

10 things insurers need
to know about the
Extended Senior
Managers and
Certification Regime
("SMCR")

September 2017

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When will the extended regime apply?

The date for implementation of the (extended) regime is expected to be “from 2018”. Consultation on the proposed rules will close on 03 November 2017 with the final rules expected in Summer 2018. We then expect a phased implementation from late 2018. The FCA has said that it will, separately, consult on the operational aspects of the new rules, including how firms will transition into the regime (this should minimise the need for firms and individuals to apply for new approval as a Senior Manager if they are already an Approved Person).

The PRA may also consult on proposed transition of measures as well as looking to align the regime for insurers more closely to banks. It proposes to publish final policy during 2018 but no more detail is given.

What are the main elements of the SMCR?

There are three main elements to the SMCR:

- **Senior Managers Regime:** This is relevant to senior individuals who run firms. Anyone who, under the Senior Insurance Managers Regime (SIMR), currently holds a Senior Insurance Management Function will require regulatory approval. The PRA Regime covers most of the current Senior Insurance Management Functions (SIMFs) while the FCA Regime covers a further two SIMFs and creates some others, such as the Chief Operations Function (SMF24). Those holding these senior management functions (now SMFs) will be Senior Managers. Each Senior Manager will be required to sign (and the firm will be required to submit to the PRA/FCA) a Statement of Responsibilities. This document sets out an individual's areas of responsibility within the firm (and will include certain “Prescribed Responsibilities” mandated by the FCA that firms are required to allocate amongst their Senior Manager population). Firms will need to tell the PRA/FCA whenever there is a material change to a Senior Manager's Statement of Responsibilities. Every Senior Manager will also be subject to a “duty of responsibility” – a statutory duty under FSMA which means that if something goes wrong, the PRA/FCA will consider whether or not the Senior Manager took “reasonable steps” to stop this from happening. Finally there are specific Senior Management Conduct rules with one particularly designed for insurers.
- **Certification Regime:** This covers people who are not Senior Managers, but whose job the PRA/FCA regards as potentially having a big impact on customers, markets or the firm itself. All key function holders and ‘material risk takers’ (MRTs) will be subject to the Certification Regime, unless they are Senior Managers or Non-Executive Directors. The PRA/FCA will no longer approve this category of personnel – rather, it will be for firms themselves to determine who takes up these roles and “certify” that individuals are fit and proper (at the point of recruitment and on an annual basis thereafter).
- **Conduct Rules:** These are basic rules that will apply to almost every person who works in financial services – not just Senior Managers and Certification Regime staff, but also other staff (except certain “ancillary staff” as defined in the rules). The Conduct Rules broadly mirror the current APER Statements of Principle, although there are a few key differences, as well as differences between the PRA and FCA rules.

Will there be different requirements for different types of insurance firm?

- Yes. The regime will apply proportionately according to the size of the firm and the nature of its business.
 - The PRA proposes to extend the SMCR to Solvency II insurers, ISPVs and Non-Directive Firms (NDFs). Not every part of the regime applies across the board. There are distinctions between large and small NDFs and also exceptions for small run-off firms and branches, both EEA and non EEA.
 - The PRA Certification Regime will apply to key function holders and material risk takers (“MRTs”) in “large firms”, (being those with annual premium income (gross of reinsurance) of more than £1 billion in each of the previous three financial years, or with assets (including reinsurance) related to

regulatory activities of more than £10 billion at the end of the last three financial years). The FCA requires a wider application of the Certification Regime.

Small NDFs

A more streamlined set of requirements is proposed for small NDFs. While the Senior Managers of the small NDF will be required to meet PRA/FCA approval as now, the Certification Regime will apply to a smaller number of people in a small NDF, being all members of the “governing body” and employees who report directly to the “governing body”. The PRA will apply its conduct rules to the Senior Managers and also extend its conduct rules to those individuals subject to the Certification Regime.

ISPVs

The FCA will only specify three Senior Management Functions which are applicable to ISPVs, although they state that they don't expect firms with simple governance structures to require them all. Likewise the Overall Responsibility requirement (see section 4) and the need for a Responsibilities Map will not apply to small NDFs or ISPVs. Solvency II firms and large NDFs need to comply by reporting where overall responsibility lies.¹

Branches

EEA Branches will have two FCA SMFs, a Branch Senior Manager and a Money Laundering Reporting Officer. They will not have any prescribed responsibilities to worry about but will still be required to produce Responsibilities Maps and Statements of Responsibilities and of course staff remain subject to the Certification Regime and Conduct Rules

Finally, there are rules from the FCA which apply to incoming branches of non-EEA firms. They will have 5 Senior Management Functions, be required to produce Statements of Responsibilities, and Responsibilities Maps but have no Actuarial Conduct Function (which is interesting, as this is a Solvency II requirement and therefore at the least, a certification staff role under the PRA regime) and a shorter list of Prescribed Responsibilities.

