

# SENIOR MANAGERS AND CERTIFICATION REGIME FOR BANKS AND PRA-AUTHORISED INVESTMENT FIRMS

## Alignment to Employment Life Cycle





## Introduction

At the beginning of 2015, a City HR Taskforce was convened to consider how organisations could plan for the Senior Managers and Certification Regime (SMCR) which **comes into force on 7th March 2016**. This included identifying the issues, knowledge sharing across the market and working collaboratively to seek longer term answers.

This multi-disciplinary team comprises HR leaders responsible for project managing the programme alongside risk and compliance colleagues from over 30 organisations of differing size within the City HR membership. External support is provided from three leading law firms, a management consulting firm and a global systems provider who are providing expertise on specific facets of the new regulations.

The City HR Taskforce is approaching this issue in three parts.

### PART ONE: SETTING THE SCENE

*The impact of SMCR on the employment life cycle from an HR, Risk, Compliance and Legal Perspective. **Release Date: 26th May 2015.***

The initial findings have been grouped into a matrix which aligns the employment cycle to governance and regulatory requirements.

**The Employment Life Cycle Matrix is attached alongside the list of SMF roles and a provisional list of prescribed responsibilities required by the PRA and FCA.**

### PART TWO: PLANNING FOR IMPLEMENTATION

*The identification of what needs to happen, when and how using shared market approaches together with expert insights and tools. **Full Pack Completion Date: 30th June 2015***

The work in progress includes a **Process Map, Scenario Planning** (eg employee is: SIF and will be covered by SMR; SIF and will fall under the Certification Process etc) and **Training Programmes** for all levels of staff within the organisation. Training will be available from City HR from September 2015. A workshop to explore Management Information Reporting, Systems and Recording takes place on **2nd June 2015**.

### PART THREE: IMPLEMENTATION AND ON-GOING MAINTENANCE

*The view from the Regulators, employee communications and programme finalisation together with on-going maintenance post implementation – **Completion Date: February 2016.***

Whilst the work of the City HR Taskforce is independent and is not endorsed in any way by the Regulators, we are pleased that the **PRA and FCA will be presenting on SMCR, with a Q&A session, at a specially convened City HR Seminar on 1st July 2015.**

After this meeting, the Taskforce’s programme will continue to explore difficult issues seeking collaboration with other professional bodies in the City ranging from reference checking to embedding the programme for 7<sup>th</sup> March 2016 with on-going maintenance thereafter.

## THE SAME PROGRAMME HAS BEEN UNDERTAKEN FOR THE INSURANCE MARKET AND OUR EMPLOYMENT CYCLE FOR SIMR WILL BE CIRCULATED TO MEMBERS BY THE END OF MAY 2015.

We hope that members find this work both useful for organisational planning and for understanding the shared resource available from City HR. Naturally, there is no one universal solution to meeting the specific needs of each organisation, and members must therefore seek their own independent advice to ensure that their plans are fit for purpose by March 2016.

We would welcome any feedback on this work or new members to the taskforce and you may contact any of the programme leaders below via City HR on **andreaeccles@cityhr.co.uk**. Grateful thanks are extended to the Taskforce, who will be formally acknowledged in our Part Two release in June. Our Co-Chairs on this programme are:-

Marian Bloodworth Taskforce Co-Chair Berwin Leighton Paisner LLP	Joanne Owers Taskforce Co-Chair Fox Williams LLP	Louise Redmond Taskforce Co-Chair, Education Risk Culture Insights
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## SENIOR MANAGERS AND CERTIFICATION REGIME

### TASKFORCE TIMETABLE

#### PART ONE:

Employment Life Cycle linked to risk, compliance and legal (SMCR)

Published 26<sup>th</sup> May 2015

#### PART TWO:

Management Information, Recording and Systems Workshop (see [www.cityhr.co.uk/events](http://www.cityhr.co.uk/events))

2<sup>nd</sup> June 2015

Process Map, Scenarios and Training Programme Outline

Published by 30<sup>th</sup> June 2015

#### PART THREE:

PRA and FCA Seminar for City HR Members (see [www.cityhr.co.uk/events](http://www.cityhr.co.uk/events))

1<sup>st</sup> July 2015

Employee Communications via specific training

September – December 2015

Identification and resolution of issues, seeking collaboration with other professional/expert bodies

On-going

Review of emerging guidance and developments as published by the Regulators or other relevant bodies

On-going

Final deadline for submission of grandfathering notifications

8<sup>th</sup> February 2016

SMCR goes live

7<sup>th</sup> March 2016

### CONTEXT

The **Legislative Framework for the SMCR** is contained in Financial Services (Banking Reform) Act 2013.

