

**INDIVIDUAL ACCOUNTABILITY (SMCR REVIEW) INSTRUMENT 2026****Powers exercised**

- A. The Financial Conduct Authority (“the FCA”) 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 59 (Approval for particular arrangements);
  - (2) section 59AB(1) (Specifying functions as controlled functions: transitional provision);
  - (3) section 60 (Applications for approval);
  - (4) section 62A (Changes in responsibilities of senior managers);
  - (5) section 63ZA (Variation of senior manager’s approval at request of relevant authorised person);
  - (6) section 63ZD (Statement of policy relating to conditional approval and variation);
  - (7) section 63E (Certification of employees by authorised persons);
  - (8) section 64A (Rules of conduct);
  - (9) section 64C (Requirements for authorised persons to notify regulator of disciplinary action);
  - (10) section 137A (The FCA’s general rules);
  - (11) section 137T (General supplementary powers);
  - (12) section 138D (Action for damages);
  - (13) section 139A (Power of the FCA to give guidance);
  - (14) paragraph 23 (Fees) in Part 3 (Penalties and fees) of Schedule 1ZA (The Financial Conduct Authority).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on 24 April 2026 except as provided below:
- (1) Part 2 of Annex C comes into force on 10 July 2026; and
  - (2) Part 2 of Annex D and Part 2 of Annex F come into force on 1 September 2026.

**Amendments to the Handbook**

- D. The FCA’s Handbook of rules and guidance is amended in accordance with paragraphs E to H of this instrument.
- E. Amendments to the numbering and location of provisions in Annex 1 of Chapter 23 of the Senior Management Arrangements, Systems and Controls sourcebook (SYSC) are set out in Part 1 of Annex A.

- F. Amendments to the numbering and location of provisions in Chapter 10C of the Supervision manual (SUP) are set out in Part 2 of Annex A.
- G. Except as further amended by paragraph H of this instrument, the provisions in column B of the tables in Annex A otherwise remain in full force and effect.
- H. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below (as amended, where applicable, by paragraphs E, F and G of this instrument) are amended in accordance with the Annexes to this instrument listed in column (2) below.

(1)	(2)
Glossary of definitions	Annex B
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex C
Code of Conduct sourcebook (COCON)	Annex D
Fit and Proper test for Employees and Senior Personnel sourcebook (FIT)	Annex E
Supervision manual (SUP)	Annex F

### Notes

- I. In the Annexes to this instrument, the notes (indicated by “*Editor’s note:*”) are included for the convenience of readers but do not form part of the legislative text.

### Citation

- J. This instrument may be cited as the Individual Accountability (SMCR Review) Instrument 2026.

By order of the Board  
26 March 2026

## Annex A

**Renumbering in Annex 1 of Chapter 23 of the Senior Management Arrangements, Systems and Controls sourcebook (SYSC) and in Chapter 10C of the Supervision manual (SUP)**

<b>Renumbering in SYSC 23 Annex 1</b>	
<b>(A) Old heading and numbering</b>	<b>(B) New heading and numbering</b>
Special requirements for calculating intermediary regulated business revenue	Special requirements for calculating intermediary regulated business revenue <i>[Editor's note: This changes from a subheading within Part 8 of SYSC 23 Annex 1 to become a subheading of the new Part 8A, as shown in Annex C of this instrument.]</i>
SYSC 23 Annex 1 8.18R	SYSC 23 Annex 1 8A.1R
SYSC 23 Annex 1 8.19R	SYSC 23 Annex 1 8A.2R
SYSC 23 Annex 1 8.20R	SYSC 23 Annex 1 8A.3R
SYSC 23 Annex 1 8.21R	SYSC 23 Annex 1 8A.4R
The first SYSC 23 Annex 1 8.22G	SYSC 23 Annex 1 8A.5G
The second SYSC 23 Annex 1 8.22G	SYSC 23 Annex 1 8A.6G

<b>Renumbering in SUP 10C.3</b>	
<b>(A) Old heading and numbering</b>	<b>(B) New heading and numbering</b>
The 12-week rule	The 12-week rule <i>[Editor's note: This changes from a subheading within SUP 10C.3 to become the heading of new section SUP 10C.3A, as shown in Annex F of this instrument.]</i>
SUP 10C.3.13R	SUP 10C.3A.6R
SUP 10C.3.14G	SUP 10C.3A.1G

SUP 10C.3.15G	SUP 10C.3A.5G
SUP 10C.3.16G	SUP 10C.3A.19G
SUP 10C.3.17G	SUP 10C.3A.20G

## Annex B

## Amendments to the Glossary of definitions

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

Insert the following new definition in the appropriate alphabetical position. The text is not underlined.

*non-SMF board director* (in relation to an *SMCR firm*) a *board director* of the *firm* if that role is not a *senior management function* for that *firm*.

Amend the following definitions as shown.

*conduct rules staff* ...

(2) ~~a person is a~~ the term “member” of the *conduct rules staff* of a *firm* ~~in the circumstances described in COCON 1.1.7AR(2) is defined in COCON 1.1.7-AR(2) (To what conduct does it apply? Definition of COCON firm activities).~~

*EEA PTV firm* ~~either of the following~~ (subject to ~~SYSC 23 Annex 1 1.4R~~ SYSC 23 Annex 1 1.3R and ~~SUP 10A.1.34R (Gibraltar-based firm Gibraltar firms)~~);

- (a) ~~a TP firm; or~~
- (b) ~~(for as long as the standstill direction remains in force) any firm that has its registered office (or, if it has no registered office, its head office) in an EEA State.~~

~~For these purposes, the standstill direction means the standstill direction as defined in the direction made by the FCA under Part 7 of the Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019 that came into force on IP completion day and is titled “FCA Transitional Direction”.~~

*senior conduct rules staff member* (in *COCON*) a *person* who:

- ...
- (b) comes within row (2) of the table in *COCON* 1.1.2R (an *employee* of an *SMCR firm* who performs the function of an *SMF manager*); ~~or~~
- ...
- (d) comes within row (8) of the table in *COCON* 1.1.2R (a *board director* of a *UK SMCR firm*); ~~;~~

- (e) comes within row (3) of the table in COCON 1.1.2R (a person appointed under SUP 10C.3A.6R (The 12-week rule: The main rules)); or
- (f) comes within row (9) of the table in COCON 1.1.2R (a person appointed under PRA rules corresponding to the rules in (e)).

*statement of responsibilities*

a statement provided under section 60(2A) of the *Act* (Applications for approval), including:

- (a) a statement revised under section 62A of the *Act* (Changes in responsibilities of senior managers) or under SUP 10C.11 (Statements of responsibilities); and

...

Delete the following definition. The text is not struck through.

*non-SMF board director subject to competence requirements*

(in relation to an *SMCR firm*) a *board director* of the *firm* who meets the following conditions:

- (a) they are not an *SMF manager* of the *firm*; and
- (b) the *firm* is required to assess their fitness and propriety under the *competent employees rule*, SYSC 28 (Insurance distribution: specific knowledge, ability and good repute requirements), any directly applicable EU legislation or any other requirement of the *regulatory system*.

## Annex C

**Amendments to the Senior Management Arrangements, Systems and Controls  
sourcebook (SYSC)**

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

**Part 1: Comes into force on 24 April 2026**

**22 Regulatory references**

...

**22.2 Getting, giving and updating references: the main rules**

...

Obligation to give references

22.2.2 R (1) A *firm* (B) must provide a reference to another *firm* (A) as soon as reasonably practicable if:

(a) A is considering:

...

(iii) appointing P to, or permitting P to perform, another position in the table in SYSC 22.2.3R;

...

...

22.2.3 R Table: What positions need a reference

Position	When to obtain reference	Comments
...	...	...
(C) Appointing someone to any of the following positions (as defined in the <i>PRA Rulebook</i> ): ...	...	(1) SYSC 22.2.1R (obligation to obtain a reference) does not apply to a <i>firm</i> appointing someone to the position in column (1).  (2) However SYSC 22.2.2R does apply to a <i>firm</i> asked to give a

		reference to a <i>firm</i> appointing someone to the position in column (1). <u>(3) The obligation to give a reference only applies if the person making the appointment is a PRA-<i>authorised person</i>.</u>
(D) A <u>An SMCR firm</u> appointing or permitting someone to be a <del>non-SMF board director</del> <i>subject to competence requirements non-SMF board director</i> of itself.	...	...
...		

...

### 22.3 Drafting the reference and the request for a reference

- 22.3.3 G (1) A *firm* (A) asking another *firm* (B) for a reference should give B sufficient information to let B know that the requirements in this chapter apply to the reference it is being asked to give and which requirements apply. A might do that by, for example, attaching to the request for a reference, or referring in the request to, the regulatory references template in Part One of SYSC 22 Annex 1R (Template for regulatory references given by SMCR firms and disclosure requirements).

...

...

### 22.4 Drafting the reference: detailed requirements

...

How to draft the reference

- 22.4.2 R (1) A *firm* must use the template in Part One of SYSC 22 Annex 1R (Template for regulatory references given by SMCR firms and disclosure requirements) when giving a reference under this chapter to another *firm* (A).

...

- (3) This *rule* applies even if A is not an *SMCR firm*. [deleted]

...

## 22.5 Giving references: additional rules and guidance ~~for all firms~~

### Verification

...

#### 22.5.2 G ...

- (2) However, a *firm* may include such information in a reference if it wishes to (see ~~SYSC 22.3.5G~~ SYSC 22.4.6G(-1), subject to (3) and (4), and SYSC 22.5.4G (Fairness)).
- (3) If a *firm* believes that an *employee* has committed misconduct but the *employee* leaves before the *firm* completes its investigations, it should consider including the details of the suspected misconduct in a reference, taking into account:
- (a) whether the suspected misconduct would be material enough to disclose if it were true;
  - (b) whether the *firm* has good enough grounds for its belief for the *firm* reasonably to consider that it would be relevant to the new *employer's* assessment of whether the *employee* is fit and proper;
  - (c) whether including it would be consistent with SYSC 22.5.4G and SYSC 22.5.5G (Fairness); and
  - (d) the extent to which including the information is otherwise permissible under privacy, employment and other provisions of relevant law.
- (4) A *firm* should not include information about suspected misconduct unless the *firm* has taken sufficient steps to verify the information (see SYSC 22.5.4G and SYSC 22.5.5G (Fairness)). However, the fact that the *employee* leaves before the investigation into the suspected misconduct is complete does not necessarily mean that the *firm* should omit the suspected misconduct. For example:
- (a) the *firm* may complete the investigation after the *employee* leaves, perhaps for one of the reasons in SYSC 22.5.18G (Duty to investigate allegations); or
  - (b) the investigation may have advanced sufficiently far by the time the *employee* leaves that the *firm* is satisfied that the misconduct has taken place even though the details (such as,

for example, the extent of the harm done) have not been fully established.

...

#### Fairness

22.5.4 G ...

(3) ...

(4) If a *firm* wishes to refer to misconduct or include adverse information about the subject of the reference, the *firm* should have reasonable grounds for believing that the misconduct has taken place or that the information is true. References should not be based on unproven allegations or mere suspicions. See also SYSC 22.5.2G (Verification).

...

#### Time in which to respond to reference requests

22.5.17 G The *FCA* expects that normally a *firm* should issue a reference under this chapter within ~~six~~ 4 weeks of being asked to.

#### Duty to investigate allegations

22.5.18 G ...

(3) ...

(4) See more about incomplete investigations in SYSC 22.5.2G (Verification).

#### Criminal record checks

22.5.19 G A *firm* giving a reference need not include information from a criminal records check it has carried out under Part V of the Police Act 1997 (Certificates of Criminal Records, &). The recruiting *firm* should carry out a criminal records check itself if necessary. The main *FCA Handbook* requirements on a recruiting *firm* to carry out a criminal records check are:

...

(2) ~~SYSC 23.4 (Criminal record checks)~~ Checks for certain directors).

## 22.6 Giving and updating references: additional rules and guidance

...

#### Requirement to consider whether there has been a conduct breach

22.6.3 G ...

22.6.3A G If an *employee* has breached *COCON* but the *firm* has not taken disciplinary action of the type referred to in question F in Part One of SYSC 22 Annex 1R (Template for regulatory references given by SMCR firms and disclosure requirements), the *firm*:

- (1) should not report that breach in the answer to question F;
- (2) need not report that breach in the answer to question G (or anywhere else in the reference) if the *firm* reasonably considers it not to be relevant to the assessment by the *firm* asking for the reference of whether the individual is fit and proper; and
- (3) should include it in the answer to question G if it would be reasonable to consider that it is relevant to that assessment.

...

## 22.7 Getting references: additional rules and guidance ~~for SMCR firms~~

...

Asking for a reference to be updated

22.7.5 G ...

- (2) However, the *firm* does not necessarily need to obtain a new reference each time (a) or (b) above occurs. That is because an existing reference will very often still be appropriate for the purpose (see SYSC 22.7.6G to SYSC 22.7.8G and SYSC 22.8A.3G (Intra-group transfers)).

...

22.7.7 G (1) If a *firm* (A):

- (a) appoints someone (P) to a ~~*certification function* or an *approved person*~~ position that requires A to obtain a reference about P (a 'reference position');
- (b) obtains a reference from an *ex-employer* (B); and
- (c) later wishes to:
  - (i) appoint P to another ~~*certification function* or *approved person*~~ reference position; or
  - (ii) (in the case of a *certification function*) keep P in the same *certification function* but make a change in P's role of the type described in SYSC 27.2.15G (major changes in role), whether that change is made at a

time when the certificate has not yet come up for renewal or at the time it is being reissued; or

- (iii) move P from one kind of reference position to another kind (for example, from a *certification function* to an *approved person* position or vice versa);

A should consider whether to ask B to reissue or amend its reference.

...

When references are to be obtained

...

22.7.11 G ...

Overseas employer

22.7.12 G While a *firm* should take reasonable steps to obtain information from an *overseas employer*, the *FCA* will take into account any demonstrable and relevant legal impediments when assessing whether a *firm* is complying with the requirement to obtain a reference. Evidence of these legal constraints may include, but is not limited to, relevant correspondence with the *overseas employer* or a legal opinion setting out the applicable legal restrictions in a given jurisdiction.

## **22.8 Policies and ~~appointed representatives~~ requests for references from and by persons who are not firms**

...

