relevant sub-committee. In many cases these two requirements will mean that the group officer will not be performing any of the *systems and controls functions*.

If the person based in a parent entity is also an employee, officer or partner of the *firm* and is responsible for reporting to the firm's *governing body* or the relevant sub-committee, he will be carrying out a *systems and controls function* for the firm. In that case he will require approval for that *controlled function*. He would only need the *parent entity significant influence function* in addition where he has substantial influence on the firm that comes outside his *systems and controls function*.

Q10 How will the FSA assess those requiring the parent entity significant influence function?

We aim to assess the individual's fitness and propriety to perform the *controlled function* according to the requirements and responsibilities of the particular role(s) performed by them. The assessment process may include an interview. The fit and proper test (*FIT*) will be applied to *candidates* wherever they are based. The *firm* submitting applications for approval is required to have undertaken their own due diligence on the *candidate* before submitting the application to us. It is the applicant firm that is required to satisfy the *FSA* of a *candidate's* fitness and propriety, regardless of whether the individual is based in the UK or overseas. As with any *approved person's* role we would expect firms to have clear

documentation of a *candidate's* role and responsibilities.

Q11 What happens to candidates who are refused CF00 approval, or where CF00 approval is withdrawn by the FSA?

In either case the person would not be allowed to exercise significant influence over the firm, in relation to its *regulated activities*. This could mean that the *firm's* governance arrangements would need to be revised accordingly. If the person continued to exert significant influence without approval, the firm would be in breach of the *Act* and both the firm and the individual would be open to enforcement action.

Those we approve and who then breach *FIT* or *APER* could face enforcement action and have their approval withdrawn, requiring them to cease exercising significant influence over the firm, in relation to its *regulated activities*. A person may also be prohibited from carrying out any function in relation to any *regulated activity* carried out by an *authorised person*. Refusals, withdrawn approvals and prohibitions are published, and may also have consequences in their home state for the individuals based outside the UK.

Q12 Does CF00 apply where the parent entity is an EEA regulated entity?

No. See *SUP* 10.6.30R (1).

Q13 How does CF00 apply to branches of third country firms, operating in the UK?

The application of the *approved persons* regime to third country *branches* is comparable to the application of the regime to an authorised subsidiary, except that the question is whether the individual's decisions or actions are regularly taken into account by the *governing body* of that *branch*, rather than the *governing body* of the firm as a whole.

Q14 Is CF00 held for the parent entity or for the authorised firm?

As with all applications for a *controlled function*, an application should be submitted by the firm for which the person is carrying out the function, i.e. the firm on which the person will have a significant influence (and not by the parent entity).

...

Insert the following new rows in the SUP Transitional Provisions. The text is not underlined.

TP 1 Transitional provisions

Transitional provisions applying to the Supervision manual only

...

TP 1.2

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
...					
8K	SUP 10.6.9AR to SUP 10.6.9ER	R	<p>(1) This <i>rule</i> applies to a <i>person</i> who meets the following conditions immediately before the transitional start date:</p> <p>(a) he was approved to carry on one of the existing <i>governing functions</i> for a <i>firm</i>; and</p> <p>(b) he would otherwise have been performing one of the granular <i>governing functions</i> if those functions had existed then.</p> <p>(2) The <i>firm</i> must notify the <i>FSA</i> of each <i>approved person</i> falling into (1). The <i>firm</i> must give that notification before the second date in column (5). The notification must include the granular <i>governing functions</i> referred to in (1)(b).</p> <p>(3) The functions described in (1)(b), as respects that <i>person</i> and that <i>firm</i>, are not treated as forming part of the granular <i>governing functions</i> until the earlier to occur of the date on which the <i>firm</i> gives the notification under (2) and the second date in column (5).</p> <p>(4) If the notification in (2) is given in accordance with that paragraph, the approval referred to in paragraph (1)(a) covers the granular <i>governing functions</i> referred to in (1)(b) as respects that <i>person</i> and that <i>firm</i>.</p> <p>(5) SUP TP 8TR contains various supplemental provisions applicable to this <i>rule</i>.</p>	1 May 2011 to 31 July 2011	1 August 2011