The PRA and FCA believe that holding individuals to account is key to effective regulation. This new regime is intended to reduce the practical barriers to enforcement by:

- Clearer allocation of responsibilities (through Statements of Responsibilities/Responsibilities Maps)
- Reversal of burden of proof

The three main proposals which come into effect on 7<sup>th</sup> March 2016 are:

- Senior Managers Regime (to replace existing Approved Persons Regime for affected firms)
- Certification Regime (for 'significant harm functions' - as defined)
- Conduct Rules (new set of rules to apply to all staff not in purely administrative roles)

**The current position:** the full scope of the SMCR applies only to UK-incorporated firms, including UK-incorporated subsidiaries of foreign banks. However, the government has tried as far as possible to apply the regime to UK branches of banks incorporated in other jurisdictions, although as a result of proportionality considerations, there will be slightly different versions of SMCR for UK branches of non-EEA banks, and UK branches of EEA banks.

The key differences are as follows:

- UK branches of non-EEA banks:
  - a shorter list of SMF functions for which regulatory pre-approval is required (See Annex 1)
  - the criminal offence of reckless mismanagement under Section 36 of the Banking Reform Act 2013 will not apply to senior managers
  - the list of prescribed responsibilities which must be allocated to SMF holders is different (See Annexes 2 and 3).
- UK branches of EEA banks:
  - an even shorter list of SMF functions for which regulatory pre-approval is required (See Annex 1)
  - the criminal offence of reckless mismanagement under Section 36 of the Banking Reform Act 2013 will not apply to senior managers
  - there will be no prescribed responsibilities to be allocated to SMFs, and the requirements relating to handover arrangements and governance maps are less onerous.

In all other respects, the Senior Manager aspects of the new regime are expected to apply to UK branches of foreign banks in the same way as to UK-incorporated banks and subsidiaries; for example, Statements of Responsibility will be required for each SMF, and the reverse burden of proof will apply for SMFs. For the Certification aspects of the regime, it is proposed that there will be a principle of territorial application providing that certified persons must either be based in the UK, or dealing with a UK client. This is intended to prevent individuals from being captured by the certification regime who do not have a substantial link to the UK business or customers.



## SENIOR MANAGERS AND CERTIFICATION REGIME FOR BANKS AND PRA-AUTHORISED INVESTMENT MANAGERS Implications for the Employment Life Cycle

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The same matrix has been prepared for the **Senior Insurance Managers Regime**. Please contact the City HR Office for details

**Health Warning – subject to change when PRA and FCA Final Rules are published in Spring/Summer 2015**



## Implications for the Employment Life Cycle

STAGE IN EMPLOYMENT LIFE CYCLE	IMPLICATIONS FOR HR PROCESSES	INPUT NEEDED FROM COMPLIANCE AND RISK	INPUT NEEDED FROM LEGAL
<p><b>PART A: PREPARATION</b></p> <p>Setting the tone at the top</p>	<p><b>Working with the board or ExCom (in conjunction with compliance, risk, legal, business units and other relevant parties) to:</b></p> <ul style="list-style-type: none"> <li>■ <b>Agree the strategy and responsibilities</b> for the implementation of SMCR and associated certification process including               <ul style="list-style-type: none"> <li>• the requirements at Board level from HR, risk, compliance, legal and the business as a whole and by division, and any steering committee.</li> <li>• the key sponsor(s), functional leadership and programme set up including decision-making channels</li> </ul> </li> <li>■ <b>Align HR Policies with Board Governance and Vision particularly relating to</b> <ul style="list-style-type: none"> <li>• Culture and values: setting and embedding</li> <li>• Conduct standards</li> <li>• Risk management</li> <li>• Succession planning</li> </ul> </li> <li>■ <b>Understand how business strategy will capture the requirements of SMCR – and the responsibility allocated to HR, risk, compliance, IT, legal and business divisions for management in respect of:</b> <ul style="list-style-type: none"> <li>• Allocation of prescribed responsibilities</li> <li>• SMF Statements of responsibility</li> <li>• The Governance Map</li> <li>• Recruitment procedures</li> <li>• Employment contracts, job descriptions and relevant internal policies</li> </ul> </li> </ul>	<p><b>Working with the board or ExCom (in conjunction with HR, legal, business units and other relevant parties) to understand internal governance and the employment cycle detailed under ‘Implications for HR Processes’</b></p> <ul style="list-style-type: none"> <li>■ <b>Agree the strategy and responsibilities</b> for the implementation of SMCR and associated certification process including the requirements at Board level from HR, risk, compliance, legal and the business as a whole and by division, and any steering committee with a compliance and risk focus on:-</li> </ul> <p><b>Initial discussions with FCA and PRA around</b></p> <ul style="list-style-type: none"> <li>• Management Responsibilities Map</li> <li>• Allocation of Responsibility</li> <li>• SMF Statements of Responsibility</li> </ul> <p><b>Compliance issues around</b></p> <ul style="list-style-type: none"> <li>• Training and employee communication</li> <li>• Exits and terminations</li> <li>• Whistleblowing</li> <li>• Management information reporting</li> <li>• Record keeping</li> </ul>	<p><b>Working with the board or ExCom (in conjunction with HR, risk, compliance, business units and other relevant parties) to understand internal governance and the employment cycle detailed under ‘Implications for HR Processes’</b></p>