Appointed representatives

22.8.3 R This chapter applies:

- (1) in relation to a *firm*'s appointed representatives as well as to the *firm*; and
- (2) to a *firm* asked to give a reference by or on behalf of an appointed representative and to a *firm* obtaining a reference from an appointed representative.

and must be interpreted with the necessary adjustments.

22.8.4 R ~~When SYSC 22.8.3R applies to an *SMCR firm*, the requirements of this chapter for *firms* that are not *SMCR firms* apply in place of the requirements that only apply to *SMCR firms*. In particular, the There is no requirement that an appointed representative meet the following requirements do not apply in relation to an appointed representative:~~

...

...

- 22.8.5 G (1) ~~One effect~~ This provision explains the effects of SYSC 22.8.4R.
- (2) ~~is that when~~ When an appointed representative appoints an approved person under SUP 10A (FCA Approved Persons in Appointed Representatives) there is no requirement for the appointed representative or its principal to request a reference or to use the intra-group information procedures in SYSC 22.8A.1R (Intra-group transfers).
- (3) There is no requirement for the appointed representative to disclose the information in questions A to F of Part One of SYSC 22 Annex 1R (Template for regulatory references given by SMCR firms and disclosure requirements) when giving a reference under this chapter and there is no obligation for a firm requesting a reference from the appointed representative to ask for this information.
- (4) However, an appointed representative should give the information required by SYSC 22.2.2R(2) (Obligation to give references) and a firm should seek such information from an appointed representative.
- (5) There is no requirement under this chapter for the appointed representative to update under SYSC 22.2.4R references it has given.
- (6) There is no requirement for the appointed representative to use the template in Part One of SYSC 22 Annex 1R (Template for regulatory references given by SMCR firms and disclosure requirements) when giving a reference under this chapter.
- (7) There is no requirement for the appointed representative to comply with SYSC 22.9.1R (General record keeping rules).
- (8) For the sake of simplicity, this provision refers to what an appointed representative should do and need not do. Technically, such references are to what the principal of an appointed representative should ensure that its appointed representative does and what it need not ensure it does.

...

22.8.10 G ...

Firms applying for authorisation

- 22.8.11 R This chapter applies to a firm asked to give a reference by a person who:
- (1) is applying to be authorised; and
- (2) will be an SMCR firm if it is authorised,

in the same way as it does to a request by a *firm* and must be interpreted with the necessary adjustments.

- 22.8.12 G (1) This provision describes the main adjustments to the *rules* in this section where SYSC 23.8.11R applies.
- (2) The first column of row (A) of the table in SYSC 22.2.3R (Table: What positions need a reference) should be read as referring to what will be an *FCA controlled function* or a *PRA controlled function* if the *person* is *authorised*.
- (3) The first column of row (B) of the table in SYSC 22.2.3R should be read as referring to issuing a certificate if the *person* is *authorised*.
- (4) Rows (C) and (D) of the table in SYSC 22.2.3R only apply if the *person* to be appointed as described in the first column will fall into the relevant category if the *person* is *authorised*.
- (5) Row (C) of the table in SYSC 22.2.3R only applies if the *person* applying for *authorisation* will be a *PRA-authorised person* if the *person* is *authorised*. Row (D) of that table only applies if the *person* applying for *authorisation* will be a *firm* of the type described in the ‘Comments’ column of that row if the *person* is *authorised*.
- (6) SYSC 22.2.4R and SYSC 22.2.5R (Obligation to revise references: The main rule) are adjusted so that where A was an *unauthorised person* when B gave the reference, B does not need to update A if A is not a *firm* and its application for *authorisation* has been withdrawn or determined. A and B refer to A and B as referred to in that *rule*.
- (7) SYSC 22.2.7R (Obligation to revise references: Finding out who the current employer is) applies even though A (as referred to in that *rule*) was given a reference at a time when it was not a *firm*.
- (8) SYSC 22.8.3R applies and so:
- (a) a *principal* should ensure that its *appointed representatives* give a reference if asked to by a *person* applying to be *authorised*; and
- (b) this chapter applies to references requested by or on behalf of someone who will be an *appointed representative* of the *person* concerned if that *person* is *authorised*.

## 22.8A Groups and outsourcing

Intra-group transfers

...

22.8A.3 G If:

(1) a *firm* (A) appoints someone (P) to a ~~*certification function or an approved person*~~ position that requires P to obtain a reference (a ‘reference position’);

...

(3) later P transfers to a ~~*certification function or approved person*~~ reference position with an *SMCR firm* in A’s group (C);

...

...

**22 Annex 1 Template for regulatory references given by SMCR firms and disclosure requirements**

22 **R Part One: Form of Template**

Annex

1.1

...

[*Editor’s note:* The underlining of the heading ‘Question G’ below is in the existing Handbook text and does not indicate new text.]

<b>The answers to Questions A to F cover the period beginning six years before the date of your request for a reference and ending on the date of this reference</b>
...
<u>Question G</u>
Are we aware of any other information that we reasonably consider to be relevant to your assessment of whether the individual is fit and proper, <u>taking into account in particular (but not exclusively) the factors listed in SYSC 22 Annex 2 in the FCA Handbook?</u> This disclosure is made on the basis that we shall only disclose something that:
...

22 **R Part Two: Definitions used in Part One**

Annex

1.2

...

Section One: Meaning of certain terms and phrases	
Defined term or phrase	Meaning
...	
Board director	Non-SMF board director <del>subject to competence requirements</del> , as defined in the <i>Glossary</i> .
...	

## 22 Factors to take into account when asking for and giving regulatory references

### 22 R Annex 2

Matters to take into account	Comments
...	
(C) <del>Section 5 of the relevant Form A in SUP 10A Annex 4 (Application to perform controlled functions under approved persons regime) or SUP 10C Annex 3 (Application to perform senior management functions)</del> [deleted]	
...	

## 23 Senior managers and certification regime: Introduction and classification

...

### 23.3 Overview of the senior managers and certification regime

...

#### 23.3.3 G Table: Summary of the senior managers and certification regime

(1) Description of component of the regime	(2) Handbook provisions	(3) Application to solo-regulated firms

The senior managers regime: Parts that apply to all firms		
...		
A <i>firm</i> should carry out criminal records checks before applying for someone to be approved as an <i>SMF manager</i> , <u>with certain exceptions described in the rule referred to in column (2) of this row where the <i>firm</i> has already done a check or in the case of a <i>sole trader</i></u>	...	...
...		
The senior managers regime: Parts that apply to many firms		
...		
A <i>firm</i> solo-regulated by the <i>FCA</i> should: <u>(1) only appoint someone as a <i>board director</i> who does not need approval as an <i>SMF manager</i> for the position if they are fit and proper for that role; and</u> <u>(2) carry out criminal records checks before appointing a <i>board director</i> who is not an <i>SMF manager</i> making the appointment</u>	<del>SYSC 23.4 (Criminal record checks</del> <u>Checks</u> for certain directors)	...
...		

...

**23.4** ~~Criminal record checks~~ Checks for certain directors

23.4.1 R ...

- 23.4.1A R A firm must not appoint a person, or permit them to act, as a non-SMF board director unless it is satisfied that that person is fit and proper to perform that role.
- 23.4.2 R A firm must (as part of its assessment of the fitness and propriety of any of its ~~non-SMF board directors subject to competence requirements~~ non-SMF board directors under SYSC 23.4.1AR (P)) obtain the fullest information that it is lawfully able to obtain about P under Part V of the Police Act 1997 (Certificates of Criminal Records, &c) and related subordinated legislation of the *United Kingdom* or any part of the *United Kingdom* before P’s appointment as a *board director*.
- 23.4.3 G ...
- 23.4.4 R SYSC 23.4.2R does not apply if:
- (1) the person to be appointed is already performing, and has approval for the performance of, a designated senior management function for the firm or another firm in the same group;
  - (2) the person to be appointed was performing, and had approval for the performance of, a designated senior management function for the firm or another firm in the same group within 1 month before the appointment; or
  - (3) the firm (A) has already carried out the check in SYSC 23.4.2R in relation to the appointment of the person as a non-SMF board director of a firm in the same group and the person concerned is still performing that role or was doing so within 1 month before the appointment to the position with A.
- 23.4.5 R A firm must, so far as it is reasonably able, ensure that the information it obtains under SYSC 23.4.2R is no older than 6 months as at the time the appointment takes effect.

...

**23** **Definition of SMCR firm and different types of SMCR firms**  
**Annex 1**

...		
Part Eight: Financial qualification condition for being an enhanced scope SMCR firm		
	Qualification conditions only apply if reporting requirements apply	
8.4	R	Subject to SYSC 23 Annex 1 8.18R SYSC 23 Annex 1 8A.1R, a qualification condition in column (1) of the table in SYSC 23 Annex 1

		8.2R only applies to a <i>firm</i> if the corresponding reporting requirement referred to in column (2) of the table currently applies to the <i>firm</i> .
...		
8.17	G	...
		<del>Special requirements for calculating intermediary regulated business revenue</del>

[*Editor's note:* As set out in Annex A to this instrument, SYSC 23 Annex 1 8.18R to the second SYSC Annex 1 8.22G have been renumbered and moved to new SYSC 23 Annex 1 8A.1R to SYSC 23 Annex 1 8A.6G below. Changes are indicated using striking through and underlining.]

<u>Part Eight A: Special requirements for calculating financial qualification conditions</u>		
<u>Special requirements for calculating intermediary regulated business revenue</u>		
<del>8.18</del> <u>8A.1</u>	R	The qualification condition in row (3) of the table in SYSC 23 Annex 1 8.2R may also apply to a <i>firm</i> that meets the following conditions, even though the financial reporting requirement referred to in that row does not apply to it:
		(1) it falls into any of the following categories:
		...
		(e) (subject to <del>SYSC 23 Annex 1 8.19R</del> <u>SYSC 23 Annex 1 8A.2R</u> ) its <i>permission</i> includes <i>advising on P2P agreements</i> ; or
		(f) (subject to <del>SYSC 23 Annex 1 8.20R</del> <u>SYSC 23 Annex 1 8A.3R</u> ) its <i>permission</i> includes <i>designated investment business</i> or it carries out <i>designated investment business</i> ; and
		...
<del>8.19</del> <u>8A.2</u>	R	A <i>firm</i> is excluded from <del>SYSC 23 Annex 1 8.18R(1)(e)</del> <u>SYSC 23 Annex 1 8A.1R(1)(e)</u> if its <i>permission</i> , so far as it relates to the activity in <del>SYSC 23 Annex 1 8.18R(1)(e)</del> <u>SYSC 23 Annex 1 8A.1R(1)(e)</u> , is limited to activities carried on exclusively with or for <i>professional clients</i> .
<del>8.20</del> <u>8A.3</u>	R	A <i>firm</i> is excluded from <del>SYSC 23 Annex 1 8.18R(1)(f)</del> <u>SYSC 23 Annex 1 8A.1R(1)(f)</u> if its <i>permission</i> , so far as it relates to the activity in <del>SYSC 23 Annex 1 8.18R(1)(f)</del> <u>SYSC 23 Annex 1 8A.1R(1)(f)</u> , is limited and subject to requirements in a way that

		means it may only carry on those activities exclusively with or for <i>professional clients</i> or <i>eligible counterparties</i> .	
8.21 <u>8A.4</u>	R	(1)	This <i>rule</i> deals with how the qualification condition in row (3) of the table in <i>SYSC 23 Annex 1 8.2R</i> applies to a <i>firm</i> in <del><i>SYSC 23 Annex 1 8.18R</i></del> <u><i>SYSC 23 Annex 1 8A.1R</i></u> .
		...	
		(4)	For the purpose of applying this Annex to a <i>firm</i> in <del><i>SYSC 23 Annex 1 8.18R</i></del> <u><i>SYSC 23 Annex 1 8A.1R</i></u> , a reference in this Annex to:
		...	
		(c)	being subject to a reporting requirement is treated as a reference to meeting the conditions in <del><i>SYSC 23 Annex 1 8.18R</i></del> <u><i>SYSC 23 Annex 1 8A.1R</i></u> .
8.22 <u>8A.5</u>	G	(1)	...
		(2)	Therefore if a <i>firm</i> ceases to be in <del><i>SYSC 23 Annex 1 8.18R</i></del> <u><i>SYSC 23 Annex 1 8A.1R</i></u> because it begins to report using the <i>RMAR</i> , <i>SYSC 23 Annex 1 8.4R</i> does not apply and the <i>firm</i> will continue to meet the qualification condition as long as its income remains at the necessary level.
		(3)	The same applies if the <i>firm</i> moves from reporting using the <i>RMAR</i> to being a <i>firm</i> within <del><i>SYSC 23 Annex 1 8.18R</i></del> <u><i>SYSC 23 Annex 1 8A.1R</i></u> .
		(4)	...
		(5)	If there is a gap between being subject to <del><i>SYSC 23 Annex 1 8.18R</i></del> <u><i>SYSC 23 Annex 1 8A.1R</i></u> and reporting using the <i>RMAR</i> , <i>SYSC 23 Annex 1 11.8R</i> may mean that the <i>firm</i> never stops being an <i>enhanced scope SMCR firm</i> .
8.22 <u>8A.6</u>	G	<i>SUP 15.15</i> requires a <i>firm</i> within <del><i>SYSC 23 Annex 1 8.18R</i></del> <u><i>SYSC 23 Annex 1 8A.1R</i></u> regularly to calculate whether it meets the qualification condition in row (3) of the table in <i>SYSC 23 Annex 1 8.2R</i> and, in certain circumstances, to notify the <i>FCA</i> of the results.	
...			
Part Ten: When a firm becomes an enhanced scope SMCR firm			
...			
	Meeting the financial thresholds in Part 8		

10.2	R	...	
		(4)	In the case of a <i>firm</i> in <del>SYSC 23 Annex 1 8.18R</del> <u>SYSC 23 Annex 1 8A.1R</u> , the <i>firm</i> meets the qualification condition in row (3) of the table in SYSC 23 Annex 1 8.2R on the reporting date for the final reporting period applicable to the averaging period for which the <i>firm</i> first meets the condition in column (1) of that row.
		...	
...			
Part Eleven: When a firm stops being an enhanced scope SMCR firm			
...			
			Ceasing to meet the financial thresholds in Part 8
11.2	R		A <i>firm</i> ceases to meet one of the qualification conditions in Part 8 of this Annex (financial qualification conditions) on whichever of the following is applicable:
		...	
		(3)	(in the case of a <i>firm</i> in <del>SYSC 23 Annex 1 8.18R</del> <u>SYSC 23 Annex 1 8A.1R</u> ) the reporting date for the final reporting period applicable to the averaging period for which the <i>firm</i> first ceases to meet the condition in column (1) of that row; or
		...	
	...		
...			