8L	SUP 10.6.30AR and SUP 10.13.6AR	R	<p>(1) This <i>rule</i> applies to a <i>person</i> who immediately before the transitional start date.</p> <p>(a) was approved to carry on an existing <i>governing function</i> for a subsidiary <i>firm</i>; and</p> <p>(b) would have been performing the <i>parent entity significant influence function</i> with respect to that subsidiary <i>firm</i> if that function had existed then.</p> <p>(2) SUP 10.6.31R(1) applies, so that the approval referred to in paragraph (1) covers the <i>parent entity significant influence function</i> as respects that <i>person</i> and that <i>firm</i>.</p> <p>(3) The subsidiary <i>firm</i> must notify the FSA of any <i>person</i> to whom this <i>rule</i> applies who has ceased to perform the <i>governing function</i> referred to in (1)(a) because of the removal of the functions forming part of the <i>parent entity significant influence function</i> from the <i>director function</i> and the <i>non-executive director function</i> by the Controlled Functions (Amendment) Instrument 2010. The <i>firm</i> must give that notification within three months of the date in (1). Form C does not apply for the purpose of that notification.</p> <p>(4) SUP TP 8TR contains various supplemental provisions applicable to this <i>rule</i>.</p>	Not applicable	Not applicable
8M	SUP 10.6.30R	R	<p>(1) This <i>rule</i> applies to a <i>person</i> who meets the following conditions immediately before the transitional start date:</p> <p>(a) he would otherwise have been performing the <i>parent entity significant influence function</i> with respect to a subsidiary <i>firm</i> if that function had existed then;</p> <p>(b) he is not approved to perform a <i>governing function</i> for the subsidiary <i>firm</i>;</p> <p>(c) he was not performing the <i>director function</i> or the <i>non-executive director function</i> for the subsidiary <i>firm</i> (as those <i>controlled functions</i> were defined before the Controlled Functions (Amendment) Instrument 2010); and</p>	1 May 2011 to 31 October 2011	

			<p>(d) either the parent was not a <i>UK firm</i> or he is not approved to perform any <i>governing function</i> for the parent.</p> <p>(2) The <i>parent entity significant influence function</i>, as respects that <i>person</i> and that subsidiary <i>firm</i>, is not treated as a <i>controlled function</i></p> <p>(3) If this transitional <i>rule</i> has not already expired under column (5), this <i>rule</i> comes to an end as respects that <i>person</i> and that subsidiary <i>firm</i> if and when an application is made for the person to perform the <i>parent entity significant influence function</i> for that <i>firm</i> and that application is granted.</p> <p>(4) If the <i>FSA</i> has received a completed application for that <i>person</i> to perform the <i>parent entity significant influence</i> no later than three months after the first date in column (5) and that application has not been finally decided by the time that the transitional period in column (5) would otherwise have come to an end, that transitional period is extended until the application has been finally decided.</p> <p>(5) <i>SUP TP 8TR</i> contains various supplemental provisions applicable to this <i>rule</i>.</p>		
8N	<i>SUP</i> 10.6.30R	R	<p>(1) This <i>rule</i> applies to a person who meets the following conditions immediately before the transitional start date:</p> <p>(a) he would otherwise have been performing the <i>parent entity significant influence function</i> with respect to a subsidiary <i>firm</i> if that function had existed then;</p> <p>(b) he is not approved to perform a <i>governing function</i> for that subsidiary <i>firm</i>;</p> <p>(c) the parent was a <i>UK firm</i>;</p> <p>(d) he was not performing the <i>director function</i> or the <i>non-executive director function</i> for the subsidiary <i>firm</i> (as those <i>controlled functions</i> were defined before the Controlled Functions (Amendment) Instrument 2010); and</p> <p>(e) he was approved to carry on a <i>governing function</i> for the parent.</p>	1 May 2011 to 31 July 2011	1 August 2011