STAGE IN EMPLOYMENT LIFE CYCLE	IMPLICATIONS FOR HR PROCESSES	INPUT NEEDED FROM COMPLIANCE AND RISK	INPUT NEEDED FROM LEGAL
<p><b>Organisation Design</b></p> <p><b>Embedding SMR, the certification process and conduct rules within the organisation</b></p>	<ul style="list-style-type: none"> <li>• Insurance coverage</li> <li>• Training and employee communication</li> <li>• Exits and Terminations</li> <li>• Whistleblowing</li> <li>• Data gathering on previous SIF applications</li> <li>• Management Information Reporting</li> <li>• Record Keeping</li> </ul> <p>■ Work with board, risk, compliance, legal and business heads to</p> <ul style="list-style-type: none"> <li>• Identify current and future roles affected</li> <li>• Identify “Senior Managers” and those covered by the certification procedure</li> <li>• Ensure that roles and responsibilities have been prescribed and communicated appropriately</li> <li>• Consider the global implications of SMCR</li> <li>• Ensure that implementation plan considers more complex matrix management</li> </ul> <p>As part of roll-out programme, build strategy for on-going maintenance including who will manage specific elements after the programme goes live on 7th March 2016.</p>		



STAGE IN EMPLOYMENT LIFE CYCLE	IMPLICATIONS FOR HR PROCESSES	INPUT NEEDED FROM COMPLIANCE AND RISK	INPUT NEEDED FROM LEGAL
<p><b>PART B:</b></p> <p><b>DETAILED IMPACT ON THE EMPLOYMENT LIFE CYCLE</b></p> <p><b>Recruiting new staff</b></p>	<ul style="list-style-type: none"> <li>■ <b>Job description and specification / role profile</b> – where recruiting for a SMF role, be aware that role profile documents must align with SMF Statement of Responsibility. Where recruiting for Certification Staff, be aware that role profile documents must align to regulatory requirements for Fitness and Propriety. Ensure all recruitment documentation communicates:               <ul style="list-style-type: none"> <li>• <b>Board’s top down approach to culture</b>, values and behaviours</li> <li>• <b>the regulatory implications</b> of the role</li> <li>• the relevant <b>Conduct Rules</b></li> </ul> </li> <li>■ <b>Person specification</b>– to be aligned to required behaviours</li> <li>■ <b>Attraction methods</b> – education of third party recruiters and care with job adverts</li> <li>■ <b>Interview process</b> – to be aligned to required competencies and behaviours</li> <li>■ <b>Assessment tools</b> – to include attitude, ethics and values</li> <li>■ <b>Psychometric testing</b> – to test for alignment of thinking style to required competencies and behaviours</li> <li>■ <b>Third party counselling</b> on implications for individual accountability of taking up a SMF role?</li> </ul> <p>Also ensure clarity around reporting lines, remits and responsibility for monitoring capability and competence of those filling an approved certified role.</p>	<ul style="list-style-type: none"> <li>■ Setting standards for references</li> <li>■ Setting standards for fitness and propriety for SMs, NEDs and Certified Persons</li> <li>■ Advising on scope and meaning of Conduct Rules</li> <li>■ Applications for approval for each SMF. (Form A for new applications or Form K for Grandfathering)</li> <li>■ Reviewing and monitoring certification of Certified Persons</li> <li>■ Reviewing and monitoring fit and proper assessments of prospective SMs</li> </ul>	<ul style="list-style-type: none"> <li>■ Drafting Statements of Responsibility for each SMF</li> <li>■ Reviewing precedent employment contracts and NED letters of appointment to ensure alignment with requirements of new SMs and Certification Regimes (e.g. ensure that there is a requirement for regulatory approvals to be unconditional and without time limits attached)</li> <li>■ Review Employment Policies</li> <li>■ Review Employee handbook including conduct, disciplinary procedures and whistle-blowing</li> <li>■ Training/briefing for these involved in hiring regarding questions to be asked</li> </ul>