## 24 Senior managers and certification regime: Allocation of prescribed responsibilities

...

### 24.3 Who prescribed responsibilities should be allocated to

...

[Editor's note: the following amended subheading also applies to SYSC 24.3.2]

~~Executive or non-executive~~ The SMF managers to whom FCA-prescribed senior management responsibilities should be allocated

...

24.3.3 G (4) Subject to ~~(2)~~ the more detailed guidance in SYSC 24 Annex 2 (Preferred allocations of FCA-prescribed senior management responsibilities), the *FCA* expects that normally a *firm* will allocate ~~the other FCA-prescribed senior management responsibilities other than the ones referred to in SYSC 24.3.2G~~ to an *SMF manager* who performs executive functions for the *firm*.

(2) ~~The relevant rules in COLL deal with the persons to whom a firm should allocate FCA-prescribed senior management responsibility (za) (Allocation of responsibility for COLL compliance to an approved person).~~

24.3.3A G SYSC 24 Annex 2 (Preferred allocations of FCA-prescribed senior management responsibilities) sets out more detail about the FCA's expectations about the SMF managers to whom a firm should and should not allocate FCA-prescribed senior management responsibilities.

Exceptions for small non-complex firms

24.3.4 G (1) The *FCA* accepts that it may not be practical for a small non-complex *firm* to comply with the parts of SYSC 24.3.1G(1), SYSC 24.3.2G and ~~SYSC 24.3.3G(1)~~ SYSC 24.3.3G that would otherwise apply to it.

(2) SYSC 24 Annex 2 (Preferred allocations of FCA-prescribed senior management responsibilities) also explains how that annex applies to small non-complex firms.

...

Dividing and sharing management functions between different people

24.3.7 G (1) ~~The FCA expects that a firm will~~ A firm should not normally split an FCA-prescribed senior management responsibility between several SMF managers more than 1 SMF manager, with each only having responsibility for part, unless this is appropriate and can be justified.

(2) As explained in SYSC 24.3.10G, a firm should allocate FCA-prescribed senior management responsibilities between its SMF managers appropriately. This may mean that a firm would be justified in dividing responsibility for an FCA-prescribed senior management responsibility between more than 1 SMF manager.

(3) In particular, it may be appropriate to split responsibility for an FCA-prescribed senior management responsibility between several SMF managers so that the allocation of responsibility for it is consistent

with the split of business and commercial responsibilities between senior management.

- (4) The FCA therefore accepts that there are circumstances in which a firm will split responsibility for an FCA-prescribed senior management responsibility between more than 1 SMF manager.
- (5) If a firm splits responsibility for an FCA-prescribed senior management responsibility between more than 1 SMF manager, it should:
- (a) manage the split effectively; and
- (b) ensure that all parts of the FCA-prescribed senior management responsibility are clearly allocated to one of those SMF managers without any gaps.
- (6) The FCA expects that generally it will only be appropriate for a larger firm with more complex arrangements to split responsibility for an FCA-prescribed senior management responsibility between more than 1 SMF manager.
- (7) In general, it will not be appropriate for a firm to split responsibility for an FCA-prescribed senior management responsibility between more than 2 SMF managers.

24.3.8 G The FCA expects that a firm will not normally allocate responsibility for an FCA-prescribed senior management responsibility to ~~two~~ 2 or more SMF managers jointly. This is, however, subject to SYSC 24.3.9G.

24.3.9 G (1) ~~Although the norm should be for a firm to have a single individual performing each~~ that an FCA-prescribed senior management responsibility should not be shared, there may be circumstances in which responsibilities can be ~~divided or~~ shared (see (2)).

(2) A firm should only ~~divide or~~ share a responsibility where this is appropriate and can be justified.

...

...

Insert the following new annex, SYSC 24 Annex 2, after SYSC 24 Annex 1 (Which FCA-prescribed senior management responsibilities apply to which kind of firm). All the text is new and is not underlined.

## **24 Annex 2 Preferred allocations of FCA-prescribed senior management responsibilities**

Purpose

24  
Annex  
2.1 G This annex sets out detailed *guidance* on the *FCA*'s expectations about what *designated senior management function* an *SMF manager* should and not should not hold if a *firm* wishes to allocate particular *FCA-prescribed senior management responsibilities* to them. It should be read together with *SYSC* 24.3.2G and *SYSC* 24.3.3G (The *SMF* managers to whom *FCA-prescribed senior management responsibilities* should be allocated), and *SYSC* 24.3.4G and *SYSC* 24.3.5G (Exceptions for small non-complex firms).

#### General material

24  
Annex  
2.2 G (1) The 'SMF most likely to be appropriate' column in the tables in this annex covers the combinations of *designated senior management functions* and *FCA-prescribed senior management responsibilities* that the *FCA* considers are likely to be appropriate.

(2) The 'Would generally consider harder to justify' column in the tables in this annex covers combinations of *designated senior management functions* and *FCA-prescribed senior management responsibilities* that the *FCA* considers to be generally inappropriate and which the *FCA* may question if a *firm* proposes to adopt one.

24  
Annex  
2.3 G However, ultimately, an *FCA-prescribed senior management responsibility* should be allocated to the most suitable *SMF manager*. This will depend on the individual circumstances of each *firm*.

24  
Annex  
2.4 G Therefore:

(1) a combination in the 'SMF most likely to be appropriate' column may be inappropriate in the circumstances of a particular *firm*; and

(2) a combination in the 'Would generally consider harder to justify' column may be appropriate in the circumstances of a particular *firm* (or may be appropriate for a specific period) if the *firm* has good reason for it, although even then the *FCA* may wish to explore those reasons with the *firm*.

24  
Annex  
2.5 G As an example of the principle in *SYSC* 24 Annex 2.3G, the *FCA* accepts that it may not be practical for a small non-complex *firm* (see *SYSC* 24.3.4G (Exceptions for small non-complex firms)) to comply with the tables in this annex.

24  
Annex  
2.6 G (1) This annex does not cover every possible combination of *designated senior management function* and *FCA-prescribed senior management responsibility*.

(2) In particular, some *designated senior management functions* may appear in neither the 'SMFs most likely to be appropriate' nor the 'Would generally consider harder to justify' columns in a row of one of the tables in this annex dealing with a particular *FCA-prescribed senior management responsibility*.

- (3) Paragraphs (1) and (2) do not mean that a *firm* should not allocate that *FCA-prescribed senior management responsibility* to an *SMF manager* performing that *designated senior management function*.
- (4) Instead, in such a case, the *FCA* does not consider that it is possible to give any generalised *guidance*. The most important consideration will be whether the *SMF manager* is the most senior employee or officer responsible for managing that area, as set out in *SYSC 24.3.1G* (Seniority and authority).

- 24  
Annex  
2.7
- G If no one performs the *chief executive function* for a *firm*, it will usually be most appropriate for those *FCA-prescribed senior management responsibilities* that are listed in the tables in this annex as being appropriate for SMF 1 to go instead to the most suitable *SMF manager*:
- (1) approved to perform the *executive director function* or the *partner function*; or
- (2) (in the case of a *PRA-authorized person*) into whose *designated senior management function* the functions in (1) have been absorbed under the arrangements in *SUP 10C.9* (Minimising overlap with the *PRA approved persons regime*).

#### Allocations for core SMCR firms

- 24  
Annex  
2.8
- G The tables in *SYSC 24 Annex 2.10G* and *SYSC 24 Annex 2.11G* cover *core SMCR firms*.
- 24  
Annex  
2.9
- G The table in *SYSC 24 Annex 2.11G* covers *FCA-prescribed senior management responsibilities* that only apply to *overseas SMCR firms*.
- 24  
Annex  
2.10
- G Table: Combinations of designated senior management functions and *FCA-prescribed senior management responsibilities* for core *SMCR firms*

(1) FCA-prescribed senior management responsibility	(2) SMFs most likely to be appropriate	(3) Would generally consider harder to justify
(a) (Responsibility for performance of obligations under senior managers regime)	SMFs 1, 19	SMFs 9, 16, 17

(b) (Responsibility for performance of obligations under certification regime)	SMFs 1, 19	SMFs 9, 16, 17
(b-1) (Responsibility for conduct rules)	SMFs 1, 19	SMFs 9, 17
(d) ( <i>Financial crime</i> )	See the Financial Crime Guide, particularly <i>FCG</i> 2.2.1G (Governance) and <i>FCG</i> 2.2.3G (Structure).	SMF 9
(z) ( <i>CASS</i> )	See <i>CASS</i> 1A.3 (Responsibility for <i>CASS</i> operational oversight).	SMF 9
(za) ( <i>COLL</i> )	SMF 9 There are also <i>rules</i> governing the allocation of this function (see <i>COLL</i> 6.6.27R, <i>COLL</i> 8.5.22R and <i>COLL</i> 15.7.24R).	SMFs 1, 3, 16, 17, 27
<p>(1) The letter and alphanumeric references in column (1) are to the codes in the column headed ‘Reference letter’ in <i>SYSC</i> 24.2.6R (Table: FCA-prescribed senior management responsibilities).</p> <p>(2) The numbers in columns (2) and (3) identify an <i>FCA-designated senior management function</i> by reference to the number assigned to it in the column headed ‘SMF’ in <i>SUP</i> 10C.4.3R (Table of FCA-designated senior management functions for SMCR firms).</p>		

24  
Annex  
2.11

G Table: Combinations of designated senior management functions and FCA-prescribed senior management responsibilities only applicable to core SMCR firms that are overseas SMCR firms

(1) FCA-prescribed senior management responsibility	(2) SMFs most likely to be appropriate	(3) Would generally consider harder to justify
(aa) ( <i>UK</i> management processes)	SMF 19	SMF 17

(ee) (Escalating correspondence)	SMF 19	SMF 17
(ff) (Compliance with <i>UK regulatory system</i> )	SMF 19	SMF 17
See the notes to the table in <i>SYSC 24 Annex 2.10G</i> for the meaning of the numerical and alphanumerical references in this table.		

#### Allocations for all other firms

- 24  
Annex  
2.12
- G The table in *SYSC 24 Annex 2.13G* covers all *SMCR firms* required to allocate *FCA-prescribed senior management responsibilities*, other than *core SMCR firms*.
- 24  
Annex  
2.13
- G Table: Combinations of designated senior management functions and FCA-prescribed senior management responsibilities for all other SMCR firms

(1) FCA-prescribed senior management responsibility	(2) SMFs most likely to be appropriate	(3) Would generally consider harder to justify
(a) (Responsibility for performance of obligations under senior managers regime)	SMFs 1, 19, 25, 26	SMFs 5, 9-15, 16, 17, 18, 20, 20a, 22, 23
(b) (Responsibility for performance of obligations under certification regime)	SMFs 1, 19, 25, 26	SMFs 5, 9-15, 16, 17, 18, 20, 20a, 22, 23
(b-1) (Responsibility for conduct rules)	SMFs 1, 19, 25, 26	SMFs 5, 9-15, 17, 18, 20, 20a, 22, 23
(c) ( <i>Management responsibilities map</i> )	SMFs 1, 19	SMFs 5, 9-15, 17, 18, 20, 20a, 22, 23
(d) ( <i>Financial crime</i> )	See the Financial Crime Guide, particularly <i>FCG 2.2.1G</i> (Governance) and <i>FCG 2.2.3G</i> (Structure).	SMFs 2, 5, 6, 9-15, 18, 20, 20a, 22, 23
(f) (Training of <i>governing body</i> )	SMFs 9, 19	SMFs 1-6, 15-18, 20-24

(g) (Training of senior management)	SMFs 1, 19	SMFs 2, 4, 5, 9-15, 18, 20, 20a, 22, 23, 24
(j) (Independence and oversight of internal audit)	SMF 11	SMFs 1-6, 16, 17, 18, 22, 24,
(j-2) (Outsourced internal audit where certain <i>PRA</i> rules apply)	SMF 11	SMFs 1-6, 12-18, 20, 20a, 22, 23, 24
(j-3) (Outsourced internal audit)	SMF 11	SMFs 1-5, 12, 13, 16, 17, 18, 22, 24
(k) (Independence and oversight of compliance)	SMF 10	SMFs 1-6, 16, 17, 18, 22, 24
(l) (Independence and oversight of risk function)	SMF 10	SMFs 1-6, 16, 17, 18, 22, 24
(m) (Remuneration policy and practices)	SMF 12	SMFs 1-6, 16, 17, 18, 20, 20a, 22, 23, 24
(n) (Whistleblowing)	See <i>SYSC</i> 18.4.1G(4)	SMFs 1-6, 16, 17, 18, 20, 20a, 22, 23, 24
(s) (Stress tests)	SMFs 2, 4	SMFs 5, 9-14, 16, 17, 18, 22, 24
(t) (Development and maintenance of business model)	SMFs 1, 25, 26	SMFs 5, 9-12, 14, 16, 17, 18, 20, 20a, 22, 23, 24
(z) ( <i>CASS</i> )	See <i>CASS</i> 1A.3 (Responsibility for <i>CASS</i> operational oversight).	SMFs 5, 9-15, 20, 20a, 23
(za) ( <i>COLL</i> )	SMF 9 There are also <i>rules</i> governing the allocation of this function (see <i>COLL</i> 6.6.27R, <i>COLL</i> 8.5.22R and <i>COLL</i> 15.7.24R).	SMFs 1-5, 7, 16, 17, 18, 19, 22, 24

(aa) ( <i>UK management processes</i> )	SMF 4	SMFs 5, 17, 22, 24
(ee) ( <i>Escalating correspondence</i> )	SMF 19	SMFs 2, 4, 5, 9-12, 14, 17, 20, 20a, 22, 23, 24
(ff) ( <i>Compliance with UK regulatory system</i> )	SMF 19	SMFs 2, 4, 5, 9-12, 14, 17, 20, 20a, 22, 23, 24
<p>(1) The letter and alphanumeric references in column (1) are to the codes in the column headed ‘Reference letter’ in SYSC 24.2.6R (Table: FCA-prescribed senior management responsibilities).</p> <p>(2) The numbers in columns (2) and (3) identify the <i>FCA-designated senior management function</i> by reference to the number assigned to it in the column headed ‘SMF’ in SUP 10C.4.3R (Table of FCA-designated senior management functions for SMCR firms). In the case of a <i>PRA-authorised person</i>, the numbers refer, where applicable, to the corresponding <i>PRA-designated senior management function</i> or, where there is no equivalent <i>FCA-designated senior management function</i>, to the number and letter used by the <i>PRA</i>.</p> <p>(3) SYSC 24.2.3R (Allocation of FCA-prescribed senior management responsibilities) means that (with the exception set out in that <i>rule</i>) only an <i>enhanced scope SMCR firm</i> may allocate an <i>FCA-prescribed senior management responsibility</i> to an <i>SMF manager</i> who is only approved to perform the <i>other overall responsibility function</i> or the <i>other local responsibility function</i> for that <i>firm</i>. References to SMF 18 and SMF 22 in this table should be interpreted accordingly.</p>		

Amend the following as shown.