What are the differences between the extended SMCR regime and the current SIMR regime which already applies to Solvency II insurers?

Senior Managers Regime

Under the existing SIMR for insurers, there are a total of 16 Senior Insurance Management Functions (SIMFs), numbered from SIMF1 to 25 (some functions having been numbered in line with the banking SMFs).

Under the extended regime, the PRA propose a set of Senior Management Functions (SMFs) that will apply to Solvency II firms, large NDFs and ISPVs. These SMFs include the Chief Executive (SMF1), Chair (SMF9), Chief Actuary (SMF20) and Chief Underwriting Officer (SMF22), The FCA has proposed 14 SMFs (some of which overlap with the PRA's list, but others are separate, such as Compliance Oversight (SMF16), Money Laundering Reporting Officer (SMF17) and Chief Operations (SMF 24). These are set out in Annex 1 to this Briefing Note.

Like the banks, insurers will be required to:

- prepare a “Responsibilities Map” – being the renamed Governance Map required under Article 41 of the Solvency II Directive. This is a single document setting out the firm's management/governance arrangements and is filed with the PRA/FCA so that the regulator can, at a glance, establish who in a firm is responsible for what;
- implement “handover procedures” for Senior Managers – i.e., a policy for determining what information a new Senior Manager has to hand when replacing a predecessor; or

¹ By overall responsibility the FCA mean the ultimate responsibility (under the governing body) for managing or supervising a particular function, and primary and direct responsibility for briefing and reporting to the governing body about that function and putting matters for decision about that function to the governing body of the firm.

- ensure that there is a Senior Manager with responsibility for every activity, business area and management function in the firm (known as the concept of 'Overall Responsibility').

It is fair to say that the above removes some of the pressure from those firms subject to the SIMR – we anticipate these firms should be able to transition existing SIMFs relatively seamlessly into SMCR (either as Senior Managers or Certified staff). This is in line with what the PRA/FCA intends, insofar as the FCA states that it is not expecting firms to “change how [firms] organise themselves or to force them to hire people to fill specific functions”. Despite this, the FCA is keen to remind firms that it expects them to “think” about the new responsibilities that it expects them to allocate among its Senior Managers – firms would do well to note the clear emphasis by the regulator on the overarching concept of “individual accountability” (particularly in view of the enhanced levels of information the FCA and the PRA will have, for example, via each Senior Manager’s signed Statement of Responsibilities). Secondly, given the stated ‘prescribed responsibilities’ it is not clear to what extent an insurer is expected to need all the SMFs. So for example, the FCA lists what functions it proposes for all Solvency II firms and NDFs including a Chair of the Nominations Committee. However, it also states “Many firms won’t need to apply all of these functions, e.g. insurers don’t need to hire extra staff to be the Chair of the Nominations Committee if they don’t have someone already performing that function”.

An “at a glance” table of all SIMF functions appears in Annex 1 to this Briefing Note. A full list of Prescribed Responsibilities is set out in Annex 2.

Certification Regime

The Certification Regime will apply to all types of insurance firms and staff performing Certification Functions. The PRA has a more limited set of Certification Functions, applying only to those conducting regulated activities, being:

- Key function holders;
- MRTs at a large firm and their managers.

The FCA draws the net wider, applying the regime to a wider set of functions including:

- the Significant Management Function (based on the current CF29 Significant Management controlled function under the Approved Persons Regime);
- MRTs
- line managers of certified people (e.g. Significant Management Certification Function);
- the proprietary traders (also covered by the current CF29);
- the CASS oversight function (based on the current CF10a);
- functions subject to qualification requirements; and
- the client dealing function (based on (but broadly expanding) the current CF30 Customer Function to apply to any person dealing with clients, including retail and professional clients and eligible counterparties).