STAGE IN EMPLOYMENT LIFE CYCLE	IMPLICATIONS FOR HR PROCESSES	INPUT NEEDED FROM COMPLIANCE AND RISK	INPUT NEEDED FROM LEGAL
<b>On-boarding process (including reference checking and employee background screening)</b>	<ul style="list-style-type: none"> <li>■ Update process for taking up regulatory references: to go back 5 years and to include criminal records check for SMF roles</li> <li>■ Determine the <b>content of references</b> in terms of what to seek for those joining and also what to give to those leaving seeking input from compliance, risk and legal</li> <li>■ Consider approach to securing information and evidence of fitness and propriety through employee background screening prior to the individual signing the employment contract</li> <li>■ Update <b>offer letter and supporting documents</b>, including staff handbook</li> <li>■ Update <b>Induction Programme</b> for all staff</li> <li>■ Ensure <b>an on-boarding plan</b> is prepared by line manager/HR including handover documentation</li> </ul>	<ul style="list-style-type: none"> <li>■ Advise on updated policy for references</li> <li>■ Reviewing non-standard references</li> <li>■ Challenging incomplete references</li> <li>■ Referring to regulator as appropriate</li> <li>■ Monitoring handover documentation</li> <li>■ Reviewing and monitoring certifications</li> </ul>	<ul style="list-style-type: none"> <li>■ Advise on updated policy for references</li> <li>■ Review offer letter format and conditions of offer/contract</li> <li>■ Review and advise on proposed wording for references</li> <li>■ Review of draft handover documentation</li> </ul>
<b>Training new and existing staff</b>	<ul style="list-style-type: none"> <li>■ Review and update <b>Graduate Training Programme</b></li> <li>■ Review and update <b>Leadership Development Programme</b></li> <li>■ Review and update <b>Management Development Programme</b></li> <li>■ Review and update <b>Regulatory and Compliance Training</b></li> <li>■ <b>Prepare training to all employees</b> about the Senior Managers Regime, Certification Process, Conduct Rules and the organisation's expectations regarding culture, values and behaviours</li> </ul>	Setting standard and content for: <ul style="list-style-type: none"> <li>■ Training for SMs</li> <li>■ NED training</li> <li>■ Certification training</li> <li>■ Conduct Rules Training</li> <li>■ Monitoring attendance at training</li> </ul>	<ul style="list-style-type: none"> <li>■ Review updated training modules</li> <li>■ Advise on steps to ensure SMs and other affected employees are fully aware of responsibilities under conduct rules, and ramifications of non-compliance</li> <li>■ Give guidance on reasonable steps for SMs to prevent, stop or remedy regulatory breaches (NB. awareness of new criminal offence of reckless misconduct)</li> <li>■ Train SMs on appropriate delegation techniques and need to record same</li> </ul>