## 26 Senior managers and certification regime: Overall and local responsibility

...

### 26.2 Purpose

...

- 26.2.2 G The purpose of this chapter is not primarily to ensure that formal responsibility for everything a *firm* does is allocated amongst its senior management. Even without the requirements of this chapter, responsibilities that have not been allocated explicitly would fall to the *chief executive* by default. However, one of the purposes of this chapter is to avoid responsibilities being allocated by implication or by default. Instead, a *firm* should allocate responsibilities under this chapter expressly and with thought and should record them in the *statements of responsibilities* of the *SMF*

managers concerned and (if it is required to produce one) its *management responsibilities map*.

...

## 26.4 Exclusions

...

Exclusion where the 12-week rule applies

- 26.4.6 R (1) This *rule* applies where:
- (a) a *firm* appoints someone to perform a function in order to provide cover as described in ~~SUP 10C.3.13R(1)~~ SUP 10C.3A.6R(1) (The 12-week rule) or (in the case of a *PRA-authorised person*) the *PRA* equivalent; and
  - (b) the *firm* has allocated any responsibilities (the “Responsibilities”) under SYSC 26.3 (Main rules) to the *SMF manager* (the absent manager) who is absent as described in ~~SUP 10C.3.13R(2)~~ SUP 10C.3A.6R(2) or (in the case of a *PRA-authorised person*) the *PRA* equivalent.
- (2) While the disapplication of the *designated senior management function* provided for in ~~SUP 10C.3.13R~~ SUP 10C.3A.6R or (in the case of a *PRA-authorised person*) the *PRA* equivalent is still in force the *firm* may allocate the Responsibilities to an *employee* who is not an *SMF manager*.
- (3) For the purposes of this *rule*, the *PRA* equivalent of:
- (a) ~~SUP 10C.3.13R~~ SUP 10C.3A.6R is the following parts of the *PRA Rulebook*:
    - ...
  - (b) ~~SUP 10C.3.13R(1) and (2)~~ SUP 10C.3A.6R(1) and (2) is the following parts of the *PRA Rulebook*:
    - ...
- ...
- 26.4.8 G SYSC 26.4.6R and ~~SUP 10C.3.13R~~ SUP 10C.3A.6R apply to a person performing the *other overall responsibility function* or the *other local responsibility function* as well as to a person performing one of the other *designated senior management functions*.

...

## 27 Senior managers and certification regime: Certification regime

...

**27.2 Requirements of the certification regime**

...

Issuing and renewing certificates

...

27.2.15 G ...

(2) If that new function has different requirements relating to:

...

(b) the level or types of competence, knowledge and experience;

...

the *FCA* would expect the *firm* to assess whether the *employee* is fit and proper to perform that new function before they start it.

...

(5) ~~Paragraphs (1) to (4) also apply if~~ If a *certification employee*'s role changes part way through the 12-month period without the new role involving a new *FCA certification function*, the *firm* may also need to re-assess the *certification employee* before the current certificate expires and either re-issue or withdraw it. This will depend on how significant the change is. The factors in (2) and (4) are relevant to whether re-assessment is necessary.

27.2.15A G (1) If a *firm* carries out a re-assessment under SYSC 27.2.15G, the *firm* may not have to make a completely new assessment as the existing assessment may already adequately cover aspects of the *certification employee*'s new or changed function.

(2) For example, if an adviser changes from advising on mortgages to investments, the *firm*'s existing assessment of the *certification employee*'s integrity, reputation and financial soundness may not need to be re-assessed. The *firm* will only need to concentrate on the *certification employee*'s knowledge and competence in the new product area.

27.2.16 G ...

27.2.17 G A certificate should be in writing. However, there is no need for a physical document. It can, for example, be issued in the form of an e-mail.

- 27.2.18 G A certificate should include the dates of validity and be provided to the certification employee.
- 27.2.19 G (1) A firm may embed the certification process in other relevant processes or run the certification process in parallel to them. For example, if it runs an annual staff appraisal process, it may include certification as part of that process. If its annual appraisal process involves the issue of a written appraisal, it may include the certificate required by the certification regime in that written appraisal.
- (2) If a firm runs its certification process alongside or as part of its general appraisal process, it should ensure that it applies the standards and requirements set by the Act and this chapter to the certification process insofar as they differ from those of its general appraisal process.
- 27.2.20 G As major changes to a certification employee's function are dealt with under SYSC 27.2.15G when they occur, the FCA would expect annual re-certification on the expiry of an existing certificate to be done in a proportionate and streamlined manner. The FCA would expect the assessment to be less detailed than it would be for a new certification employee.

...

## 27.6 Other exclusions

### Single Market Directives

- 27.6.1 G ~~Under section 63E(7) of the Act (to the extent that it continues in force under the standstill direction), this chapter does not apply to an arrangement which allows an employee to perform a function if the question of whether the employee is fit and proper to perform the function is reserved under certain European legislation to an authority in a country or territory outside the United Kingdom. The standstill direction means the standstill direction as defined in the direction made by the FCA under Part 7 of the Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019 that came into force on IP completion day and is titled "FCA Transitional Direction". [deleted]~~

### Insolvency

- 27.6.2 R This chapter does not apply to a function performed by a person acting as:
- ...
- (3) an insolvency practitioner under article 3 of the Insolvency (Northern Ireland) Order 1989; or
- (4) a nominee in relation to a voluntary arrangement under Part II (Company Voluntary Arrangements) of the Insolvency (Northern Ireland) Order 1989;

- (5) a person acting as a resolution administrator appointed by the Bank of England in accordance with section 62B of the Banking Act 2009;
- (6) a person appointed by the Bank of England as a director or a senior manager to a bank, building society, stabilisation vehicle or banking group company for any purpose in connection with the exercise of a stabilisation option or a stabilisation power; or
- (7) a person appointed by the Treasury as a director or a senior manager to a bank, building society or banking group company for any purpose in connection with the exercise of the temporary public ownership stabilisation option, throughout the period of 2 years beginning with the date of that appointment.

27.6.2A R The following terms as used in SYSC 27.6.2R and in this rule have the following meanings:

- (1) 'banking group company' has the meaning in section 81D of the Banking Act 2009;
- (2) 'senior manager' means a person who exercises executive functions and is responsible, and directly accountable to the directors, for the day-to-day management of a bank, building society, stabilisation vehicle or banking group company;
- (3) 'stabilisation option' means any of the stabilisation options listed in section 1(3) of the Banking Act 2009;
- (4) 'stabilisation power' means any of the stabilisation powers listed in section 1(4) of the Banking Act 2009;
- (5) 'stabilisation vehicle' means a bridge bank as defined in section 12(1) of the Banking Act 2009 or an asset management vehicle as defined in section 12ZA(2) of the Banking Act 2009; and
- (6) 'temporary public ownership stabilisation option' means the transfer to temporary public ownership in accordance with section 13 of the Banking Act 2009.

...

## 27.7 Specification of functions

...

Overlap with designated senior management functions

27.7.5 G ...

- 27.7.6 G SYSC 27.7.1R(1) also means that an *SMF manager* may need to be certified for a role that is distinct and separate from their *designated senior management function*.
- 27.7.7 G This will sometimes mean that an *SMF manager* may need to be certified for the client-dealing *FCA certification function* if they meet clients.
- 27.7.8 G However, it does not mean that, in all instances in which an *SMF manager* engages with clients, the *SMF manager* will automatically need to be certified as well. In many instances, client engagement would be a normal and expected part of an *SMF manager's* role and would not require certification.
- 27.7.9 G For example, a *money laundering reporting officer* who meets with clients in relation to their *money laundering reporting officer* responsibilities would likely to be doing so within the scope of the *money laundering reporting function*. In such cases, the *money laundering reporting officer* would not need to be certified.
- 27.7.10 G This is equally true for other *designated senior management function* roles – for example, where an executive *director* engages with a client for relationship management reasons. This may also be the case if the *director* is accompanied by a qualified investment adviser who is a *certification employee* who can deal with detailed requests for investment advice from the client.
- 27.7.11 G However, the demands of a customer-facing role can, in some cases, be quite different from those of a senior management role. For example, advising on investments is often technical and requires relevant qualifications (set out in the Training and Competence sourcebook (*TC*)). Such an activity is distinctly different from the role many *SMF managers* perform and will, therefore, in many cases, fall outside the scope of the *SMF manager* role. As such, it would require certification.

...

Insert the following new transitional provisions, SYSC TP 14, after SYSC TP 13 (SMCR: application to firms with deferred payment credit temporary permission). All the text is new and is not underlined.

[*Editor's note*: SYSC TP 13 (SMCR: application to firms with deferred payment credit temporary permission) is inserted by the Deferred Payment Credit Instrument 2026 (FCA 2026/2), which comes into force on 15 July 2026.]

## **TP 14      Miscellaneous transitional provisions relating to the Senior Managers and Certification Regime**

### **TP 14.1    Part 1**

## Scope

- TP 14.1.1 R *SYSC* TP 14.1 relates to amendments to *SYSC* made by the Individual Accountability (SMCR Review) Instrument 2026 (FCA 2026/17).
- TP 14.1.2 R In *SYSC* TP 14.1 the ‘first commencement date’ means 24 April 2026.

## Regulatory references

- TP 14.1.3 G The amendment to *SYSC* 22.5.17G (Time in which to respond to reference requests) applies to references requested after the first commencement date.
- TP 14.1.4 G *SYSC* 22.8.11R (Firms applying for authorisation) applies to references requested after the first commencement date.
- TP 14.1.5 R The amendment to the form of regulatory references in *SYSC* 22 Annex 1 (Template for regulatory references given by SMCR firms and disclosure requirements) applies to references requested after the first commencement date.

## Checks for certain directors

- TP 14.1.6 R The amendments to *SYSC* 23.4 (Checks for certain directors) apply to appointments coming into effect after the first commencement date.

## Prescribed responsibilities

- TP 14.1.7 G *SYSC* 24 Annex 2 (Preferred allocations of FCA-prescribed senior management responsibilities) applies to allocations made after the first commencement date but as it largely reflects existing policy, it may be reflected in discussions between a *firm* and the *FCA* about existing allocations.

**Part 2: Comes into force on 10 July 2026**

Amend the following as shown.

**23 Senior managers and certification regime: Introduction and classification**

...

**23 Definition of SMCR firm and different types of SMCR firms****Annex 1**

...
Part Eight: Financial qualification condition for being an enhanced scope SMCR firm

The financial qualification tests		
...		
8.2	R	Table: Financial qualification conditions

(1) Qualification condition	(2) How to do the calculation and corresponding reporting requirement	(3) Comments
<b>Part One: Point in time measurements</b>		
(1) The average amount of the <i>firm's</i> assets under management (calculated as a three-year rolling average) is <del>£50</del> <u>£65</u> billion or more	...	...
...		
<b>Part Two: Revenue measurements</b>		
(3) The average amount of the <i>firm's</i> total intermediary regulated business revenue (calculated as a three-year rolling average) is <del>£35</del> <u>£45</u> million per annum or more	...	...
(4) The average amount of the <i>firm's</i> annual revenue generated by regulated consumer credit lending (calculated as a three-year rolling average) is <del>£100</del> <u>£130</u> million or more	...	...
...		

...		
8.17	G	...

<u>[Editor's note: SYSC 23 Annex 1 8.18R to the second SYSC Annex 1 8.22G have been renumbered and moved to new SYSC 23 Annex 1 8A.1R to SYSC 23 Annex 1 8A.6G.]</u>			
<u>Automatic adjustment of financial thresholds: Purpose and general rule</u>			
<u>8.23</u>	<u>R</u>	<u>(1)</u>	<u>SYSC 23 Annex 1 8.23R to SYSC 23 Annex 1 8.32G provide for the automatic adjustment of the financial figures in the table in SYSC 23 Annex 1 8.2R (Table: Financial qualification conditions) listed in this rule once every 5 years in line with inflation over that period.</u>
		<u>(2)</u>	<u>The financial figures to be adjusted are the ones in the following rows of column (1) of the table:</u>
		<u>(a)</u>	<u>row (1) (assets under management);</u>
		<u>(b)</u>	<u>row (3) (total intermediary regulated business revenue); and</u>
		<u>(c)</u>	<u>row (4) (revenue generated by regulated consumer credit lending).</u>
<u>Automatic adjustment of financial thresholds: Calculation</u>			
<u>8.24</u>	<u>R</u>		<u>Inflation is calculated from the CPI annual rate published by the Office for National Statistics.</u>
<u>8.25</u>	<u>R</u>		<u>Each 5-year period in SYSC 23 Annex 1 8.23R(1) starts and ends as follows:</u>
		<u>(1)</u>	<u>the first period starts on 10 July 2026;</u>
		<u>(2)</u>	<u>each subsequent period starts immediately following the end of the previous period;</u>
		<u>(3)</u>	<u>each period ends on the fifth anniversary of its start; and</u>
		<u>(4)</u>	<u>if the date in (3) is not the end of a month, it ends at the end of that month.</u>
<u>8.26</u>	<u>R</u>	<u>(1)</u>	<u>Any change to the financial figures referred to in SYSC 23 Annex 1 8.23R is made on the last day of the 5-year period in that rule.</u>
		<u>(2)</u>	<u>There is no adjustment to reflect the fact that the first or last inflation figure may cover a period falling partly outside the 5-year period.</u>
<u>Automatic adjustment of financial thresholds: Effect on past and future calculations</u>			