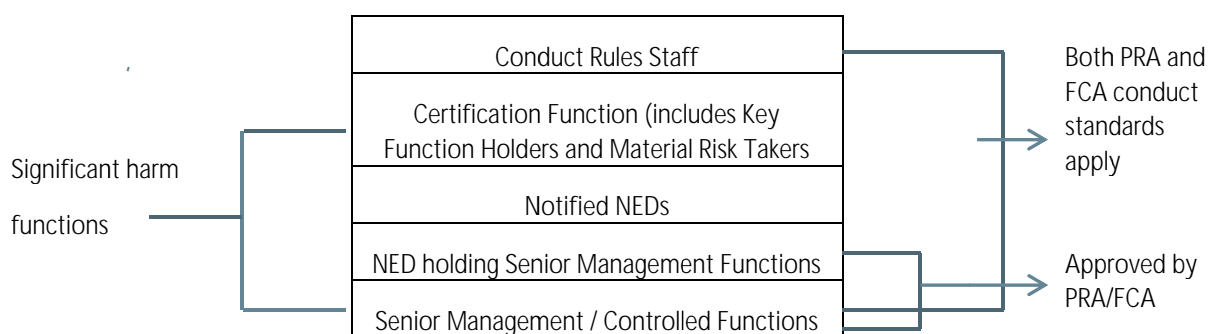
Whereas some of these roles may have previously required the relevant regulator to assess the candidate’s “fitness and propriety”, that process will now become a purely internal matter for those firms wishing to appoint staff to these roles. Additionally, individuals performing such roles will no longer appear on the FCA Register.

The Certification Regime will also capture “material risk takers” (also known as Remuneration Code Staff). This is a category of staff that Solvency II firms are required to identify under the Solvency II remuneration regime.² All of a firm’s material risk takers (irrespective of their location overseas, if this is the case) will be covered by the “Material Risk Takers” Certified Function and will require certification by the firm as “fit and proper”.

There are additionally some further Certification Regime functions for algorithmic trading (unlikely to apply to an insurer).

Conduct Rules

At a glance:



The Conduct Rules will also operate for insurers in much the same way as the banking regime and will apply to all firms. There will be tiers of rules, one tier applying to all staff (other than ancillary staff) (the “Individual Conduct Rules”), and one tier which applies to Senior Managers (in addition to the first tier) (the “Senior Manager Conduct Rules”). The application of the Conduct Rules is narrower than for banks in that each of the rules applies only to a person’s conduct relating to regulated or unregulated financial services activities (including any related ancillary activities), rather than simply “everything someone does on behalf of a banking firm, whether regulated or unregulated or linked to financial services”. But note that there is a specific conduct rule which applies only to insurers.

A table of the Conduct Rules is set out at Annex 3 to this Briefing Note.

Are there any specified Senior Manager positions which must be filled and/or specific responsibilities which must be allocated?

Yes. There were already function holder requirements for actuarial, compliance, internal audit, and risk management thanks to Solvency II. Under the SIMR, the PRA requires firms to allocate PRA Prescribed Responsibilities to SIMFs and FCA Prescribed Responsibilities to a Controlled Function holder (CF) specified by the FCA. The PRA proposes that these rules continue. The PRA has divided the original responsibility for ensuring that the firm meets its Fitness and Propriety obligations into four to bring this into line with FCA proposals.

For Solvency II firms and large NDFs, there are 19 Prescribed Responsibilities, only 3 of which are FCA-only regulated. They are set out at Annex 2 Part A.

Prescribed Responsibilities must all be allocated across firms’ Senior Managers (even if this is a population of one individual). Each Prescribed Responsibility should be given to the Senior Manager who is the most senior person responsible for the particular area, with sufficient authority and competence to carry it out properly.

A more limited set of Prescribed Responsibilities applies to each of small NDFs, small run-off firms, EEA branches, non-EEA branches and ISPVs. These are set out in the relevant tables at Annex 2, Parts B to E.

² SS10/16.

What is the “Duty of Responsibility” for Senior Managers?

Under the new regime, the concept of a “duty of responsibility” will be extended to all Senior Managers, in the same way as it currently works under the banking regime. This means that every Senior Manager will be responsible for any breach in the area for which they are accountable, unless they are able to demonstrate that they have taken ‘reasonable steps’ to prevent or stop the breach. The burden of proof lies with the PRA/FCA to show that the Senior Manager did not take such reasonable steps, and the regime will not apply retrospectively.

When deciding whether to take action against a Senior Manager, the PRA/FCA will consider various criteria, which can be found in the updated SIMR amending SS35/15 for the PRA. In the case of the FCA, the requirements are set out in their Decision and Procedure and Penalties Manual, including the role and responsibilities of the Senior Manager and the nature, scale and complexity of the business, the seriousness of the breach and their level of seniority and whether the Senior Manager took reasonable steps to follow the firm’s procedure, together with all the circumstances of the case. Action may be taken against the Senior Manager, the firm or both depending on the facts of the case. Under the banking regime, no public decision or final notices have been issued against Senior Managers at this time although there are a handful of investigations currently underway in this space.