			<p>(2) The subsidiary <i>firm</i> must notify the <i>FSA</i> of each <i>approved person</i> falling into (1). The <i>firm</i> must give that notification before the second date in column (5).</p> <p>(3) The <i>parent entity significant influence function</i> , as respects that <i>person</i> and that subsidiary <i>firm</i>, is not treated as a <i>controlled function</i> until the earlier to occur of the date on which the <i>firm</i> gives the notification under (2) and the second date in column (5).</p> <p>(4) If the notification in (2) is given in accordance with that paragraph, the approval referred to in paragraph (1)(e) covers the <i>parent entity significant influence function</i> as respects that <i>person</i> and that subsidiary <i>firm</i>.</p> <p>(5) <i>SUP TP 8TR</i> contains various supplemental provisions applicable to this <i>rule</i>.</p>		
80	<i>SUP</i> 10.8.1R to <i>SUP</i> 10.8.3R	R	<p>(1) This <i>rule</i> applies to a person who meets the following conditions immediately before the transitional start date:</p> <p>(a) he was approved to carry on what prior to the Controlled Functions (Amendment) Instrument 2010 was <i>controlled function 28</i> (the systems and controls function) for a <i>firm</i>; and</p> <p>(b) he would otherwise have been performing any of the <i>systems and controls functions</i> for that <i>firm</i> if those functions had existed then.</p> <p>(2) The <i>firm</i> must notify the <i>FSA</i> of each <i>approved person</i> falling into (1). The <i>firm</i> must give that notification before the second date in column (5). The notification must include the <i>systems and controls functions</i> the <i>approved person</i> would otherwise have been performing.</p> <p>(3) The deletion of what was <i>controlled function 28</i>, as respects that <i>person</i> and that <i>firm</i>, does not take effect until the earlier to occur of the date on which the <i>firm</i> gives the notification under (2) and the second date in column (5).</p> <p>(4) If the notification in (2) is given in accordance with that paragraph, the approval referred to in paragraph (1)(a) covers the <i>systems and controls functions</i> referred to in (1)(b) as respects that <i>person</i> and that <i>firm</i>.</p>	1 May 2011 to 31 July 2011	1 August 2011

			(5) <i>SUP</i> TP 8TR contains various supplemental provisions applicable to this <i>rule</i> .	
8P	<i>SUP</i> 10.8.1R to <i>SUP</i> 10.8.3R	R	<p>(1) This <i>rule</i> applies to a <i>person</i> who meets the following conditions:</p> <p>(a) immediately before the transitional start date he was approved to perform a <i>governing function</i> for a <i>firm</i>; and</p> <p>(b) as a result of the deletion of <i>SUP</i> 10.6.2R(1) by the Governance Instrument 2010 he would on the transitional start date otherwise have required approval to perform one of the <i>systems and controls functions</i> for that <i>firm</i>.</p> <p>(2) The <i>firm</i> must notify the <i>FSA</i> of each <i>approved person</i> falling into (1).</p> <p>(3) The <i>firm</i> must give the notification in (2) within the period specified in (4) or (5). The period begins from the transitional start date.</p> <p>(4) (a) The notification period is three months for a <i>firm</i> that meets at least one of the conditions in this <i>rule</i>.</p> <p>(b) The first condition is that the <i>firm</i> is a <i>UK bank</i> or <i>building society</i> that had <i>capital resources</i> exceeding £1 billion on its last <i>accounting reference date</i>.</p> <p>(c) The second condition is that the <i>firm</i> is a <i>BIPRU 730K firm</i> that had <i>capital resources</i> exceeding £750 million on its last <i>accounting reference date</i>.</p> <p>(d) The third condition is that:</p> <p>(i) the <i>firm</i> is a <i>full credit institution</i>, a <i>BIPRU 730K firm</i> or a <i>third country BIPRU 730K firm</i>;</p> <p>(ii) the <i>firm</i> is part of a <i>group</i>; and</p> <p>(iii) on the <i>firm's</i> last <i>accounting reference date</i> total <i>capital resources</i> held within the <i>group</i>:</p> <p>(A) by <i>UK banks</i> or <i>building societies</i> exceeded £1 billion; or</p>	<p>As specified in column 4</p> <p>1 August 2011</p>