STAGE IN EMPLOYMENT LIFE CYCLE	IMPLICATIONS FOR HR PROCESSES	INPUT NEEDED FROM COMPLIANCE AND RISK	INPUT NEEDED FROM LEGAL
	<ul style="list-style-type: none"> <li>■ <b>Deliver initial training and on-going training</b> as part of the certification and re-certification process</li> <li>■ <b>Counselling or coaching</b> on the implications and implementation of SMCR to those designated "Senior Manager" on an individual basis</li> <li>■ <b>Communicate the importance of the annual certification process</b></li> </ul>		<ul style="list-style-type: none"> <li>■ Amend contracts/appraisals to include reference to compulsory attendance at training</li> </ul>
<b>Transitioning existing SIFs into SMCR</b>	<ul style="list-style-type: none"> <li>■ <b>Review grandfathering</b> of individual's previous SIF application against new standards</li> <li>■ Review and update <b>employee handbook and contracts</b></li> <li>■ Liaise with <b>Risk and Compliance</b> talk on training for SMCR</li> <li>■ Update <b>content of intranet</b></li> <li>■ Ensure <b>alignment of all HR Policies with statements of the firm's culture and values</b> as articulated by Board</li> <li>■ Consult with Compliance on grandfathering</li> <li>■ Consider the type of handover documentation to be given by those losing SIF status prior to 7th March 2016</li> </ul>	<ul style="list-style-type: none"> <li>■ Track SIF roles across to SMF roles</li> <li>■ Grandfathering applications where appropriate (Form K)</li> <li>■ Where grandfathering does not apply, prepare fresh application for approval (Form A)</li> </ul>	<ul style="list-style-type: none"> <li>■ Drafting Statements of Responsibility for each SMF</li> <li>■ Once status of individual is established, consider contractual impact</li> <li>■ Recording responsibilities may involve contractual change – consider how best to achieve, (most likely by negotiation) and timescale</li> <li>■ Consider absence handling, flexible working and job and responsibility sharing of SMs</li> <li>■ Consider/produce policy on legal costs assistance for SMs (including during negotiation of statements of responsibility) and how to manage consistently</li> <li>■ Draft and review handover documentation for those losing SIF status</li> </ul>



STAGE IN EMPLOYMENT LIFE CYCLE	IMPLICATIONS FOR HR PROCESSES	INPUT NEEDED FROM COMPLIANCE AND RISK	INPUT NEEDED FROM LEGAL
<b>Succession planning</b>	<ul style="list-style-type: none"> <li>■ Ensure <b>talent pipeline</b> of individuals ready, willing and able to <b>assume SMF roles</b></li> <li>■ Assume continual monitoring of conduct and fitness and propriety of those on the succession plan</li> </ul>		
<b>Performance management / appraisal and certification / disciplinary processes</b>	<ul style="list-style-type: none"> <li>■ <b>Update performance management processes</b> to include adherence to the new policies and procedures designed to ensure compliance with SMCR</li> <li>■ <b>Consider measurement of behaviours</b> and risk as part of the evaluation process and integrate conduct monitoring</li> <li>■ <b>Integrate the annual certification process</b> for 'significant harm' employees required under the SMCR into the existing annual appraisal process</li> </ul>	<ul style="list-style-type: none"> <li>■ Assessing compliant / non-compliant scores for balanced scorecard purposes</li> <li>■ Record keeping processes for 'significant harm' employee certification process</li> </ul>	<ul style="list-style-type: none"> <li>■ Review existing performance management and appraisal processes – do the metrics used align with the fitness and propriety test under the new certification process?</li> <li>■ Establish clear and transparent basis for annual certification process and approach to establishing fitness and propriety in order to ensure consistency of approach and lawful exercise of discretion</li> <li>■ Amend disciplinary policy and processes to allow for suspension where on-going certification is in question and for termination where on-going certification not possible</li> </ul>
<b>Reward</b>	<ul style="list-style-type: none"> <li>■ Ensure that reward is aligned to performance</li> <li>■ Communicate how reward is aligned to performance and conduct and how this is impacted by the new regime</li> <li>■ Will a premium be required by those directly implicated in SMCR?</li> <li>■ Review policies on scope of D&amp;O coverage and firm's position on providing indemnities to employees</li> </ul>	<ul style="list-style-type: none"> <li>■ Advising Remuneration Committee on compliant/non-compliant scores</li> </ul>	<ul style="list-style-type: none"> <li>■ Review contracts and bonus plan rules – consider whether necessary to re-define cause?</li> </ul>