In taking action, The PRA will look at the following four questions:

- 1 Is or was the person a Senior Manager in a PRA-authorised firm?
- 2 Has there been or does there continue to be a contravention of a “Relevant Requirement” by the firm?
- 3 Was the Senior Manager, at the relevant time, responsible for the management of any of the firm’s activities in relation to which the contravention occurred?
- 4 Did the Senior Manager take such steps as a person in his/her position could reasonably be expected to take to avoid the contravention occurring or continuing?

The PRA also notes that there are additional potential activities which might mean that a Senior Manager is guilty of misconduct, if they breach a Conduct Rule or are knowingly concerned in a contravention of a Relevant Requirement by a firm. While the individual may well be able to make representations and submit evidence on the point, it is the PRA which determines the steps taken and what steps could reasonably have been expected to be taken. Examples of steps that might be taken include pre-emptive action to prevent a breach occurring, implementing, policing and reviewing policy and procedure and where a breach is continuing, evidence of any response taken to that breach. Evidence that the PRA may seek to obtain, may include board minutes, Statements of Responsibility and Management Responsibilities Maps, emails and internal correspondence and of course, any correspondence with the regulator itself.

As for the FCA, it will look to the Senior Manager’s Statement of Responsibilities in order to determine whether they were responsible for the relevant part of the business and therefore any breach. In practice, this means that firms need to focus carefully on preparing Statements of Responsibility which are clearly drafted, as well as detailing their reporting lines and handover procedures for Senior Managers. Firms should also ensure that they have adequate protection in place under their D&O insurance to appropriately address the role of Senior Managers and take expert advice where necessary.

What is the territorial applicability of the regime? What if my firm is a UK branch of an overseas firm?

General note

For Senior Managers – the Senior Managers Regime will apply to anyone who performs a Senior Manager role, whether they are based in the UK or overseas, so firms need to assess who is responsible with that in mind. This might impact, for example, directors on a UK-regulated entity board who are based outside the UK. Firms will also need to bear in mind the “group entity senior manager function” (SMF7) and whether this might also potentially capture their overseas staff – i.e., those who have significant influence on the management or conduct of the affairs of the UK-regulated entity.

For Certification and Conduct Rules staff – these aspects are territorially limited to staff based in the UK, or if staff are based overseas, those “dealing with” clients in the UK (note that “dealing with” is defined widely to include “having contact with”). There is, however, an exception for “Material Risk Takers”, in respect of whom there is no territorial restriction (as explained above).

Branches

The application of the regime is different for UK branches of overseas firms depending on whether they are EEA or non-EEA branches.

UK branch of an EEA firm

There are two SMFs proposed for EEA branches: Branch Senior Manager (SMF21) and Money Laundering Reporting Officer (SMF17). The regime will apply to anyone who performs a Senior Manager role, whether they are based in the UK or overseas (as is the case for UK-authorized firms), but the FCA expects most branches to be able to identify Senior Managers who are primarily based in the UK.

The Certification Regime will be limited such as to apply only to people based in the UK, but not those outside of the UK (even if they “deal with” a UK client).

The Conduct Rules will also apply to all staff based in the UK (except ancillary staff) in relation to financial services activities.

UK branch of a non-EEA firm

There are five SMFs proposed for non-EEA branches:

- Head of Third Country Branch (SMF19) / Other Local Responsibility
- Executive Director (SMF3)
- Partner (SMF27)
- Compliance Oversight (SMF16)
- Money Laundering Reporting Officer (SMF17).

There are also certain Prescribed Responsibilities (14 in total) that will apply for non-EEA branches, including for example, responsibility for management of the firm’s risk management processes in the UK and responsibility for the firm’s compliance with the UK regulatory system.

The Certification Regime will be limited to people based in the UK, but not those outside of the UK, even if they deal with a UK client (as is the case with EEA branches).

Again, the Conduct Rules will apply to all staff based in the UK (except ancillary staff) in relation to financial services activities (as is the case with EEA branches).

Outsourcing

As to be expected, where a firm outsources performance of operational functions to a third party, the firm remains fully responsible for discharging all of its obligations under the regulatory system. This means that while firms may outsource the function, they cannot outsource the responsibility for this function.