8.27	<u>R</u>	(1)	<u>Any change to the financial figures referred to in SYSC 23 Annex 1 8.23R does not affect any averaging period of a firm that has ended before the end of the 5-year period in SYSC 23 Annex 1 8.23R(1).</u>
		(2)	<u>Any change to the financial figures referred to in SYSC 23 Annex 1 8.23R applies to the whole of the averaging period of a firm current as at the end of the 5-year period in SYSC 23 Annex 1 8.23R(1).</u>
		(3)	<u>'Averaging period' has the meaning in Note 2 to the table in SYSC 23 Annex 1 8.2R (Table: Financial qualification conditions).</u>
8.28	<u>G</u>	(1)	<u>This provision gives an example of how SYSC 23 Annex 1 8.27R works.</u>
		(2)	<u>In this example, the financial threshold listed in SYSC 23 Annex 1 8.23R applicable to Firm A is increased in August of year 1. The financial threshold is based on a rolling 3-year average. Firm A's averaging periods are established by reference to its accounting reference date, which is 31 December. The reports on which the calculation is made are submitted half-yearly and the calculation is made twice a year. The reporting date is 30 days after the end of the relevant reporting period.</u>
		(3)	<u>The change in the financial threshold has no effect for the averaging period ending on 30 June of year 1.</u>
		(4)	<u>Therefore, if Firm A is an enhanced scope SMCR firm in June of year 1, it remains as an enhanced scope SMCR firm even if it would not have met the financial threshold during that last averaging period if the new threshold figure had applied.</u>
		(5)	<u>The change in the financial threshold applies to the averaging period ending on 31 December of year 1. The revised figure applies for all 3 years of that averaging period.</u>
		(6)	<u>The same applies for subsequent averaging periods.</u>
8.29	<u>G</u>	(1)	<u>This provision gives a further example of how SYSC 23 Annex 1 8.27R works based on the example of Firm A in SYSC 23 Annex 1 8.28G. In this example:</u>
		(a)	<u>the threshold is increased under SYSC 23 Annex 1 8.23R in August of year 2;</u>

		(b)	<u>Firm A first met the applicable financial threshold listed in SYSC 23 Annex 1 8.23R for the averaging period ending in December of year 1; and</u>
		(c)	<u>following the increase in the threshold, Firm A falls below the qualification level for the averaging period ending in December in year 2.</u>
		(2)	<u>Therefore, in this example, Firm A is not yet an <i>enhanced scope SMCR firm</i>. The 1-year period in SYSC 23 Annex 1 10.1R (General rule) is running.</u>
		(3)	<u>The result is that the <i>firm</i> no longer qualifies. The adjustment ends the running of the 1-year period. Firm A will not be an <i>enhanced scope SMCR firm</i> at the end of it.</u>
		(4)	<u>The reason for this is that the change happens before the end of the 1-year period. The 1-year period begins at the end of January in year 2 – that is, 1 <i>month</i> after the end of the reporting period ending in December in year 1. The 1-year period ends at the end of January in year 3 and the <i>firm</i> would have become an <i>enhanced scope SMCR firm</i> at the start of February in year 3. However, Firm A ceases to meet the qualifying condition for being an <i>enhanced scope SMCR firm</i> at the end of January in year 3.</u>
<u>Automatic adjustment of financial thresholds: Rounding</u>			
8.30	R	(1)	<u>There will be no adjustment if the amount of that adjustment would be below the amount in (3).</u>
		(2)	<u>Subject to (1), any adjustment will be rounded up to the nearest multiple of the amounts set out in (3).</u>
		(3)	<u>The amounts referred to in (1) and (2) are:</u>
		(a)	<u>(in the case of the threshold referred to in SYSC 23 Annex 1 8.23R(2)(a)) £1 billion; and</u>
		(b)	<u>(in the case of the other thresholds referred to in SYSC 23 Annex 1 8.23R(2)) £1 million.</u>
8.31	R		<u>There will be no downwards adjustments, either from the figures in force on 10 July 2026 or from any subsequent higher figure.</u>
<u>Automatic adjustment of financial thresholds: Publication</u>			
8.32	G		<u>The FCA may publish its calculation of any adjustment under SYSC 23 Annex 1 8.23R.</u>

Part Ten: When a firm becomes an enhanced scope SMCR firm			
General rule			
10.1	R	...	
		(2)	If a <i>firm</i> :
		(a)	was not an <i>enhanced scope SMCR firm</i> ; and
		(b)	then meets one of the qualification conditions in Part 8 or Part 9 of this Annex;
			the date is <del>twelve months</del> <u>the business day following the end of the 12-month period</u> after it first meets the first qualification condition that it met.
		(3)	Where the first qualification condition it meets is the one in SYSC 23 Annex 1 9.1R(3), the date is <del>three months</del> <u>the business day following the end of the 3-month period</u> after the <i>FCA</i> receives the notice in SYSC 23 Annex 1 9.1R(3).
		...	

...

## 24 Senior managers and certification regime: Allocation of prescribed responsibilities

...

### 24.2 Allocation of FCA-prescribed senior management responsibilities: Main allocation rules

Allocation of FCA-prescribed senior management responsibilities

...

- 24.2.3 R (1) A ~~firm~~ PRA-authorized person may not allocate an *FCA-prescribed senior management responsibility* to an *SMF manager* who is only approved to perform the *other overall responsibility function* or the *other local responsibility function* for that firm, subject to (2).
- (2) A ~~firm~~ PRA-authorized person may allocate *FCA-prescribed senior management responsibility* (z) in the table in SYSC 24.2.6R (functions in relation to *CASS*) to an *SMF manager* who is only approved to perform the *other overall responsibility function* or the *other local responsibility function*.

- 24.2.3A G (1) This provision applies to an *FCA-authorized person*.

- (2) An FCA-prescribed senior management responsibility should be given to the SMF manager who is the most senior person responsible for the relevant activity or area (see SYSC 24.3.1G). In most cases this would not be an SMF manager who holds the other overall responsibility function or the other local responsibility function, given the nature of those designated senior management functions.
- (3) However, in some cases it may be appropriate for an SMF manager who is only approved to perform the other overall responsibility function or the other local responsibility function to hold an FCA-prescribed senior management responsibility, for example if:
- (a) the firm has unusual management arrangements;
  - (b) the firm is allocating an FCA-prescribed senior management responsibility of an absent SMF manager (see SUP 10C.3A.20G (Re-allocation of prescribed responsibilities)); or
  - (c) the FCA-prescribed senior management responsibility is closely related to the overall or local responsibility allocated to them under SYSC 26.3.1R or SYSC 26.3.2R (Main rules), making them the most appropriate SMF manager to hold the FCA-prescribed senior management responsibility.
- (4) Therefore, there will be circumstances when an FCA-authorized person may allocate an FCA-prescribed senior management responsibility to an SMF manager who is only approved to perform the other overall responsibility function or the other local responsibility function for that firm.

...

## 27 Senior managers and certification regime: Certification regime

...

### 27.4 General material about the scope of the certification regime

...

#### Effect of PRA requirements

- 27.4.3 G A function does not cease to be an *FCA certification function* if that function is also a *PRA certification function* except in the cases described in SYSC 27.8.13R(3) (Managers of certification employees) and SYSC 27.8.14R(2) (Material risk takers).

...

### 27.8 Definitions of the FCA certification functions

...

## Significant management function

- 27.8.4 R ...
- (2) ...
- (3) A function does not fall within (1) in relation to a particular *person* and *firm* if the *person* performing it:
- (a) is also performing; and
- (b) has a current valid certificate under section 63F of the *Act* (Issuing of certificates) that covers,
- the material risk takers *FCA certification function* for the same *firm*.

...

## Managers of certification employees

- 27.8.13 R ...
- (2) ...
- (3) A function does not fall within (1) in relation to a particular *person* and *firm* if the *person* performing it:
- (a) is also performing; and
- (b) has a current valid certificate under section 63F of the *Act* (Issuing of certificates) that covers,
- another *certification function* for the same *firm*.

## Material risk takers

- 27.8.14 R (1) Each function performed by a *person* in column (2) of the table in SYSC 27.8.15R is an *FCA certification function* with respect to a *firm* in the corresponding entry in column (1).
- (2) A function does not fall within SYSC 27.8.14R(1) in relation to a particular *person* and *firm* if the *person* performing it:
- (a) is also performing; and
- (b) has a current valid certificate under section 63F of the *Act* (Issuing of certificates) that covers,
- a *PRA certification function* for the same *firm*.

...

[*Editor's note:* The amendments below take into account the new text introduced by Part 1 of Annex C to this instrument.]

**TP 14            Miscellaneous transitional provisions relating to the Senior Managers and Certification Regime**

**TP 14.1        Part 1**

Scope

...

- TP 14.1.2      R    In SYSC TP 14.1
- (1)    the ‘first commencement date’ means 24 April 2026; and
- (2)    the ‘second commencement date’ means 10 July 2026.

...

- TP 14.1.7      G    ...
- Changes to financial thresholds for the enhanced regime

- TP 14.1.8      R    (1)    This provision deals with the changes to the financial figures in the table in SYSC 23 Annex 1 8.2R (Table: Financial qualification conditions).
- (2)    The rules in SYSC 23 Annex 1 8.27R to SYSC 23 Annex 1 8.29G (Automatic adjustment of financial thresholds: Effect on past and future calculations) about the effect of a change in the financial figures in the table in SYSC 23 Annex 1 8.2R on current and past averaging periods also apply to the changes in (1) as if the second commencement date was the end of a 5-year period as referred to in SYSC 23 Annex 1 8.23R(1) on which an increase to the thresholds had taken place.

Certification

- TP 14.1.9      R    This provision and SYSC TP 14.1.10G to SYSC TP 14.1.12G relate to the changes to SYSC 27.8.4R (Significant management function), SYSC 27.8.13R (Managers of certification employees) and SYSC 27.8.14R (Material risk takers).

- TP 14.1.10     G    The changes referred to in SYSC TP 14.1.9R also apply to certification employees already certified as at the second commencement date to perform the significant management, managers of certification

employees or material risk takers FCA certification functions (as the case may be).

- TP 14.1.11    R    A firm must not notify the FCA under SUP 16.26 (Reporting of information about Directory persons) of a person ceasing to carry on the significant management, managers of certification employees or material risk takers FCA certification functions (as the case may be) under the amendments referred to in SYSC TP 14.1.9R.
- TP 14.1.12    G    The FCA will itself make the changes to the Directory required to reflect that a person has ceased to carry on an FCA certification function because of the amendments referred to in SYSC TP 14.1.9R.

## Annex D

## Amendments to the Code of Conduct sourcebook (COCON)

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

## Part 1: Comes into force on 24 April 2026

## 1 Application and purpose

## 1.1 Application

...

To whom does it apply?

...

## 1.1.2 R Table: To whom does COCON apply?

Persons to whom COCON applies	Comments
...	
(3) An <i>employee</i> of an <i>SMCR firm</i> who would be performing an <i>FCA-designated senior management function</i> but for <del><i>SUP 10C.3.13R</i></del> <u><i>SUP 10C.3A.6R</i></u> (The 12-week rule).	
...	
(8) ...	...
(9) An <i>employee</i> of an <i>SMCR firm</i> who would be performing a <i>PRA-designated senior management function</i> but for the rules of the <i>PRA Rulebook</i> that are listed in the ‘Comments’ column of this row.	<p>The <i>PRA</i> rules referred to in the ‘Persons to whom COCON applies’ column of this row (9) are:</p> <p>(a) <u>Rule 2.3 of the Senior Management Functions Part (General)</u>;</p> <p>(b) <u>Rule 2.4 of the Insurance – Senior Management Functions Part (General)</u>;</p> <p>(c) <u>Rule 2.4 of the Large Non-Solvency II Firms – Senior Management Functions Part (General)</u>; and</p>

	<u>(d) Rule 2.3 of the Non-Solvency II Firms – Senior Management Functions Part (General).</u>
...	

...

1.1.4 R ...

(2) SC1 to SC3 in *COCON* 2.2 do not apply to a *senior conduct rules staff member* within paragraph (d) of the definition of *senior conduct rules staff member* (P) unless:

(a) P also falls into ~~paragraph (a) or (b)~~ one of the other paragraphs of that definition; or

(b) P would fall within row (3) or (9) of the table in *COCON* 1.1.2R (Table: To whom does *COCON* apply?) if P were an *employee*.

...

1.1.7 R ...

Definition of *COCON* firm activities

1.1.7-A R ...

...

**4 Specific guidance on conduct rules**

...

**4.2 Specific guidance on senior manager conduct rules**

...

SC2: 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.

...

4.2.16 G The following is a non-exhaustive list of examples of conduct that would be in breach of *rule* SC2.

...

(8) ...

(9) Failing to take reasonable steps to ensure that the *firm* complies with the obligations imposed on *firms* by Principle 11 and SUP 15 (Notifications to the FCA) to notify and/or disclose to the FCA in relation to the business of the *firm* for which they are responsible.

(10) Failing to take reasonable steps to ensure that all employees, officers, agents and contractors who:

(a) work within or are retained by the businesses of the *firm* for which the senior conduct rules staff member is responsible; and

(b) become aware of a matter subject to the obligations referred to in (9).

report the matter so that it is disclosed promptly to the FCA.

The duty to report to the FCA referred to in this paragraph and in (9) applies even if the matter is, in parallel, the subject of, or referred to or described in, legally privileged communications, documents or other records created within or for the *firm*.

...

SC4: You must disclose appropriately any information of which the FCA or PRA would reasonably expect notice

...

4.2.31 G ...

4.2.32 G (1) Rule SC4 does not require the disclosure of legally privileged communications.

(2) However, the duty to report to the FCA applies even if the matter is, in parallel, the subject of, or referred to or described in, legally privileged communications, documents or other records created within or for the *firm*.

(3) See also COCON 4.2.16G(9) and (10) about the duty to ensure that the *firm* itself reports information to the FCA.

