

**PRA RULEBOOK: CRR FIRMS, NON CRR FIRMS: SENIOR MANAGERS REGIME AMENDMENT  
INSTRUMENT 2017**

**Powers exercised**

- A. The Prudential Regulation Authority (“PRA”) 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 137G (The PRA’s general rules);
  - (2) section 137T (General supplementary powers); and
  - (3) section 64A (Rules of conduct).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

**Pre-conditions to making**

- C. In accordance with section 138J of the Act (consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

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The PRA makes the rules in the Annexes to this instrument.

**Commencement**

- D. Annexes A, B and C of this instrument come into force on 3 July 2017. Annexes D and E of this instrument come into force on 12 November 2017.

**Citation**

- E. This instrument may be cited as the PRA Rulebook: CRR Firms, Non CRR Firms: Senior Managers Regime Amendment Instrument 2017.

By order of the Prudential Regulation Committee  
9 May 2017

**Annex A**

**Amendments to Glossary definitions**

In this Annex, all text is new

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*Conduct Rules non-executive director*

means, in relation to a *firm*, a *person* who:

- (1) is a member of the board of directors of the *firm* or, if there is no such board, the equivalent body responsible for the management of the *firm*;
- (2) is not an *approved person* in relation to the *firm*; and
- (3) does not perform an executive function in relation to that *firm*.

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## Annex B

## Amendments to the Conduct Rules Part

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

## 1 APPLICATIONS AND DEFINITIONS

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- 1.1 (1) This Part applies to every function a *person* (P) performs in relation to a *firm* (A) that is:
- (a) a *CRR firm*;
  - (b) a *credit union*; or
  - (c) a *third country CRR firm* in relation to the activities of its establishment in the *UK*.
- (2) This Part only applies if P:
- (a) is approved under section 59 of *FSMA* to perform a *senior management function* in relation to A;
  - (b) is an *employee* of A that should have been so approved;
  - (c) is an *employee or director* who is performing a function that would have been a controlled function but for Senior Management Functions 2.3; or
  - (d) performs a *certification function* in relation to A; or
  - (e) is a *Conduct Rules non-executive director* of A.
- (3) ~~Chapter 3.1 to 3.3~~ only applies to a *person* in (2)(a) or (b).
- (4) 3.4 only applies to a *person* in (2)(a), (b) or (e).
- 1.2 In this Part, the following definitions shall apply:

*director*

means, in relation to a *firm*, a *person* who is a member of the board of directors of the *firm* or, if there is no such board, the equivalent body responsible for the management of the *firm*;

*employee*

has the meaning given in Certification 1.32.

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## Annex C

## Amendments to the Notifications Part

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

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## 11 CONDUCT RULES: NOTIFICATIONS

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11.3 If a *firm* is required to notify the *PRA* under 11.2 in respect of either:

(1) persons performing certification functions; or

(2) Conduct Rules non-executive directors,

it must do so within seven business days of the point at which it determined the relevant requirement applied, by submitting Form L. A *firm* must not unreasonably delay its determination of whether or not the requirement applies.

## Annex D

## Amendments to the Allocation of Responsibilities Part

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

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#### 4 PRESCRIBED RESPONSIBILITIES

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4.1 Each of the responsibilities set out in this rule is a *prescribed responsibility*:

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(19) responsibility for the independence, autonomy and effectiveness of the firm's policies and procedures on whistleblowing, including the procedures for protection of staff who raise concerns from detrimental treatment;

(20) responsibility for the allocation of all prescribed responsibilities in accordance with 3.1;

(21) responsibility for the firm's performance of its obligations under Outsourcing.

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#### 6 PRESCRIBED RESPONSIBILITIES: UK BRANCHES

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6.2 Each of the responsibilities set out in this rule is a *UK branch prescribed responsibility*:

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(10) responsibility for the production and integrity of the firm's financial information and its regulatory reporting in respect of its *regulated activities*;

(11) responsibility for the firm's performance of its obligations under Internal Governance of Third Country Branches 7.

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## Annex E

## Amendments to the Senior Management Functions Part

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

## 1 APPLICATIONS AND DEFINITIONS

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1.2 In this Part, the following definitions shall apply:

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Chief Operations function

has the meaning given in 3.8.

...

critical function

has the meaning given in section 3(1) and (2) of the Banking Act 2009.

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## 3 EXECUTIVE

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3.6 The *Head of Key Business Area function* (SMF6) is the function of having responsibility, for management of a business area or division of a *firm* (other than a *third country CRR firm*) where:

~~(1) that business area or division:~~

~~(a) has gross total assets equal to or in excess of £10 billion; and~~

~~(b) either~~

~~(i) accounts for more than 20% of the *firm's* gross revenue; or~~

~~(ii) where the *firm* is part of a *group*, accounts for more than 20% of the total gross revenue of the *group*; and ~~[deleted.]~~~~

(1A) either:

(a) both of the quantitative criteria set out in 3.6A are satisfied in respect of the relevant business area or division of the *firm*; or

(b) one of the quantitative criteria set out in 3.6A is satisfied in respect of the relevant business area or division of the *firm* and the relevant business area or division of the *firm* performs a *critical function*; and

(2) the person performing that function does not report to a *person* performing the *Head of Key Business Area function* in respect of that same business area or division of the *firm*.

3.6A The quantitative criteria referred to in 3.6 are that the relevant business area or division of the *firm*:

- (1) has gross total assets equal to or in excess of £10 billion; or
- (2) accounts for more than 20% of the *firm's* gross revenue.

...

3.8 The *Chief Operations function* (SMF24) is the function of having responsibility for the internal operations and technology of a *firm*.