There is, further, an expectation on the part of the PRA that the Chief Operating Function, which is an FCA-supervised role, is responsible for the oversight of outsourcing. The FCA gives as an example, when an insurer decides to outsource its internal audit or claims handling functions to third parties, they will be required to explain clearly how responsibility for oversight of these outsourced functions is allocated among its Senior Managers within the firm. In addition, firms will need to continue to take into account the outsourcing guidance in SYSC 13, and any requirements in the directly applicable EU Regulation.

Regulatory References – what do these entail?

Firms looking to recruit staff for Certification Regime roles will need to obtain regulatory references and will need to give them for an individual employed by them, when so requested by another regulated firm. These references must include all information of which the firm is aware and considers reasonably might be relevant to the fitness and propriety assessment by the new firm of that individual.

There is some question over whether the need to obtain regulatory references will be extended to small NDFs but the FCA is keen (with the support of the PRA) to extend the regulatory reference rules to all insurance firms, as they see this as supporting their objective of consumer protection and market integrity by providing all insurers with effective tools to better assess an individual's fitness and propriety. This should, in their view, help to ensure that individuals take greater responsibility for their own conduct. The PRA sees the extension of the regime to the insurance sector as mirroring its objectives both general and insurance. Thus, firms will need to:

- request references going back six years for all individuals who are being appointed to either an S(I)MF or a 'certification function' at the NDF;
- include mandatory information in the references provided to other regulated firms (going back six years);
- provide the references in a mandatory template; and
- update the references if appropriate, for six years following resignation (including any notice period served).

Key issues for firms to address will be the systems needed to obtain and maintain the regulatory references for the required periods and ensure that they are up to date and ready to send, when the firm is requested for the information. There are fortunately, no proposals to require firms to update any references provided prior to the implementation of these new rules. We should point out that there is a clear desire within the regulators to facilitate transfers of staff between insurance companies and banks, and the SMCR is seen as a key tool in arranging this.

What should I do now?

- Raise awareness of the proposals, particularly amongst the senior manager population with a view to ensuring that the "tone from the top" is pitched appropriately.
- Establish a working group and identify who will be responsible for leading implementation and resourcing for management going forward.
- Create a project plan for implementation and operation of the new regimes.
- Identify the likely Senior Manager population (which the PRA/FCA expects will generally be grandfathered across) and consider any difficult issues which should be raised with the PRA/FCA through consultation.

- Consider any wider implications resulting from the designation (or not) of particular individuals as Senior Managers, for example any tax consequences.
- Start the process for identification of Certification staff and other Conduct Rules staff.
- Engage with relevant foreign stakeholders (for example, where headquarters or Senior Managers are based overseas).
- Commence preparation and development for training of all staff in respect of the Conduct Rules.
- Review firms' policies and procedures and update accordingly.
- Review job descriptions and analyse implications for employment contracts and outsourcing arrangements.
- Analyse the implications for outsource service providers.
- Review 'governance maps' and job descriptions and responsibilities.
- Prepare for changes to process, including additional record keeping requirements to comply with rules on regulatory references and annual certification requirements.
- Engage in the consultation process. We will be submitting a response on behalf of clients. If you would like us to submit comments on your behalf, please provide your comments by 01 October 2017.

For further information, our comprehensive Extension of SMCR microsite is available [here](#).

We are also developing an online SMCR Certification Portal for the insurance industry with the aim of enabling firms to issue certificates to those staff subject to the Certification Regime simply. For more information please contact Pollyanna Deane.