4.2.33 G Rule SC4 is not limited to information about the SMF manager's *firm*. It also covers information about the SMF manager themselves. For example, the SMF manager should disclose the following to the FCA:

(1) the SMF manager is prosecuted for, or convicted of:

(a) any offence involving fraud, dishonesty or one of the other matters listed in FIT 2.1.3G(1) (Honesty, integrity and reputation); or

- (b) any other offence (unless conviction is or would not be a significant negative factor in assessing whether the *SMF manager* is fit and proper);
- (2) any other events or circumstances described in *FIT 2.1.3G(1) to (12)* (Honesty, integrity and reputation) have occurred, unless:
  - (a) the *FCA* can reasonably be expected to know about it because the relevant proceedings have been brought by the *FCA*; or
  - (b) the matter is not, or the possible outcome would not be, a significant negative factor in assessing whether the *SMF manager* is fit and proper;
- (3) the *SMF manager* has failed to meet the standard in *FIT 2.1.3G(13)*;  
or
- (4) the *SMF manager* is insolvent or subject to insolvency proceedings or proceedings of the kind mentioned in *FIT 2.3.1G* (Financial soundness).

## Part 2: Comes into force on 1 September 2026

[*Editor's note:* This Part takes into account the changes introduced by Part 1 of Annex D of this instrument. It also takes into account the changes introduced by the Non-Financial Misconduct (No 2) Instrument 2025 (FCA 2025/60), which come into force on 1 September 2026.]

### 1.3 Scope of COCON

...

COCON does not cover private or personal life

...

#### 1.3.3 G ...

- (2) However, this does not mean that a *senior conduct rules staff member* is not required to disclose information about their private or personal life under *COCON 2.2.4R* (SC4). A *senior conduct rules staff member* should disclose such matters if they are material to an assessment of fitness and propriety under *FIT*. *COCON 4.2.33G* (SC4: You must disclose appropriately any information of which the *FCA* or *PRA* would reasonably expect notice) gives examples of matters that should be disclosed.

...

## 4 Specific guidance on conduct rules

...

## 4.2 Specific guidance on senior manager conduct rules

...

**SC4: You must disclose appropriately any information of which the FCA or PRA would reasonably expect notice**

...

- 4.2.33 G *Rule SC4 is not limited to information about the SMF manager's firm. It also covers information about the SMF manager themselves. As explained in COCON 1.3.3G(2), this includes matters relating to the SMF manager's personal life as well as their work life. For example, the SMF manager should disclose the following to the FCA:*
- (1) the SMF manager is prosecuted for, or convicted of:
    - (a) any offence involving fraud, dishonesty or one of the other matters listed in ~~*FIT 2.1.3G(1) (Honesty, integrity and reputation)*~~ *FIT 1.3.22G (Offences)*; or
    - (b) ...
  - (2) any other events or circumstances described in *FIT 2.1.3G(1) to (12), (14) or (15) (Honesty, integrity and reputation) or FIT 2.2.1G(4) (Competence and capability)* have occurred unless:

...

...

...

## Annex E

### Amendments to Fit and Proper test for Employees and Senior Personnel sourcebook (FIT)

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

#### 1 General

##### 1.1 Application and purpose

...

1.1.2 G The purpose of *FIT* is to set out and describe the criteria that:

(1) an *SMCR firm* should consider when:

...

(e) (in the case an *FCA-authorised person* that is not a *limited scope SMCR firm*) assessing the fitness of a *non-SMF board director* ~~subject to competence requirements~~ under the *competent employees rule*, any *onshored regulation*, *SYSC 23.4.1AR (Checks for certain directors)* or any other requirement of the *regulatory system*.

...

##### 1.2 Introduction

...

1.2.5 G ~~For as long as the standstill direction referred to in *SYSC 27.6.1G*, *SUP 10A.1.7R* and *SUP 10C.1.4R* is in force, the guidance in *FIT 1.2.4AG* and *FIT 1.2.4AG* in the version of the *FCA Handbook* that was in force immediately before *IP completion day* is still relevant. [deleted]~~

...

#### 2 Main assessment criteria

##### 2.1 Honesty, integrity and reputation

...

[*Editor's note*: further changes to *FIT 2.1.3G* will take place on 1 September 2026 (see *FCA 2025/60*).]

2.1.3 G The matters referred to in *FIT 2.1.1G* to which the *FCA* will have regard, and to which a *firm* should also have regard, include, but are not limited to:

...

- (2) whether the *person* has been the subject of any adverse finding or any settlement in civil proceedings, official investigation or public inquiry, particularly in connection with investment or other financial business, misconduct, fraud or the formation or management of a *body corporate*;

...

...

## Annex F

## Amendments to the Supervision manual (SUP)

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

## Part 1: Comes into force on 24 April 2026

## 10C FCA senior managers regime for approved persons in SMCR firms

## 10C.1 Application

...

~~EEA firms: general application~~

- 10C.1.4 R ~~This chapter does not apply to an *SMCR firm* if and in so far as the question of whether a *person* is fit and proper to perform a particular function in relation to that *firm* is reserved to an authority in a country or territory outside the *United Kingdom* as contemplated by section 59(8) of the *Act*. This *rule* has effect to the extent that, and for as long as, section 59(8) of the *Act* remains in effect under the standstill direction (as it relates to that section) as defined in the direction made by the *FCA* under Part 7 of the Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019 that came into force on *IP completion day* and is titled “Main FCA Transitional Directions”.~~ [deleted]

...

Insolvency practitioners

- 10C.1.9 R This chapter does not apply to a function performed by a *person* acting as:

...

- (3) an insolvency practitioner within the meaning of article 3 of the Insolvency (Northern Ireland) Order 1989; ~~or~~
- (4) a nominee in relation to a voluntary arrangement under Parts II (Company Voluntary Arrangements) and VIII (Individual Voluntary Arrangements) of the Insolvency (Northern Ireland) Order 1989; ~~;~~
- (5) a *person* acting as a resolution administrator appointed by the Bank of England in accordance with section 62B of the Banking Act 2009;
- (6) a *person* appointed by the Bank of England as a *director* or senior manager to a *bank*, *building society*, *stabilisation vehicle* or *banking group company* for any purpose in connection with the exercise of a stabilisation option or a stabilisation power; or

- (7) a person appointed by the Treasury as a *director* or a senior manager to a *bank, building society* or banking group company for any purpose in connection with the exercise of the temporary public ownership stabilisation option, throughout the period of 2 years beginning with the date of that appointment.

10C.1.9A R The following terms as used in SUP 10C.1.9R and in this rule have the following meanings:

- (1) 'banking group company' has the meaning in section 81D of the Banking Act 2009;
- (2) 'senior manager' means a person who exercises executive functions and is responsible, and directly accountable to the directors, for the day-to-day management of a bank, building society, stabilisation vehicle or banking group company;
- (3) 'stabilisation option' means any of the stabilisation options listed in section 1(3) of the Banking Act 2009;
- (4) 'stabilisation power' means any of the stabilisation powers listed in section 1(4) of the Banking Act 2009;
- (5) 'stabilisation vehicle' means a bridge bank as defined in section 12(1) of the Banking Act 2009 or an asset management vehicle as defined in section 12ZA(2) of the Banking Act 2009; and
- (6) 'temporary public ownership stabilisation option' means the transfer to temporary public ownership in accordance with section 13 of the Banking Act 2009.

...

### **10C.3 General material about the definition of controlled functions**

The subheading 'The 12-week rule' and the text of SUP 10C.3.13R to SUP 10C.3.17G is moved to new section SUP 10C.3A, as set out in Annex A to this instrument and in the amendment below.

Insert the following new section, SUP 10C.3A, after section SUP 10C.3 (General material about the definition of controlled functions). The new text and text moved from SUP 10C.3 is not underlined, subject to the following editor's note.

[*Editor's note:* Where a provision has been moved and renumbered from SUP 10C.3, as set out in Annex A to this instrument, the change to the provision number is indicated using striking through and underlining. Where text has been moved from SUP 10C.3 and amended, underlining indicates new text and striking through indicates deleted text.]

#### **10C.3A The 12-week rule**

## Purpose

- ~~10C.3.14~~ ~~10C.3A.1~~ G ~~SUP 10C.3.13R~~ This section enables cover to be given for (as an example) holidays and emergencies and avoids the need for the precautionary approval of, for example, a deputy. However, as soon as it becomes apparent that a *person* will be performing an *FCA-designated senior management function* for more than 12 weeks, the *firm* should apply for approval temporary absences and reasonably unforeseen permanent departures.
- 10C.3A.2 G If an *SMF manager* permanently and unexpectedly leaves a *firm*, the purpose of this section is to allow the *firm* to replace them temporarily, without needing to get approval for the temporary replacement, while the *firm* applies to the *FCA* for approval of someone to act as a permanent replacement. The temporary replacement can stay in place:
- (1) for up to 12 weeks; or
  - (2) up to the time when the *FCA* determines the application for the approval of the permanent replacement, as long as that application is made within the first 12 weeks following departure.
- 10C.3A.3 G If an *SMF manager* permanently and unexpectedly leaves a *firm*, the *firm* may want to replace them for an interim period with another *person* and seek approval from the *FCA* for that interim appointee while the *firm* looks for a long-term replacement. This section allows the *firm* to appoint a temporary replacement in the ways described in SUP 10C.3A.2G without the need for *FCA* approval while it is seeking approval for the interim replacement.
- 10C.3A.4 G If an *SMF manager* is temporarily absent, the purpose of this section is to allow the *firm* to replace them temporarily without needing to get approval for the replacement. The replacement can be in place for up to 12 weeks. In many cases, that is all that the *firm* will need. However, that period can be extended to cover unexpected longer absences in the same way as for permanent departures.
- ~~10C.3.15~~ ~~10C.3A.5~~ G See SUP 10C.12.7G to SUP 10C.12.14G (time-limited approvals) for procedures for temporary appointments longer than ~~12 weeks~~ the period permitted by this section.

## The 12-week rule: The main rules

- ~~10C.3.13~~ ~~10C.3A.6~~ R If:
- (1) a *firm* appoints an individual (I) who is a member of the conduct rules staff of the firm to perform a function which, but for this rule, would be an *FCA-designated senior management function*;

- (2) the appointment is to provide cover for an *SMF manager* who is an individual and whose absence is:
  - (a) temporary; or
  - (b) reasonably unforeseen; and
- (3) the appointment is for less than 12 weeks in a consecutive 12-month period (subject to SUP 10C.3A.8R);

the description of the relevant *FCA-designated senior management function* does not relate to those activities of that individual.

10C.3A.7 R In this section:

- (1) the ‘absent manager’ means the *SMF manager* who has become absent as described in SUP 10C.3A.6R(2);
- (2) the ‘temporary replacement’ means ‘I’ as defined in SUP 10C.3A.6R(1); and
- (3) an *SMF manager* being absent includes the *SMF manager* ceasing to perform their *FCA-designated senior management function*.

10C.3A.8 R (1) This *rule* deals with an appointment by a *firm* under SUP 10C.3A.6R where:

- (a) the absence is reasonably unforeseen; or
  - (b) an absence of over 12 weeks is reasonably unforeseen.
- (2) If, before the period under SUP 10C.3A.6R(3) would have expired but for this *rule*, the *firm* makes a valid and complete application for the approval for the performance by a *person* of the *FCA-designated senior management function* that was performed by the absent manager:
- (a) the period for which the function performed by the temporary replacement is not an *FCA-designated senior management function* is extended until that application is finally determined; and
  - (b) the period for which the temporary replacement may perform the function without approval is extended accordingly.
- (3) An application is finally determined for the purpose of (2) when:
- (a) the application is withdrawn;
  - (b) the *FCA* grants the application;

- (c) (where the *FCA* has refused or not granted the application and the matter is not referred to the *Tribunal*) the time for referring the matter to the *Tribunal* has expired; or
  - (d) (where the *FCA* has refused or not granted the application and the matter is referred to the *Tribunal*) the reference, and any appeal against the *Tribunal*'s determination, has been finally disposed of.
- (4) In this *rule*, the 'absent manager' and the 'temporary replacement' have the meanings in *SUP* 10C.3A.7R.

- 10C.3A.9 G The reference in *SUP* 10C.3A.8R(3) to 'not granted' includes a situation where the *FCA* has granted an application subject to conditions or for a limited period (or both).
- 10C.3A.10 G In the case of an appointment under *SUP* 10C.3A.6R to provide cover for a temporarily absent manager, the disapplication of the *FCA-designated senior management function* ends no later than the return of the absent manager.

Examples of when the rule can be used

- 10C.3A.11 G The table in *SUP* 10C.3A.12G gives examples of how *SUP* 10C.3A.6R works.
- 10C.3A.12 G Table: Examples of the operation of the 12-week rule

Firm can use the rule	Firm may not use the rule or the rule is subject to restricted use
<p>(1) S gives long notice in accordance with S's contract of employment. F did not foresee this. Immediately after S gives the notice, S stops performing their <i>designated senior management function</i>. Instead, S stays on as a consultant to help with the handover.</p> <p>S leaves F altogether when the notice expires.</p> <p>F knows that S will leave F a long time in advance before S leaves. However, for the purposes of the <i>rule</i>, S's absence begins when S stops performing</p>	<p>(1) S and F agree a retirement plan for S a year before S leaves, including the retirement date. S, in accordance with the retirement plan, gives short notice of retirement and leaves when the notice expires.</p>

