



Modification by consent of Fitness and Propriety 2.7

This modification will exempt [firms](#) that are part of a group¹ that will become subject to the [Ring-fenced Bodies](#) part of the PRA Rulebook on 1 January 2019 ('Relevant Group') from the requirement to request regulatory references from firms outside the Relevant Group in respect of individuals who:

- are or will be performing a [PRA senior management function](#), [certification function](#) or [notified non-executive director](#) function in a firm in the Relevant Group;
- are moving between firms in the Relevant Group ahead or as part of the Relevant Group's implementation of its obligations under the [Ring-fenced Bodies](#) part of the PRA Rulebook ('Ring-Fencing Transfer'); and
- have been employed by an entity outside the Relevant Group in the six years preceding the date of the Ring-Fencing Transfer.

Subject to the Relevant Group complying with the 'adequate arrangement' requirements in [Fitness and Propriety 2.7\(2\)\(b\)](#).

What is the purpose of the modification?

Fitness and Propriety 2.7 requires [firms](#) to request regulatory references from current and previous employers covering the previous six years' employment when considering the appointment of an individual to a [PRA senior management function](#), [certification function](#) or [notified non-executive director](#) function.

However, subject to [Fitness and Propriety 2.7\(2\)\(b\)](#), firms are not required to request regulatory references from firms in their group when hiring or transferring one of the above individuals from them.

This exemption does not, however, extend to other previous employers outside the group. Consequently, if a Certified employee (Employee X) moves from a firm that is not part of a group (Firm A) to a firm (Firm B1) that is part of a group (Group B) and then moves to another firm in the same group (Firm B2) over a six-year period:

- Firm B1 will have to request a regulatory reference from Firm A;
- Firm B2 will not have to request a regulatory reference from firm B1; but
- Firm B2 will have to request a regulatory reference from Firm A.

The purpose of this modification is to exempt firms that are part of a Relevant Group from the obligation to request regulatory references from former employers outside such a Relevant Group when transferring large numbers of individuals, in particular those in [certification functions](#), as part of a Ring-Fencing Transfer as this would place an undue operational and timing burden without yielding a discernible prudential or supervisory benefit.

Which firms does this apply to?

Firms that are part of a Relevant Group, as defined above.

What does this mean for firms?

The modification will exempt Relevant Groups from having to issue regulatory reference requests to firms outside their group in respect of upcoming Ring-Fencing Transfers.

The modification is available until Friday 31 August 2018; or the date the relevant rule is amended or no longer applies to the firm (in whole or in part).

¹ As defined in s421 of the Financial Services Markets Act 2000

A copy of the direction for the modification by consent is available on the [PRA's waivers and modifications of rules web page](#). If a firm wants to take up this modification by consent, it should read the direction and contact the PRA with a request for the modification at:

Authorisations
Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

Or

PRA-Waivers@bankofengland.co.uk

The PRA will confirm in writing whether the request has been granted and will publish the approved modification direction on the Financial Services Register.

2 February 2018