			<p>(B) by <i>BIPRU 730K firms</i> exceeded £750 million.</p> <p>(5) The notification period is twelve months for all other <i>firms</i>.</p> <p>(6) The deletion of what was <i>controlled function</i> 28, the deletion referred to in paragraph (1) and the introduction of the <i>controlled functions</i> referred to in paragraph (1)(b), as respects that <i>person</i> and that <i>firm</i>, do not take effect until the earlier to occur of the date on which the <i>firm</i> gives the notification under (2) and the end of the notification period.</p> <p>(7) If the notification in (2) is given in accordance with that paragraph, the approval referred to in paragraph (1)(a) covers the <i>systems and controls functions</i> referred to in (1)(b) as respects that <i>person</i> and that <i>firm</i>.</p> <p>(8) <i>SUP TP 8TR</i> contains various supplemental provisions applicable to this <i>rule</i>.</p>		
8Q	<i>SUP</i> 10.1.13R to <i>SUP</i> 10.1.14R	R	<p>(1) This <i>rule</i> deals with the extension of the <i>significant management function</i> through the amendment to <i>SUP</i> 10.1.13R (Incoming EEA firms: passported activities from a branch) and <i>SUP</i> 10.1.14R (Incoming EEA firms etc with top-up permission activities from a UK branch) by the Controlled Functions (Amendment) Instrument 2010.</p> <p>(2) This <i>rule</i> applies to a <i>person</i> who would otherwise have been performing the <i>significant management function</i> with respect to a <i>firm</i> immediately before the first date in column (5) if the extension described in (1) had been in force then.</p> <p>(3) The functions that would otherwise have formed part of the <i>significant management function</i> because of the extension described in (2), as respects that <i>person</i> and that <i>firm</i>, are not treated as forming part of <i>significant management function</i>.</p> <p>(4) If this transitional <i>rule</i> has not already expired under column (5), this <i>rule</i> comes to an end as respects that <i>person</i> and that <i>firm</i> if and when an application is made for the person to perform the <i>significant management function</i> for that <i>firm</i> and that application is granted.</p>	1 May 2011 to 31 October 2011	1 November 2011

			<p>(5) If the <i>FSA</i> has received a completed application for that <i>person</i> to perform the <i>significant management function</i> no later than three months after the first date in column (5) and that application has not been finally decided by the time that the transitional period in column (5) would otherwise have come to an end, that transitional period is extended until the application has been finally decided.</p> <p>(6) <i>SUP TP 8TR</i> contains various supplemental provisions applicable to this <i>rule</i>.</p>		
8R	<i>SUP</i> 10.6.9AR to <i>SUP</i> 10.6.9ER	R	<p>(1) This <i>rule</i> applies to a <i>person</i> who meets the following conditions immediately before the transitional start date:</p> <p>(a) he was not approved to carry on one of the existing <i>governing functions</i> for a <i>firm</i> and was not performing any of those functions for that <i>firm</i>; and</p> <p>(b) he would otherwise have been performing one of the granular <i>governing functions</i> if those functions had existed then.</p> <p>(2) The granular function described in (1)(b), as respects that <i>person</i> and that <i>firm</i>, is not treated as being a <i>controlled function</i>.</p> <p>(3) If this transitional <i>rule</i> has not already expired under column (5), this <i>rule</i> comes to an end as respects that <i>person</i> and that <i>firm</i> if and when an application is made for the person to perform the granular <i>governing function</i> for that <i>firm</i> and that application is granted.</p> <p>(4) If the <i>FSA</i> has received a completed application for that <i>person</i> to perform the granular <i>governing function</i> no later than 3 months after the first date in column (5) and that application has not been finally decided by the time that the transitional period in column (5) would otherwise have come to an end, that transitional period is extended until the application has been finally decided.</p> <p>(5) <i>SUP TP 8TR</i> contains various supplemental provisions applicable to this <i>rule</i>.</p>	1 May 2011 to 31 July 2011	1 August 2011