Senior Management Functions

Executive Functions	
S(I)MF1 – Chief Executive	This is the person(s) with responsibility, under the immediate authority of the governing body, for the conduct of the whole of the business (or relevant activities). Note: Although the Chief Executive is the most senior member of an executive team, it does not mean that a firm's governing body cannot allocate specific responsibilities to other Senior Managers.
S(I)MF2 - Chief Finance	The person with responsibility for the management of the financial resources of a firm and reporting to the governing body of a firm in relation to its financial affairs.
S(I)MF4 - Chief Risk	Required under Solvency II as a function – having responsibilities for overall management of the risk management system.
S(I)MF5 - Head of Internal Audit	Required under Solvency II as a function – having responsibility for management of the internal audit function.
S(I)MF20 – Chief Actuary	The person with responsibility for the actuarial function.
S(I)MF21 – With-profits Actuary	The person with responsibility for advising the governing body of a firm transacting with profits insurance business on the exercise of discretion affecting part or all of that business.
S(I)MF22 – Chief Underwriting Officer	The person with responsibility for the underwriting decisions in respect of material insurance risks that in relation to managing agents are borne by members.
S(I)MF23 – Underwriting Risk Oversight (Lloyd members only)	The person with responsibility of overseeing and influencing underwriting plans by managing agents in respect of risks borne by members.
S(I)MF25 – Small Insurer Senior Management	The small NDF function under streamlined 'SIMR'. The function of having responsibility for the conduct of all or part of the regulated activities, or chairing the governing body, of a small non-directive insurer.
Oversight	
S(I)MF9 - Chairman	The person with responsibility for chairing, and overseeing the performance of the role of, the governing body of the firm.
S(I)MF10 - Chair of Risk Committee	The person with responsibility for chairing, and overseeing the performance of, any committee responsible for the oversight of the risk management systems, policies and procedures of the firm.
S(I)MF11 - Chair of Audit Committee	The person with responsibility for chairing, and overseeing the performance of, any committee responsible for the oversight of the internal audit system of the firm.
S(I)MF12 - Chair of Remuneration Committee	The person with responsibility for chairing, and overseeing the performance of, any committee responsible for the oversight of the design and the implementation of the remuneration policies of a firm.
S(I)MF14 - Senior Independent Director Function	The person with particular responsibility for leading the assessment of the Chair's performance.

S(I)MF7 - Group Entity Management Function	This is someone who has significant influence on the management or conduct of the affairs of the UK-regulated entity and is employed by, or is an officer of, another member of its group.	
S(I)MF19 - Head of Third Country Branch		
Governing functions		Existing FCA CF?
SMF1 – Chief Executive	<p>This is the person(s) with responsibility, under the immediate authority of the governing body, for the conduct of the whole of the business (or relevant activities).</p> <p>Note: Although the Chief Executive is the most senior member of an executive team, it does not mean that a firm's governing body cannot allocate specific responsibilities to other Senior Managers.</p>	CF3
SMF3 - Executive director	A director of a firm, other than a Non-Executive Director.	CF1
SMF9 - Chair	The person with responsibility for chairing, and overseeing the performance of the role of, the governing body of the firm.	Note most CF2s (NEDS) will no longer be approved
SMF16 - Compliance Oversight	This is the person responsible for the compliance function in the firm and reporting to the governing body on this.	CF10
SMF17 - MLRO	This is the person who has responsibility for overseeing the firm's compliance with the FCA's rules on systems and controls against money laundering.	CF11
SMF29 - Limited scope function	This is currently called the 'Apportionment and Oversight Function' under the Approved Persons Regime. It is the person who deals with the apportionment of responsibilities under SYSC 4.4.3 R and oversees the establishment and maintenance of controls under SYSC 4.1.1 R.	CF8

S(I)MF7 - Group Entity Management Function	This is someone who has significant influence on the management or conduct of the affairs of the UK-regulated entity and is employed by, or is an officer of, another member of its group.	
S(I)MF19 - Head of Third Country Branch		Not ISPV
SMF23b - Conduct Risk Oversight (Lloyd's only)		NEW
SMF11 - Chair of the with-profits committee		CF2?
SMF13 - Chair of the nominations committee		
SMF24 - Chief operations function	The most senior person responsible for managing the internal operations (including HR), systems and technology of a firm.	NEW
SMF18 - Other overall responsibility	This function applies where a senior executive is the most senior person responsible for an area of the firm's business but they do not perform any other Senior Manager function. Many firms won't need this function as the people ultimately responsible for everything the business does will already be captured by other Senior Manager Functions. However, it gives flexibility and recognises the diversity of business structures in different types of firms. This is discussed in more detail in the section on 'Overall Responsibility'.	CF29?

List of Prescribed Responsibilities

Part A: Solvency II firms and large NDFs

List of prescribed responsibilities		Regulator
A	Performance by the firm of its obligations under the Senior Managers Regime, including implementation and oversight	Shared
B	Performance by the firm of its obligations under the Certification Regime	Shared
B1	Performance by the firm of its obligations in respect of notifications and training of the Conduct Rules	FCA
C	Compliance with the rules relating to the firm's Responsibilities Map	Shared
D	Responsibility for the firm's policies and procedures for countering the risk that the firm might be used to further financial crime	FCA
F	Induction, training and professional development of all members of the firm's governing body	Shared
G	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 and key function holders	Shared
H	Overseeing the adoption of the firm's culture	PRA
I	Leading the development of the firm's culture by the governing body as a whole	PRA
J-2	Oversight of Internal Audit (IA) at firms that outsource their IA to a third party	Shared
M-1	Remuneration policies and practices	PRA
N	Whistleblowing	Shared
O	Management of the allocation and maintenance of the firm's capital and liquidity	PRA
Q	Production and integrity of the firm's financials and its regulatory reporting	PRA
T	Developing and maintaining the firm's business model	PRA
T-2	Performance of the firm's Own Risk and Solvency Assessment (ORSA)	PRA
U	Insurance Fitness and Propriety	PRA
X	Outsourced operational functions including systems and technology	PRA
Z	Responsibility for the firm's compliance with CASS (if applicable)	FCA