STAGE IN EMPLOYMENT LIFE CYCLE	IMPLICATIONS FOR HR PROCESSES	INPUT NEEDED FROM COMPLIANCE AND RISK	INPUT NEEDED FROM LEGAL
	<ul style="list-style-type: none"> <li>What reward elements will arise from SMCR, e.g. clawbacks, malus etc?</li> </ul>		
<b>Whistleblowing</b>	<ul style="list-style-type: none"> <li>Ensure that <b>speak up policies</b> are in force to encourage early disclosure of problems</li> <li><b>Arrange for board to appoint a Whistleblower's Champion</b> and ensure that the prescribed responsibilities are understood.</li> <li>Review the final outcome of the consultation on whistleblowing (closed 22/5/15) and liaise with senior management, risk, compliance and legal to ensure that requirements are implemented and communicated to all employees.</li> </ul>	<ul style="list-style-type: none"> <li>Investigating whistleblowings</li> <li>Reporting whistleblowings, and any breaches discovered therefrom, to regulators</li> </ul>	<ul style="list-style-type: none"> <li>Review whistleblowing policy and procedures for raising concerns</li> <li>Review appointment terms for Whistleblower's Champion and amend as necessary (subject to consultation outcome)</li> </ul>
<b>Exits and Terminations</b>	<ul style="list-style-type: none"> <li>Review <b>leavers procedure</b> and consider amending to include handover processes</li> <li>Consider more in-depth <b>exit interviews</b> to protect those in SMF roles</li> <li><b>Termination policy</b> should be reviewed including settlement agreement pro forma</li> <li><b>References</b></li> </ul>	<ul style="list-style-type: none"> <li>Investigations</li> <li>References</li> <li>Reporting to regulators</li> <li>Process Form C, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Review settlement agreement wording and leaving arrangements including warranties for full handover and disclosure of any regulatory breaches</li> <li>Draft standard form references which are compliant with the new regime</li> </ul>
<b>Reporting and record-keeping (throughout the employment life cycle)</b>	<ul style="list-style-type: none"> <li><b>Enhancements to HR metrics to be provided to the Board and Compliance</b>, to include:               <ul style="list-style-type: none"> <li>Evidence of fitness and propriety</li> <li>Incidences of conduct rule breach</li> <li>Employee turnover / reasons for leaving</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Amend internal frameworks for capturing and escalating compliance reporting information</li> <li>Training records</li> </ul>	<ul style="list-style-type: none"> <li>Implement consistent and transparent approach to reporting breaches of conduct to regulators</li> <li>Consider security and confidential aspects of reports including data protection</li> </ul>



STAGE IN EMPLOYMENT LIFE CYCLE	IMPLICATIONS FOR HR PROCESSES	INPUT NEEDED FROM COMPLIANCE AND RISK	INPUT NEEDED FROM LEGAL
	<ul style="list-style-type: none"> <li>• Training data</li> <li>• Performance data</li> <li>• Employee survey data – what does it tell you about culture / values</li> <li>• Whistleblowing instances</li> </ul> <p>■ <b>HR audit to cover:</b></p> <ul style="list-style-type: none"> <li>• Job descriptions</li> <li>• Training</li> <li>• Recruitment</li> <li>• On-boarding process (including references)</li> <li>• Succession plans</li> </ul> <p>■ Need to translate conduct rules to measurable items, set thresholds and establish monitoring, review and governance</p> <p>■ <b>Capturing and storing SMCR data</b></p> <ul style="list-style-type: none"> <li>• Aligning HR systems to provide integrated information relating to SMCR</li> <li>• Consider HR dashboards to capture and monitor data</li> <li>• Establish business and system requirements to manage and update changes in roles and responsibilities for approved and certified individuals and record changes</li> </ul>		<ul style="list-style-type: none"> <li>■ Implement systems for keeping such notifications on employee files</li> </ul>