<p>the <i>designated senior management function</i>.</p>	
<p>(2) S takes parental leave with only short notice.</p> <p>In a general sense, a <i>firm</i> will know that many members of staff are at some time likely to ask for parental leave. That does not mean, though, that a <i>firm</i> foresees a request for such leave before it is made.</p> <p>However, a <i>firm</i> should try to avoid the need to use the <i>rule</i> or minimise use of the <i>rule</i> (see <i>SUP</i> 10C.3A.15G). In the case of long-term leave, a <i>firm</i> should have systems in place to deal with parental leave that will enable it to identify a replacement to fill in for S during S's absence at once and apply for their approval in sufficient time for the replacement to have been approved by the <i>FCA</i> by the time S goes on leave.</p>	<p>(2) S has a contract of employment for a fixed term. There is no understanding that S will stay on after that. S leaves immediately after the end of that period.</p> <p>Right from the start of S's employment, it was reasonably foreseeable that S would leave at the expiry of their contract.</p>
<p>(3) S unexpectedly becomes sick and, immediately after, resigns or takes sick leave.</p> <p>If S becomes ill a long time before S finally resigns, F may still be able to use the <i>rule</i>. For example, F and S may believe that S will be able to carry on working.</p> <p>F may use the <i>rule</i> even if it does not initially know whether S will be able to return or how long S will be away.</p>	<p>(3) S gives long notice that S is going to take extended leave of 1 year. After S goes on leave, S resigns by giving the notice required by S's contract of employment. F does not foresee the resignation.</p> <p>F may not treat the absence as unexpected for the purpose of <i>SUP</i> 10C.3A.8R after S resigns as F foresaw an absence exceeding 12 weeks. <i>SUP</i> 10C.3A.8R applies if F did not foresee any absence or only foresaw an absence of under 12 weeks.</p> <p>In addition, although the resignation is treated as unexpected permanent absence for the purpose of <i>SUP</i> 10C.3A.6R, F should not use the fixed 12-week period in <i>SUP</i> 10C.3A.6R(3) as F should have put someone in place to cover S's expected long-term</p>

	temporary absence immediately after S goes on leave.
<p>(4) S gives long notice that S is going to take a short career break. Shortly after S goes on leave, S resigns by giving the notice required by S's contract of employment. F does not foresee the resignation.</p> <p>F may treat the absence as unexpected for the purpose of <i>SUP</i> 10C.3A.6R and <i>SUP</i> 10C.3A.8R once S resigns. F foresaw a short absence (under 12 weeks) but not a permanent absence.</p>	<p>(4) S gives a long notice of resignation. However, S becomes ill and has to resign shortly before the expiry of their notice.</p> <p>F cannot use the <i>rule</i>.</p> <p>F knew that S would leave a long time before S actually leaves. It does not matter that F did not foresee that the reason would be illness.</p>
<p>(5) S leaves F.</p> <p>F appoints R to fill in for S until a permanent replacement is approved.</p> <p>F makes an application to the <i>FCA</i> 5 weeks after R is appointed. However, F withdraws the application for approval of the <i>candidate</i> 2 weeks later. Two weeks after that, F makes an application for the approval of someone else. The <i>FCA</i> grants its approval 8 weeks later. That means that R performs the function for 17 weeks.</p> <p>F would not be able to use the extended period in <i>SUP</i> 10C.3A.8R if the second application was made more than 12 weeks after R is appointed.</p>	<p>(5) S takes extended leave. F expects this. F appoints R1 to fill in for S. After 10 weeks, F wishes to replace R1 with R2.</p> <p>F can use the <i>rule</i> for R2 as well as for R1. However, F can only appoint R2 for 2 weeks under the <i>rule</i>.</p> <p>If F has sufficient warning, it should find a replacement for S before S leaves and should not use the <i>rule</i>.</p>
<p>In this table:</p> <p>'S' refers to the absent <i>SMF manager</i> referred to in <i>SUP</i> 10C.3A.6R;</p> <p>'F' refers to the <i>firm</i> in question; and</p> <p>'R' (and R1 and R2) refers to the individual providing cover referred to in <i>SUP</i> 10C.3A.6R.</p>	

## Fit and proper

- 10C.3A.1 R A *firm* must ensure that an individual appointed as described in *SUP*  
3 10C.3A.6R(1) is fit and proper to perform that role.
- 10C.3A.1 G (1) The material in *FIT* is relevant to the assessment in *SUP*  
4 10C.3A.13R.
- (2) The assessment may take into account that the replacement will only be in post for a limited period.
- (3) A *firm* should ensure that the replacement has the skills, personal characteristics, knowledge and expertise necessary for the discharge of the responsibilities allocated to them under *SUP* 10C.3A.6R, including any *FCA-prescribed senior management responsibilities* or any responsibilities under *SYSC* 26 (Senior managers and certification regime: Overall and local responsibility) re-allocated from the absent manager.

## Reasonable use of the rules

- 10C.3A.1 G A *firm* should:  
5
- (1) use *SUP* 10C.3A.6R and *SUP* 10C.3A.8R reasonably;
- (2) not use those *rules* unless it needs to, even if the *firm* is otherwise entitled to use them;
- (3) use those *rules* as infrequently as reasonably possible; and
- (4) limit the time a substitute is in place under the *rules* to as short a time as reasonably possible.
- 10C.3A.1 G The steps that a *firm* should take to achieve the things in *SUP* 10C.3A.15G  
6 include:
- (1) having in place and operating effective and up-to-date succession plans for each of its *SMF managers*;
- (2) using notice periods effectively to identify *candidates* to fill the place of the departing *SMF manager* and to apply for approval for the replacement quickly;
- (3) submitting an application for the approval of the individual who is to fill the place of the absent or departing *SMF manager* as soon as reasonably possible; and
- (4) ensuring that the application in (3) is of good quality and, in particular, ensuring that the *FCA* does not have to ask for

explanations of the material submitted under the application or to request further information.

10C.3A.1 G A *firm* could also take the following steps to achieve the things in *SUP*  
7 10C.3A.15G:

- (1) including sufficiently long notice periods in the terms of engagement of its *SMF managers*; and
- (2) ensuring any fixed term of engagement of an *SMF manager* is sufficiently long.

#### Notification

10C.3A.1 G (1) A *firm* may be required to notify the *FCA* of the absence of an *SMF*  
8 *manager* using a Form C or D under *SUP* 10C.14 (Changes to an *FCA*-approved person's details) but it is not otherwise required routinely to report the use of *SUP* 10C.3A.6R or *SUP* 10C.3A.8R (The 12-week rule: The main rules).

- (2) A *firm* should, however, report the use of those *rules* if there is something about the appointment that the *FCA* would reasonably expect to know – for instance, under *Principle* 11 (Relations with regulators).
- (3) An example of (2) may be if the *firm* concludes that the person filling in for the departed or absent *SMF manager* is suitable for the role but that the *FCA* might have reasonable doubts about whether that person is suitable.

#### Re-allocation of overall and local responsibilities

~~10C.3.16~~ G (1) A *firm* to which *SYSC* 26 (Senior managers and certification regime: Overall and local responsibility) applies may have allocated  
10C.3A.1 responsibilities under that chapter to an *SMF manager* who is absent  
9 under ~~*SUP* 10C.3.13R~~ *SUP* 10C.3A.6R or *SUP* 10C.3A.8R (The 12-week rule: The main rules).

- (2) *SYSC* 26.4.6R (Exclusion where the 12-week rule applies) deals with how those responsibilities may be reallocated during the *SMF manager's* absence.
- (3) *SYSC* 26.4.8G explains that *SYSC* 26.4.6R, *SUP* 10C.3A.6R and ~~*SUP* 10C.3.13R~~ *SUP* 10C.3A.8R apply to a person performing the *other overall responsibility function* or the *other local responsibility function* as well as to other *designated senior management functions*.

#### Re-allocation of prescribed responsibilities

G (1) If:

- 10C.3.17  
10C.3A.2  
0
- (a) a *firm* allocates any *FCA-prescribed senior management responsibilities* to an *SMF manager*; and
- (b) the *SMF manager* later becomes absent;  
the *firm* should reallocate them to another *SMF manager*.
- (2) The *firm* may not allocate the absent manager's *FCA-prescribed senior management responsibilities* to the *person* providing cover for that manager unless the *person* providing cover is also an *SMF manager* of the *firm*.

Amend the following as shown.

**10C.5B FCA governing functions: Group entities**

Group entity senior manager function (SMF7)

10C.5B.1 R ...

10C.5B.1 G There is a *PRA-prescribed senior management responsibility* with the same name and reference number (SMF7) as the *group entity senior manager function*. Although in many respects it is drafted similarly to the *group entity senior manager function*, it is also in some respects wider.  
A

...

When the group entity senior manager function applies

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10C.5B.5 G ...

- (4) ~~If however the *firm's governing body* has sufficient discretion in how it applies and responds to proposals coming from group committees or individuals based in parent entities, approval would generally not be required. In this case the individual will be carrying on a group-level function rather than performing a function on behalf of the *firm*. [deleted]~~
- (5) ~~So, where:~~
- (a) ~~a *firm* has in place the required *SMF managers* based in the *firm*; and~~
- (b) ~~those *SMF managers* are effective and have sufficient control over the *firm*;~~

~~the FCA would not routinely expect the firm to have persons performing the group entity senior manager function in place. [deleted]~~

- 10C.5B.5    G    (1)    The chief financial officer of a group can be used as an example of how SUP 10C.5B.5G applies.
- A
- (2)    If the group's chief financial officer limits their role to strategic functions, such as setting the broad financial policies that members of the group should follow and monitoring the application of those policies, it is unlikely that they will be performing the group entity senior manager function.
- (3)    The group's chief financial officer does not carry out the group entity senior manager function just because they are responsible for the allocation of group capital to the firm. That is a function of the investing member of the group, not of the firm.
- (4)    If the group's chief financial officer is responsible for implementing the group's strategy in the firm or is responsible for the day-to-day management of the firm's financial resources or of the firm's finance function, the chief financial officer is likely to be performing the group entity senior manager function.
- (5)    If the firm has its own chief financial officer, that may make it less likely that the group's chief financial officer is performing the group entity senior manager function.
- (6)    If:
- (a)    the group's chief financial officer does not implement decisions at the firm level (see (4)) and instead makes proposals to the firm's chief financial officer about the operation of the firm's finance function; and
- (b)    the firm's chief financial officer has sufficient discretion in how they apply and respond to such proposals,
- the group's chief financial officer will generally not be performing the group entity senior manager function; instead, the group chief financial officer will be carrying on a group-level function rather than performing a function on behalf of the firm.
- (7)    One way of looking at it is to ask whether the influence and authority of the group chief financial officer cuts back the ability of the firm's chief financial officer to manage the firm's financial affairs to such an extent that it would be unreasonable to see the firm's chief financial officer as controlling the firm's financial resources alone (subject to the firm's governing body and any director of the firm to whom they report).

- (8) Another way of looking at it is to consider:
- (a) whether it would be reasonable to see the *group's* chief financial officer as giving instructions to the *firm's* chief financial officer or as making proposals that it would be expected that the *firm's* chief financial officer would generally follow (in which case the *group's* chief financial officer is likely to be performing the function); or
- (b) (within the framework of policies and proposals set as described in (2)) whether the *firm's* chief financial officer considers proposals from the *group's* chief financial officer on their merits and in the light of the interests of the *firm* and its customers (in which case the *group's* chief financial officer is not likely to be performing the function).

10C.5B.5 G (1) SUP 10C.5B.5G and SUP 10C.5B.5AG also apply where the influence is applied by a management committee of the *group* or its holding company.

B

- (2) Therefore, if the *firm's* governing body has sufficient discretion in how it applies and responds to proposals coming from group committees, approval would generally not be required for individuals on such a committee. In this case, the committee and its members will be carrying on a group-level function rather than performing a function on behalf of the *firm*.

10C.5B.5 G So, where:  
C

- (1) a *firm* has in place the relevant SMF managers based in the *firm*; and
- (2) those SMF managers are effective and have sufficient control over the *firm*,

the FCA would not routinely expect the *firm* to have persons performing the group entity senior manager function in place.

...

10C.5B.8 G ...

10C.5B.9 G (1) SUP 10C.5B.1R(1) says that the *group entity senior manager function* only applies in relation to the *firm's* regulated activities.

- (2) This does not mean that it is limited to having direct influence on the conduct of regulated activities. It simply reflects the link that section 59 of the Act (Approval for particular arrangements) requires between a senior management function and regulated activities. It emphasises the point made by SUP 10C.3.6R (Definition of FCA controlled function: arrangements).

- (3) Therefore, the *group entity senior manager function* can cover support functions.

10C.5B.10 G Thus, for example, the influence of a *person performing the group entity senior manager function* may relate to the *firm's*:

- (1) financial resources (so that the *firm's group's* chief financial officer may be within the scope of the function);
- (2) technology (so that the *firm's group's* chief information and technology officer may be within the scope of the function); or
- (3) human resources (so that the *firm's group's* head of human resources may be within the scope of the function).

10C.5B.11 G However, as explained in SUP 10C.5B.5G to SUP 10C.5B.5CG, *group officers holding the responsibilities in SUP 10C.5B.10G* will very often be outside the scope of the function.

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## **10C.7 Other overall responsibility function (SMF18)**

...

10C.7.7 G ...

### Seniority

10C.7.8 G A *firm* should consider anyone performing the *other overall responsibility function* as being in the top layer of its executive management.

10C.7.9 G (1) A *person* performing the *other overall responsibility function* should be the most senior *person* in the *firm* who has responsibility for the area being managed as part of the *other overall responsibility function*.

- (2) This follows from SYSC 26.6 (Meaning of local and overall responsibility: General), SYSC 26.7 (Meaning of local and overall responsibility: Reporting to the governing body) and SYSC 26.8 (Meaning of local and overall responsibility: Not reporting to the governing body). A *firm* should consider those provisions when deciding whether the person it is considering for appointment to carry out the *other overall responsibility function* is eligible for appointment.

- (3) Paragraph (1) also applies to SUP 10C.7.1R(1)(b) and (c).

## **10C.8 The other local responsibility function (SMF22)**

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Head of the legal function

...

10C.8.10 G ...

Seniority

10C.8.11 G The guidance in SUP 10C.7.8G and SUP 10C.7.9G (Seniority) also applies to the other local responsibility function in relation to the branch.

...

## **10C.10 Application for approval and withdrawing an application for approval**

...

Other material to be included in an application

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10C.10.13 D ...  
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- 10C.10.13 G (1) This provision deals with a firm required to submit a management responsibilities map with an application to the FCA.
- (2) A firm may make a number of closely linked changes to its senior management arrangements of which the application is part. The firm need not submit a different version of the management responsibilities map showing the position after each change. Instead, the firm may produce a single version showing the position after all the relevant changes have been carried out.
- (3) A series of changes may be linked because some are conditional on the others going ahead. However, changes can be linked in other circumstances, too.
- (4) The following are examples of closely linked changes as part of a re-organisation project:
- (a) the firm intends to appoint a number of new SMF managers;
  - (b) the firm intends to appoint a number of existing SMF managers to perform new designated senior management functions; or
  - (c) the firm re-allocates responsibilities among its SMF managers.

- (5) If there is a significant time gap between linked changes, the FCA would expect the firm to produce a single version of the management responsibilities map for each phase of the changes.

...

Criminal records checks and verifying fitness and properness

10C.10.16 R ...

- (3) This rule does not apply:
- (a) to a firm that is a sole trader if the candidate is the sole trader themselves;
  - (b) if the candidate is already performing, and has approval for the performance of, a designated senior management function for the firm or another firm in the same group;
  - (c) if the candidate was performing, and had approval for the performance of, a designated senior management function for the firm or another firm in the same group within 1 month before the submission of the application for approval in (1);  
or
  - (d) the firm has already completed a criminal records check under SYSC 23.4.2R (Checks for certain directors) in relation to the appointment of the candidate as a non-SMF board director of the firm or of a firm in the same group and the candidate is still performing that role or was doing so within 1 month before the application.
- (4) A firm must, so far as it is reasonably able, ensure that the information it obtains under this rule is no older than 6 months, measured from the time the firm submits its application to the FCA.