8S		G	<p>(1) <i>SUP TP 8KR</i> deals with the introduction of the granular <i>governing functions</i> by the Controlled Functions (Amendment) Instrument 2010. It deals with a <i>firm</i> for which an <i>approved person</i> has been approved to perform any of the <i>governing functions</i> and will require approval for one of the granular <i>governing functions</i>. The <i>firm</i> is required to notify the <i>FSA</i> of all such <i>approved persons</i>. If it does, the <i>approved person</i> will be approved to carry out that granular <i>governing function</i> and no new approval to perform that <i>controlled function</i> will be required. Otherwise the <i>approved person</i> will need to apply for approval.</p> <p>(2) <i>SUP TP 8LR</i> deals with a <i>person</i> who is performing the <i>parent entity significant influence function</i> for a subsidiary <i>firm</i> and is approved to carry out one of the <i>governing functions</i> for the subsidiary. The policy in <i>SUP 10.6.31R(1)</i> is that approval for an existing <i>governing function</i> also includes approval for the <i>parent entity significant influence function</i>. The purpose of this transitional <i>rule</i> is that this should be the case for all those who fall into this category when the <i>parent entity significant influence function</i> was introduced by the Controlled Functions (Amendment) Instrument 2010.</p> <p>(3) Before the Controlled Functions (Amendment) Instrument 2010, the functions forming the <i>parent entity significant influence function</i> formed part of the <i>director function</i> and the <i>non-executive director function</i>. <i>SUP TP 8LR</i> also deals with an <i>approved person</i> who only required approval for the <i>director function</i> or the <i>non-executive director function</i> because he was performing a role that after the Controlled Functions (Amendment) Instrument 2010 falls under the <i>parent entity significant influence function</i>. As a result of the Controlled Functions (Amendment) Instrument 2010 the <i>approved person</i> will have ceased to perform the <i>director function</i> or the <i>non-executive director function</i>. The <i>firm</i> is required to notify the <i>FSA</i> of such <i>persons</i>. The result is that such <i>persons</i> will be approved for the <i>parent entity significant influence function</i> in place of the <i>director function</i> or the <i>non-executive director function</i>.</p>		
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- (4) *SUP TP 8OR* deals with the splitting into the three *systems and controls functions* of what was a single *controlled function* by the *Controlled Functions (Amendment) Instrument 2010*. A *firm* must notify the *FSA* of its *approved person* who is covered by this change. If it does, the *approved person* will be approved to carry out the *systems and controls function* that he has been performing and no new approval to perform that *controlled function* will be required. Otherwise the *approved person* will need to apply for approval.
- (5) *SUP TP 8PR* deals with the same issue in the case of those also affected by the removal of the *rule* that said that a *person* performing certain of the *governing functions* did not need separate approval for the *controlled function* that was split to form the *systems and controls functions*. The same procedures apply.
- (6) *SUP TP 8MR* and *SUP TP 8NR* deal with the *parent entity significant influence function* in relation to those who are not approved to carry out a *governing function* for the subsidiary *firm*. A *person* carrying on that function for a subsidiary *firm* whose parent is a *UK firm* will not need a new approval to perform that *controlled function* as long as notice is given in accordance with *SUP TP 8TR* and he is already approved to carry on a *governing function* for the parent. In other cases *SUP TP 8MR* sets out a period within which the *person* may get approval without having to cease to carry on that function in the mean time. An example of a *firm* to which *SUP TP 8MR* applies is a *UK firm* that is a limited liability partnership.
- (7) *SUP TP 8MR*, *SUP TP 8QR* and *SUP TP 8RR* provide a period in which applications can be made. They say that if an application for approval is still being processed at the end of the transitional period, the *person* is still able to carry on performing the function while the approval is being processed. However this only applies if the application for approval is made within a specified period. If the application is made later than that there is a risk that the application will not have been decided before the end of the transitional period, in which case the *person* will have to stop carrying out the function.