Part B: Small NDFs and small run-off firms

List of prescribed responsibilities		Regulator
A	Performance by the firm of its obligations under the Senior Managers Regime, including implementation and oversight.	Shared
B	Performance by the firm of its obligations under the Certification Regime.	Shared
B-1	Responsibility for the firm's performance of its obligations under the Code of Conduct (COCON) (in terms of training and regulatory reporting).	FCA
D	Overall Responsibility for the firm's policies and procedures for countering the risk that the firm might be used to further financial crime FCA.	FCA
Z	Overall Responsibility for the firm's compliance with CASS.	PRA
T-1	Providing the governing body with an up-to-date business plan and all relevant MI.	PRA
AA	Oversight of systems and controls, along with risk-management policies and procedures, that are proportionate to the nature, scale and complexity of the risks inherent in the firm's business model.	PRA
CC	Management of the firm's financial resources.	PRA
DD	Ensuring the governing body is kept informed of its legal and regulatory obligations.	PRA

Part C: EEA branches

N/A

Part D: Non-EEA branches and Swiss general insurers

The four prescribed responsibilities to cover:

- Risk Management
- Systems and Controls
- Compliance with UK regulatory system
- Escalation of correspondence

Part E: ISPVs

Relevant Senior Management Function (to be allocated to the holder of a PRA S(1)MF or FCA CF in such a role) will bear responsibility for the operation of the Senior Managers Regime and the Certification Regime.

Conduct Rules

First Tier – Individual Conduct Rules

PRA and FCA

	You must act with integrity
2	You must act with due care, skill and diligence
3	You must be open and cooperative with the FCA, the PRA and other regulators
FCA only	
4	You must pay due regard to the interests of customers and treat them fairly
5	You must observe proper standards of market conduct

Second Tier – Senior Insurance Manager Conduct Rules

Senior Insurance Manager Conduct Standard 1	You must take reasonable steps to ensure that the business of the firm for which you are responsible is controlled effectively
Senior Insurance Manager Conduct Standard 2	You must take reasonable steps to ensure that the business of the firm for which you are responsible complies with the relevant requirements and standards of the regulatory system
Senior Insurance Manager Conduct Standard 3	You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person and that you oversee the discharge of the delegated responsibility effectively
Senior Insurance Manager Conduct Standard 4	You must disclose appropriately any information of which the FCA or PRA would reasonably expect notice
Senior Insurance Manager Conduct Standard 5	When exercising your responsibilities, you must pay due regard to the interests of current and potential future policyholders in ensuring the provision by the firm of an appropriate degree of protection for their insured benefits.

Contacts



Pollyanna Deane
Partner
T +44 20 7825 4303
E pollyanna.deane@simmons-simmons.com



Emma Sutcliffe
Partner
T +44 20 7825 4250
E emma.sutcliffe@simmons-simmons.com



Laura Allen
Associate
T +44 20 7825 4636
E laura.allen@simmons-simmons.com



Julian Taylor
Partner
T +44 20 7825 4431
E julian.taylor@simmons-simmons.com



Philip Bartlett
Partner
T +44 20 7825 4470
E philip.bartlett@simmons-simmons.com



Adam Blair
Supervising Associate
T +44 20 7825 4251
E adam.blair@simmons-simmons.com



Andrea Finn
Partner
T +44 20 7825 3915
E andrea.finn@simmons-simmons.com



Peter Lockwood
Supervising Associate
T +44 20 7825 4210
E peter.lockwood@simmons-simmons.com



Penny Miller
Partner
T +44 20 7825 3532
E penny.miller@simmons-simmons.com

■

Offices

Abu Dhabi

Simmons & Simmons Middle East LLP
Level 10 The ADNIC Building Khalifa Street
PO Box 5931 Abu Dhabi United Arab Emirates
T +971 2 651 9200 F +971 2 651 9201