## Annex 1 – List of SMF roles for different categories of institution

Executives	Relevant to UK-incorporated bank or subsidiary	Relevant to UK branch of EEA-incorporated bank	Relevant to UK branch of non-EEA-incorporated bank
Chief Executive function, SMF1 [PRA]	Yes	No	No
Chief Finance function, SMF2 [PRA]	Yes	No	Yes
Executive Director function, SMF3 [FCA]	Yes	No	No
Chief Risk function, SMF4 [PRA]	Yes	No	Yes
Head of Internal Audit function, SMF5 [PRA]	Yes	No	Yes
Head of key business area function, SMF6 [PRA]	Yes	No	No
Group Entity Senior Manager function, SMF7 [PRA]	Yes	No	Yes
Credit Union Manager (small credit unions only), SMF8 [PRA]	Yes	No	No
Compliance Oversight, SMF16 [FCA]	Yes	No	Yes
Money Laundering Reporting function, SMF17 [FCA]	Yes	Yes	Yes
Significant Responsibility function, SMF18 [FCA]	Yes	No	No
Head of Overseas Branch, SMF19 [PRA]	No	No	Yes
Overseas Branch Senior Manager, SMF20 [FCA]	No	No	Yes
EEA Branch Senior Manager SMF21 [FCA]	No	Yes	No
<b>Non-Executives</b>			
Chairman function, SMF9 [PRA]	Yes	No	No
Chair of Risk Committee function, SMF10 [PRA]	Yes	No	No
Chair of Audit Committee function, SMF11 [PRA]	Yes	No	No
Chair of Remuneration Committee function, SMF12 [PRA]	Yes	No	No
Senior Independent Director function, SMF14 [PRA]	Yes	No	No
Chair of Nominations Committee, SMF13 [FCA]	Yes	No	No

This matrix has been developed by the City HR Association - for the benefit of its members - in conjunction with the programme co-chairs at Berwin Leighton Paisner LLP, Fox Williams LLP and Risk Culture Insights. This document is a general guide and is not intended to be comprehensive or constitute legal advice. This document will be subject to change in light of published guidelines from the PRA and FCA and firms should therefore seek their own professional advice including specific legal advice on how to implement SMCR/SIMR within their own firms. Please contact [andreaeccles@cityhr.co.uk](mailto:andreaeccles@cityhr.co.uk) to be kept informed of this work, to join our taskforce or to attend supporting events. This matrix may not be published, copied, adopted or distributed without the written agreement of the City HR Association Limited (May 2015).



## Annex 2 – Provisional list of prescribed responsibilities required by the FCA and PRA to be allocated to SMFs in UK-incorporated banks

FCA prescribed responsibilities
(1) Responsibility for the firm’s performance of its obligations under the senior management regime
(2) Responsibility for the firm’s performance of its obligations under the employee certification regime
(3) Responsibility for compliance with the requirements of the regulatory system about the management responsibilities map
(4) Responsibility for: (a) leading the development of; and (b) monitoring the effective implementation of; policies and procedures for the induction, training and professional development of all members of the firm’s governing body
(5) Responsibility for monitoring the effective implementation of policies and procedures for the induction, training and professional development of all persons performing designated senior management functions on behalf of the firm other than members of the governing body
(6) Responsibility for (a) safeguarding the independent of and (b) oversight of the performance of; the internal audit function in accordance with SYSC 6.2 (Internal Audit)
(7) Responsibility for: (a) safeguarding the independence of; and (b) oversight of the performance of; the compliance function in accordance with SYSC 6.1 (Compliance)
(8) Responsibility for: (a) safeguarding the independence of; and (b) oversight of the performance of; the risk function in accordance with SYSC 7.1.21R and SYSC 7.1.22R (Risk control)
(9) Overall responsibility for the firm’s policies and procedures for countering the risk that the firm might be used to further financial crime
(10) Overall responsibility for the firm’s policies and procedures for compliance with CASS
(11) Responsibility for developing and overseeing the firm’s remuneration policies and practices in accordance with SYSC [19A (Remuneration Code)]
(12) [Placeholder for possible whistleblowing responsibility]



