

Policy Statement | PS24/17

Strengthening accountability in banking: changes to SMR forms

October 2017



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1 Overview

1.1 This Prudential Regulation Authority (PRA) Policy Statement (PS) provides feedback to responses to Chapter 4 of Consultation Paper 8/17 'Strengthening accountability in banking and insurance: optimisations to the SIMR, and changes to SMR forms' (CP8/17).¹ It includes amendments to a number of forms used in the Senior Managers Regime (SMR forms), which the PRA shares with the Financial Conduct Authority (FCA).

1.2 This PS is relevant to banks, building societies, credit unions, and PRA designated investment firms (collectively known as Relevant Authorised Persons (RAPs)).

1.3 In CP8/17 the PRA proposed a number of consequential amendments to SMR forms. The proposed amendments sought to implement optimisations to the SMR introduced in PS12/17 'Strengthening individual accountability in banking and insurance: amendments and optimisations'.²

1.4 Appendix 1 links to the instrument amending the relevant SMR forms. Appendix 2 links to the final amended forms, which will be available on the PRA's website from 12 November 2012.

1.5 The PRA is required by the Financial Services and Markets Act 2000 (FSMA) to publish a statement on the impact of rules on mutuals where the final rule differs from the draft of the proposed rule.³ In the PRA's opinion, the impact of the rules as made is not significantly different from the impact of the proposed rules on mutuals or other deposit-takers.

1.6 The PRA is required by FSMA to have regard to any representations made to the proposals in a consultation, to publish an account, in general terms, of those representations and its response to them, and to publish details of any significant differences in the rules as made. No material changes to the proposals are included. Chapter 2 sets out feedback to responses received on the proposals and outlines next steps.

1 www.bankofengland.co.uk/pr/Pages/publications/cp/2017/cp817.aspx.

2 www.bankofengland.co.uk/pr/Pages/publications/ps/2017/ps1217.aspx.

3 Section 138K of FSMA.

2 Changes to SMR forms

2.1 This chapter sets out the final consequential changes to SMR forms following the proposals in CP8/17, which in turn followed the rule changes for RAPs in PS12/17, which included the:

- creation of a new:
 - PRA Senior Management Function (SMF), known as the Chief Operations function(SMF24) for the individual(s) with responsibility for the internal operations and technology of a firm;
 - Prescribed Responsibility (PR) for the firm's performance of its obligations under the Outsourcing Part of the PRA Rulebook (Outsourcing PR);¹ and
 - introduction of a qualitative criterion to the definition of the Head of Key Business Area function (SMF6).

2.2 In order to give effect to the rules changes in PS12/17 referred to above, Chapter 4 and Appendices 3 to 5 of CP8/17 proposed consequential changes to a number of SMR forms, including but not limited to:

- Long Form A for UK Relevant Authorised Persons and Third Country Relevant Authorised Persons;
- Short Form A for UK Relevant Authorised Persons and Third Country Relevant Authorised Persons;
- Form E Internal transfer of an approved person (for firms and individuals subject to the senior management regime);
- Statement of Responsibilities ('SoR'); and
- Statement of Responsibilities (Third Country Relevant Authorised Persons only) ('Third Country SoR').

2.3 The proposed changes involved updating the forms referred to above to include references to the new SMF24, the new PR and the revised definition of the SMF6 function.

2.4 Given the administrative, minor nature of the proposals, the consultation period for them ran from Tuesday 13 June to Monday 14 August 2017.

2.5 The proposals only generated one response which raised an administrative point. In particular, the response noted that, due to the fact that PRs in the SoR template are listed by letter (a,b,c etc.) the proposed inclusion of the Outsourcing PR in the SoR template (as PR 'v') would cause knock-on changes to the lettering of other PRs that follow it. This could in turn cause an administrative burden and confusion for certain firms, which use the lettering in the SoR template when referring to PRs in their internal documentation.

¹ www.prarulebook.co.uk/rulebook/Content/Part/214147/02-01-2018.

2.6 In response to this feedback, the PR for Outsourcing has been re-lettered PR 'u-a', which should address this administrative concern. The remaining final forms have been published as consulted.

2.7 In CP8/17 Firms, the PRA noted that RAPs would be required to submit notifications or applications (using the relevant revised forms) relating to the Chief Operations SMF, Outsourcing PR, or changes to their SMF6 population from 12 November 2017 onwards. A number of respondents asked the PRA to clarify what this meant.

2.8 From Sunday 12 November 2017 onwards ('the application/notification open date'), RAPs will be able to:

- apply for the PRA for pre-approval of individuals seeking to perform the SMF24 function (or, if already approved as other SMFs, for them to be transferred to the new SMF24 function);
- apply for pre-approval of individuals seeking to perform the SMF6 function based on the revised criteria (or, if already approved as other SMFs, for them to be transferred to the SMF6 function); and
- resubmit the SoR(s) of the individual(s) who have been allocated the Outsourcing PR.

2.9 As indicated in PS12/17, the PRA expects most individuals who will be performing the new SMF24 and revised SMF6 functions to be already approved as other SMFs, commonly the FCA's Other Overall Responsibility Function (SMF18s). Where this is the case, the PRA will seek to process relevant applications as expediently as possible.

2.10 There will be no formal application/notification closing date. Firms will be able to submit the necessary applications or notifications any time from Sunday 12 November 2017 onwards. However, firms are encouraged to submit these documents as soon as reasonably practicable.

2.11 Any firms looking to appoint individuals as SMF24s or SMF6s (based on the new criteria) before Sunday 12 November 2017 are advised to complete their applications in draft using the old forms and submit them to their PRA supervisor for discussion with a view to updating them and submitting them formally on 12 November 2017.

Appendices

**1 PRA RULEBOOK: CRR FIRMS, NON CRR FIRMS: SENIOR MANAGERS REGIME AMENDMENT INSTRUMENT (No.2) 2017), available at:
www.bankofengland.co.uk/pr/Pages/publications/ps/2017/ps2417.aspx.**

**2 REVISED SMR FORMS, available at:
www.bankofengland.co.uk/pr/Pages/publications/ps/2017/ps2417.aspx.**