Amsterdam

Simmons & Simmons LLP
PO Box 79023 1070 NB
Claude Debussylaan 247 1082 MC Amsterdam
The Netherlands
T +31 20 722 2500 F +31 20 722 2599

Beijing

Simmons & Simmons
33rd Floor China World Tower 3
1 Jianguomenwai Avenue
Beijing 100004 People's Republic of China
T +86 10 8588 4500 F +86 10 8588 4588

Bristol

Simmons & Simmons LLP
One Linear Park Temple Quay
Bristol BS2 0PS United Kingdom
T +44 20 7628 2020 F +44 20 7628 2070

Brussels

Simmons & Simmons LLP
Avenue Louise 149 b 16 1050 Brussels Belgium
T +32 2 542 09 60 F +32 2 542 09 61

Doha

Simmons & Simmons Middle East LLP
Level 5 Al Mirqab Tower Al Corniche Street
PO Box 23540 Doha State of Qatar
T +974 4409 6700 F +974 4409 6701

Dubai

Simmons & Simmons Middle East LLP
Level 7 The Gate Village Building 10
Dubai International Financial Centre
PO Box 506688 Dubai United Arab Emirates
T +971 4 709 6600 F +971 4 709 6601

Düsseldorf

Simmons & Simmons LLP
Kö-Bogen
Königsallee 2a
40212 Düsseldorf Germany
T +49 2 11-4 70 53-0 F +49 2 11-4 70 53-53

Frankfurt

Simmons & Simmons LLP
MesseTurm Friedrich-Ebert-Anlage 49
60308 Frankfurt am Main Germany
T +49 2 11-4 70 53-0 F +49 2 11-4 70 53-53

Hong Kong

Simmons & Simmons
13th Floor One Pacific Place
88 Queensway Hong Kong
T +852 2868 1131 F +852 2810 5040

Jeddah

Hammad & Al-Mehdar in alliance with Simmons & Simmons
Office #1209, King Road Tower, Malik Road,
PO Box 864 Jeddah 21421
Kingdom of Saudi Arabia
T +966 92000 4626 F +966 2 606 9190

Lisbon

Sociedade Rebelo de Sousa in association with
Simmons & Simmons
Rua D. Francisco Manuel de Melo 21
1070-085 Lisbon Portugal
T +351 21 313 2000 F +351 21 313 2001

London

Simmons & Simmons LLP
CityPoint One Ropemaker Street
London EC2Y 9SS United Kingdom
T +44 20 7628 2020 F +44 20 7628 2070

Luxembourg

Simmons & Simmons Luxembourg LLP
Royal Monterey 26A Boulevard Royal
Luxembourg L-2429 Luxembourg
T +352 26 21 16 01 F +352 26 21 16 02

Madrid

Simmons & Simmons LLP
Calle Miguel Angel 11 5th floor 28010 Madrid Spain
T +34 91 426 2640 F +34 91 578 2157

Milan

Studio Legale Associato in affiliation with
Simmons & Simmons LLP
Corso Vittorio Emanuele II 1 20122 Milan Italy
T +39 02 72505.1 F +39 02 72505.505

Munich

Simmons & Simmons LLP
Lehel Carré, Thierschplatz 6
80538 Munich Germany
T +49 89-20 80 77 63-00 F +49 89-20 80 77 63-01

Paris

Simmons & Simmons LLP
5 boulevard de la Madeleine 75001 Paris France
T +33 1 53 29 16 29 F +33 1 53 29 16 30

Riyadh

Hammad & Al-Mehdar in alliance with Simmons & Simmons
Office No 1802 Level 18 Al Anoud Tower 2
Olaya King Fahad Road
Riyadh Kingdom of Saudi Arabia
T +966 11 484 7145 F +966 12 606 9190

Shanghai

Simmons & Simmons
40th Floor Park Place 1601 Nanjing Road West
Shanghai 200040 People's Republic of China
T +86 21 6249 0700 F +86 21 6249 0706

Singapore

Simmons & Simmons Asia LLP
12 Marina Boulevard #38-04
Marina Bay Financial Centre Tower 3 Singapore 018982
T +65 6831 5600 F +65 6831 5688

Tokyo

Simmons & Simmons Gaikokuho Jimu Bengoshi Jimusho
(Gaikokuho Joint Enterprise TMI Associates)
23rd floor Roppongi Hills Mori Tower
6-10-1 Roppongi Minato-ku Tokyo 106-6123 Japan
T +81 3 6438 5255 F +81 3 6438 5256

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