			(8) <i>SUP</i> TP 8RR deals with the possibility (perhaps unlikely) that some of the granular <i>governing functions</i> are not carried out by a director or partner. It provides a transitional period during which application for approval can be made.		
8T	<i>SUP</i> TP 8KR to <i>SUP</i> TP 8SG	R	<p>(1) This <i>rule</i> defines various terms used in <i>SUP</i> TP 8KR to <i>SUP</i> TP 8SG and sets out various other supplemental matters.</p> <p>(2) An application for a <i>person</i> to perform a <i>controlled function</i> is finally decided on the earliest of the following dates:</p> <p>(a) when the application is withdrawn;</p> <p>(b) when the <i>FSA</i> grants approval;</p> <p>(c) where the <i>FSA</i> has refused the application and the matter is not referred to the <i>Tribunal</i>, on the date on which the right to refer the matter to the <i>Tribunal</i> expires;</p> <p>(d) where the <i>FSA</i> has refused the application and the matter is referred to the <i>Tribunal</i>, when the reference is determined by the <i>Tribunal</i> and the time for bringing an appeal has expired;</p> <p>(e) if the application is determined by the court, when the court makes that determination.</p> <p>(3) The notification under <i>SUP</i> TP 8KR, <i>SUP</i> TP 8LR, <i>SUP</i> TP 8NR, <i>SUP</i> TP 8OR and <i>SUP</i> TP 8PR must include sufficient information for the <i>FSA</i> to identify the <i>person</i> concerned and at a minimum must contain (i) the <i>person's</i> full name; (ii) his individual register reference number and (iii) the <i>firm's</i> register reference number. The register means the register maintained by the <i>FSA</i> under section 347 of the <i>Act</i> (The record of authorised persons etc).</p> <p>(4) The granular <i>governing functions</i> mean <i>controlled functions</i> 2a, 2b, 2c, 2d and 2e as set out in the <i>table of controlled functions</i>.</p> <p>(5) The existing <i>governing functions</i> mean <i>controlled functions</i> 1, 2, 3, 4, 5 and 6 as set out in the <i>table of controlled functions</i>.</p>		

			<p>(6) The terms subsidiary <i>firm</i> and parent refer to the <i>parent entity significant influence function</i>. The subsidiary <i>firm</i> is the <i>firm</i> referred to SUP 10.3.1R. The parent refers to the <i>holding company</i> or <i>parent undertaking</i> from which that function is being carried on.</p> <p>(7) Transitional start date means 1 May 2011.</p>		
...					

Annex F

Amendments to the Credit Unions sourcebook (CRED)

In this Annex, underlining indicates new text and striking through indicates deleted text.

4.3 Systems and Controls

...

Rules and evidential provisions

...

- 4.3.12 G The term ‘internal audit function’ in *CRED* 4.3.11E refers to the generally understood concept of internal audit within a *firm*, that is, the function of assessing adherence to and the effectiveness of internal systems and controls, procedures and policies. ~~The internal audit function is not a *controlled function* itself, but is part of the *systems and controls function* (CF28). *Guidance* on internal audit is given in *CRED* 4.3.50G to *CRED* 4.3.60G.~~ However, the *person* who reports to the *governing body* of a *firm*, or its audit committee (or its equivalent) in relation to controlling adherence to a *firm's* internal systems and controls, may perform the *internal audit function*, which is *controlled function* 15, as described in *SUP* 10.8.3R.

...

6.3 Approved persons

...

SUP 10.8: the systems and controls ~~function~~ functions

...

- 6.3.9A G Where an *employee* performs any of the *systems and controls function functions* the *FSA* would expect the *credit union* to ensure that the *employee* had sufficient expertise and authority to perform that function effectively, for example be a *director* or *senior manager*.