## PRA Prescribed Responsibilities

<b>All firms</b>	<ol style="list-style-type: none"> <li>1 Responsibility for the firm's performance of its obligations under the senior management regime;</li> <li>2 Responsibility for the firm's performance of its obligations under the certification rules;</li> <li>3 Responsibility for compliance with the firm's obligations in relation to its management responsibilities map;</li> <li>4 Responsibility for the allocation of all prescribed responsibilities;</li> <li>5 Responsibility for monitoring effective implementation of policies and procedures for the induction, training and professional development of senior management other than members of the governing body;</li> <li>6 Responsibility for overseeing the adoption of the firm's culture in the day-to-day management of the firm;</li> <li>7 Responsibility for managing the allocation and maintenance of the firm's capital, funding and liquidity,</li> <li>8 Responsibility for the firm's treasury management functions;</li> <li>9 Responsibility for the production and integrity of the firm's financial information and its regulatory reporting under the regulatory system;</li> <li>10 Responsibility for developing and maintaining the firm's recovery plan and resolution pack and for overseeing the internal processes regarding its governance;</li> <li>11 Responsibility for managing the firm's internal stress tests and ensuring the accuracy and timeliness of information provided to the PRA and other regulatory bodies for the purposes of stress testing</li> <li>12 Responsibility for the development and maintenance of the firm's business model by the governing body;</li> </ol> <p><b>Oversight of prescribed responsibilities (must go to a NED in scope of the SMR)</b></p> <ol style="list-style-type: none"> <li>13 Responsibility for leading the development and monitoring effective implementation of policies and procedures for the induction, training and professional development of all members of the firm's governing body;</li> <li>14 Responsibility for leading the development of the firm's culture by the governing body as a whole;</li> <li>15 Responsibility for safeguarding the independence of, and overseeing the performance of, the internal audit function, including the performance of a person approved to perform the Head of Internal Audit function on behalf of the firm, in accordance with SYSC 6.2 (Internal audit) of the PRA Handbook;</li> <li>16 Responsibility for safeguarding the independence of, and overseeing the performance of, the compliance function, including the performance of a person approved by the FCA to perform the compliance oversight function on behalf of the firm, in accordance with SYSC 6.1 (Compliance) of the PRA Handbook;</li> <li>17 Responsibility for safeguarding the independence of, and overseeing the performance of the risk function, including the performance of a person approved to perform the Chief Risk function on behalf of the firm, in accordance with SYSC 7.1.21 R and SYSC 7.1.22 R (Risk control) of the PRA Handbook;</li> <li>18 Responsibility for developing and overseeing the firm's remuneration policies and practices in accordance with SYSC 19A (Remuneration Code) of the PRA Handbook;</li> <li>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.</li> </ol>
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### PRA Prescribed Responsibilities

**Specific types of firm**

- 20 If the firm carries out proprietary trading, responsibility for the firm's proprietary trading activities;
- 21 If the firm does not have a person who performs the Chief Risk function, responsibility for the compliance of the firm's risk management systems, policies and procedures with the requirements of SYSC 7.1.2 R to SYSC 7.1.5 R of the PRA Handbook
- 22 If the firm outsources its internal audit function, responsibility for taking reasonable steps to ensure that every person involved in the performance of that function is independent from the persons who perform external audit, including
  - (a) supervision and management of the work of outsourced internal auditors; and
  - (b) management of potential conflicts of interest between the provision of external audit and internal audit services;
- 23 If the firm is a ring-fenced body, responsibility for ensuring that those aspects of the firm's affairs for which a person is responsible for managing are in compliance with the ring-fencing requirements



## Annex 3 - Provisional list of prescribed responsibilities required to be allocated to SMFs in UK branches of non-EEA-incorporated foreign banks

Prescribed Responsibilities: UK branches of non-EEA banks*	
1.	Responsibility for the branch's performance of its obligations under the senior management regime, including implementation and oversight
2.	Responsibility for the branch's performance of its obligations under the certification rules
3.	Responsibility for the branch's performance of its obligations in relation to its management responsibilities map
4.	Responsibility for management of the branch's risk management processes in the UK
5.	Responsibility for the branch's compliance with the UK regulatory regime applicable to the branch
6.	Responsibility for the escalation of correspondence from the PRA, FCA and other regulators in respect of the branch to the governing body and/or the management body of the firm or, where appropriate, of the parent undertaking or holding company of the firm's group
7.	Responsibility for the maintenance of the integrity, independence and effectiveness of the branch's policies and procedures on whistleblowing and for ensuring staff who raise concerns are protected from detrimental treatment
8.	Responsibility for management of the branch's systems and controls in the UK [PRA only]
9.	Responsibility for the allocation of all UK branch prescribed responsibilities [PRA only]
10.	Responsibility for management of the branch's liquidity or, where a liquidity waiver is in place, the submission of information to the PRA on the firm's liquidity position [PRA only]
11.	Responsibility for the production and integrity of the branch's financial information and its regulatory reporting in respect of its regulated activities, including the annual attestation of compliance to the PRA of the branch's compliance with its obligations under SYSC [PRA only]
12.	Responsibility for the branch's policies and procedures for countering the risk that the branch might be used to further financial crime [FCA only]
13.	Responsibility for the branch's policies and procedures for compliance with CASS [FCA only]

**\* Note that there are no prescribed responsibilities for UK branches of EEA banks under the current proposals.**