10C.10.17 G ...

- (4) ...
- (5) The effect of SUP 10C.10.16R(4) is that the certificate in (3) should be dated no more than 6 months before the time the firm submits the application for approval to the FCA.

...

10C.10.21 G ...

10C.10.21 G As explained in SUP 10C.10.14G, a firm should be satisfied that a person whom it wishes to appoint to perform an FCA-designated senior management function is fit and proper. Therefore, even if the firm is not required by SUP 10C.10.16R to perform a UK criminal records check, it

should consider whether it needs to carry one out in order to be able to carry out an effective fitness assessment.

...

## 10C.11 Statements of responsibilities

What a statement of responsibilities is

10C.11.1 G ...

- (3) *A statement of responsibilities* includes a statement amended under section 62A of the *Act* (see SUP 10C.11.5G) or this section.

...

Revised statements of responsibilities: Meaning of significant change

- 10C.11.6 G (1) This ~~paragraph~~ provision sets out non-exhaustive examples of potential changes which, in the *FCA's* view, may be significant and thus require the submission of a revised *statement of responsibilities*.
- (2) ~~A variation of the *FCA-approved SMF manager's* approval, either at the *firm's* request or at the *FCA's* or (in the case of a *PRA-authorized person*), *PRA's* initiative, resulting in the imposition, variation or removal of a condition or time limit, may involve a significant change. [deleted]~~
- (3) ~~Fulfilling or failing to fulfil a condition on approval may involve a significant change. [deleted]~~
- (4) The addition, re-allocation or removal of ~~any~~ either of the following (or part of one):
- (a) ~~an *FCA-prescribed senior management responsibility*; or~~
- (b) ~~(in the case of a *PRA-authorized person*), a *PRA-prescribed senior management responsibility*; or,~~
- (c) ~~responsibility for a function under SYSC 26 (Senior managers and certification regime: Overall and local responsibility); [deleted]~~

may involve a significant change.

...

- (6A) ~~Beginning or ceasing to share responsibility for a function under SYSC 26 (Senior managers and certification regime: Overall and local responsibility) may involve a significant change. [deleted]~~

- (6B) ~~Where~~ If an FCA-approved SMF manager goes on a temporary absence of longer than 12 weeks and on, that involves a significant change, as does their return from that absence (see SUP 10C.14.5CG) but (subject to (4)) a shorter absence does not involve a significant change.
- (6C) The adding or removal of responsibility for a function under SYSC 26 (Senior managers and certification regime: Overall and local responsibility) may involve a significant change. This is not applicable to a core SMCR firm or a limited scope SMCR firm.
- (6D) Beginning or ceasing to share responsibility for a function under SYSC 26 may involve a significant change. This is not applicable to a core SMCR firm or a limited scope SMCR firm.
- (7) A change is likely to be significant if it reflects a significant change to the job that the *person* is doing for the *firm*. Some factors relevant here include:
- ...
- (c) ~~whether there are changes to the identity, number or seniority of those whom the FCA-approved SMF manager manages is~~ taking on responsibility for another part of the firm's business or operations; and
- (d) ~~whether there are significant changes to the skills, experience or knowledge needed~~ kind of tasks carried out by the FCA-approved SMF manager for the purposes of the job.
- (8) A variation of the FCA-approved SMF manager's approval, either at the firm's request or at the FCA's or (in the case of a PRA-*authorised person*) the PRA's initiative, resulting in the imposition, variation or removal of a condition or time limit, may involve a significant change.
- (9) Fulfilling or failing to fulfil a condition on approval may involve a significant change.

10C.11.6 R A firm must immediately prepare a revised statement of responsibilities to reflect a significant change in an SMF manager's responsibilities of the kind described in section 62A of the Act (Changes in responsibilities of senior managers) that has occurred since the last version prepared by the firm, even if the firm does not yet (or ever) need to send it to the FCA. The firm must prepare it in accordance with the requirements of this section (including SUP 10C.11.13D).

10C.11.6B G SUP 10C.11.6CG (Revised statements of responsibilities: Timing of submission to FCA) says that a firm does not need to send a revised statement of responsibilities to the FCA immediately if there is a significant change in the responsibilities of an SMF manager. It says that, in some

cases, the changes need not be notified to the FCA at all. However, the firm should keep its copy of a statement of responsibilities up to date at all times. SUP 10C.11.6CG is about sending a statement of responsibilities to the FCA, not about keeping the firm's own copy up to date.

Revised statements of responsibilities: Timing of submission to FCA

- 10C.11.6C G (1) The Act does not expressly state when a firm should provide the FCA with a revised statement of responsibilities. Therefore, a firm should do so within a reasonable time after the significant change.
- (2) This provision sets out the FCA's policy about the time within which it expects a firm to provide it with a revised statement of responsibilities.
- (3) A firm may, once in every 6-month period, submit all the revised statements of responsibilities that it should send to the FCA under section 62A of the Act (Changes in responsibilities of senior managers) and this section that it has not yet sent.
- (4) If a change has occurred shortly before the end of the current 6-month period, the firm may send the relevant revised statement of responsibilities at the end of the next 6-month period.
- (5) A firm may submit a statement of responsibilities earlier than the time specified by (3) and (4).
- (6) If there have been several significant changes to the responsibilities of an SMF manager during a submission period, a firm need only submit the latest version of the SMF manager's statement of responsibilities.
- (7) If there has been a significant change to the responsibilities of an SMF manager but the change is reversed within the applicable submission period, a firm need never submit the version of the SMF manager's statement of responsibilities dealing with that change or the one recording its reversal.
- (8) A firm may need to notify the FCA of a significant change in the responsibilities of an SMF manager under another requirement more quickly than under (3), such as Principle 11 or SUP 10C.14.18R (Notifications about fitness, disciplinary action and breaches of COCON). However, any such notification should be made under the procedure applicable to that requirement, not by submitting a revised statement of responsibilities.
- (9) If a firm temporarily re-allocates an FCA-prescribed senior management responsibility of an absent SMF manager to another SMF manager, there is another element to the FCA's policy in (2), in addition to (3). A firm need not send the FCA a revised statement of responsibilities under (3) if it would otherwise have to if:

- (a) the absence has not yet exceeded 12 weeks; and
  - (b) without that re-allocation, there would be no significant change.
- (10) Paragraph (9) applies in respect of the *statement of responsibilities* both of the absent *SMF manager* and of the *SMF manager* taking on the *FCA-prescribed senior management responsibilities* of the absent *SMF manager*.
- (11) If the absent *SMF manager* returns by week 12, (7) and (9) together mean that the *firm* need not submit updated *statements of responsibilities* about the transfer and re-transfer of the *FCA-prescribed senior management responsibilities*, although it should still keep its internal copies up to date.

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One document for each SMF manager for each firm

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10C.11.14 G ...

- (3) The document should be updated:
- (a) under section 62A of the *Act* (see *SUP* 10C.11.5G); ~~and~~
  - (b) whenever the *firm* has to submit *statements of responsibilities* under this section; and
  - (c) under *SYSC* 10C.11.6AR (Revised statements of responsibilities: Meaning of significant change).

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Need for a complete set of current statements of responsibilities

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10C.11.21 G (1) A complete set of current *statement of responsibilities* means ~~all statements of responsibilities that the *firm* has provided to the *FCA* or (in the case of a *PRA-authorized person*), *PRA* as revised under~~ for all the *firm's* current *SMF managers*, each of which has been updated to reflect all significant changes to the *SMF manager's* responsibilities as referred to in section 62A of the *Act* and this chapter, even if that latest version is not yet due to be sent to the *FCA* or the *PRA* or if (as explained in *SUP* 10C.11.6CG) it does not have to be sent.

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**10C.12 Conditional and time-limited approvals**

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Time-limited approval

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10C.12.8 G The *FCA* would not generally impose a time limitation in these circumstances for a period of less than 12 weeks. The *FCA* would expect the *firm* to use the 12-week rule in ~~*SUP* 10C.3.13R~~ *SUP* 10C.3A.6R.

10C.12.9 G An example of when the *FCA* may approve an individual on a time-limited basis is where, following a sudden or unexpected departure:

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(2) it is likely to take longer than 12 weeks (or longer than the extended period in *SUP* 10C.3A.8R) to recruit a permanent replacement; and

...

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**10C.14 Changes to an FCA-approved person’s details**

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Ceasing to perform an FCA-designated senior management function

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10C.14.5I G ...

(3) Unless ~~*SUP* 10C.3.13R~~ *SUP* 10C.3A.6R (The 12-week rule: The main rules) applies, the *firm* will be required to make a fresh application for the performance of the *FCA-designated senior management function* by the *person* who has been appointed for the interim period (see *SUP* 10C.10 (Application for approval and withdrawing an application for approval)). It may be appropriate for the appointment to be time limited (see *SUP* 10C.12.7G to *SUP* 10C.12.14G (time-limited approvals) for details)).

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**15 Notifications to the FCA**

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**15.11 Notification of COCON breaches and disciplinary action**

Reasons for making a notification to the FCA

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- 15.11.6A G ...
- 15.11.6B G (1) A further effect of section 64C of the Act and SUP 15.11.6R is that the reporting obligation in section 64C of the Act and in this section only applies if all the following conditions are met:
- (a) a member of the firm's conduct rules staff breaches COCON;
  - (b) the firm takes disciplinary action against that member of the kind in SUP 15.11.5G; and
  - (c) the action, failure to act or circumstance that is the basis of the disciplinary action in (b) also amounts to the breach of COCON in (a).
- (2) The result of (1)(a) and (c) is that if a firm takes disciplinary action against a member of the firm's conduct rules staff, that does not automatically result in an obligation to report to the FCA under this section or section 64C of the Act. For example, the misconduct by the member of the firm's conduct rules staff may be outside the scope of COCON.
- (3) The result of (1)(b) is that a firm only has to report a breach of COCON to the FCA under section 64C of the Act if the firm takes disciplinary action of the specified kind.
- 15.11.6C G (1) A firm may have to report a breach of COCON under Principle 11 or SUP 15.3.11R (Breaches of rules and other requirements in or under the Act or the CCA) even though it does not have to report the breach under section 64C of the Act or this section.
- (2) For example, a firm may notify the FCA of a suspected serious breach of COCON before it has completed its investigation.
- 15.11.6D G On the other hand, a breach of COCON may have to be reported to the FCA under section 64C of the Act even if it is not significant for the purposes of SUP 15.3.11R or if it is not serious enough to be reported under Principle 11.
- 15.11.6E G Disciplinary action potentially comes within section 64C of the Act even if the disciplinary proceedings do not expressly refer to a breach of

COCON. What matters is whether the alleged facts on which the disciplinary action is based also amount to a breach of COCON.

- 15.11.6F    G    (1)    One of the types of disciplinary action in section 64C of the Act (and therefore coming within the scope of the reporting obligation in this section) is the suspension of the employee concerned.
- (2)    Often, however, in practice, suspension is not disciplinary action in an employment sense. Instead, suspension is used while the firm investigates possible misconduct.
- (3)    If an employee is suspended for the reason in (2), there will be no reporting obligation under section 64C of the Act. That is because the reason for the action will not be a breach of COCON but instead the need to investigate misconduct. This is the case even if the misconduct for which the employee is being investigated would be a breach of COCON.
- (4)    If, after the investigation is completed, the firm takes disciplinary action of a kind in SUP 15.11.5G for misconduct of a kind that breaches COCON, the firm should report it under section 64C of the Act.
- 15.11.6G    G    (1)    Another of the types of disciplinary action in section 64C of the Act is the reduction or recovery of any of the remuneration of the employee concerned.
- (2)    However, the firm should not report such reduction or recovery under section 64C of the Act if that action was taken for a reason that is not misconduct of a kind that breaches COCON. For example, there may be no COCON breach because:
- (a)    the action was taken because the individual has breached a requirement of the firm that does not amount to a breach of COCON because, for example, it is outside the scope of COCON 1.1.7AR (To what conduct does it apply?);
- (b)    the action was taken because the individual has substantially underperformed in achieving commercial objectives;
- (c)    it has come to light that business results on which a bonus was based were not as favourable as the basis on which the bonus was originally awarded; or
- (d)    the action was taken against the individual's team without any personal culpability on the part of the individual.

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15.11.12    G    ...

Timing and form of notifications: senior conduct rules staff other than SMF managers

- 15.11.12A    R    (1)    This rule applies to a notification in relation to a senior conduct rules staff member who is not an SMF manager.
- (2)    The reporting rules in this section do not apply where the breach of COCON referred to in SUP 15.11.6R is of one of the rules in COCON 2.2 (Senior manager conduct rules).
- (3)    Subject to (2), SUP 15.11.13R to SUP 15.11.15R apply to a notification in relation to a senior conduct rules staff member in (1).
- 15.11.12B    G    (1)    This provision explains how breaches of COCON of a person in SUP 15.11.12AR should be reported.
- (2)    SUP 15.11.12AR applies to any of the following who is not an SMF manager:
- (a)    an employee of an SMCR firm who performs the function of an SMF manager (see row (2) of the table in COCON 1.1.2R);
- (b)    a board director of a UK SMCR firm (see row (8) of the table in COCON 1.1.2R); and
- (c)    a person appointed under SUP 10C.3A.6R (The 12-week rule: The main rules) or the PRA equivalent (see rows (3) and (9) of the table in COCON 1.1.2R).
- (3)    If:
- (a)    a person in (1) breaches a rule in COCON 2.2;
- (b)    the firm takes disciplinary action against that person of the kind in SUP 15.11.5G; and
- (c)    the action, failure to act or circumstance that is the basis of the disciplinary action in (b) also amounts to the breach of COCON in (a),
- the firm should notify the FCA of that immediately.
- (4)    The reason for (3) is that a breach of COCON 2.2 by a senior conduct rules staff member that results in disciplinary action of the kind in SUP 15.11.5G is significant for the purposes of SUP 15.3.11R(1) (Breaches of rules and other requirements in or under the Act or the CCA). That rule says that a firm should immediately notify the FCA of a significant breach of a COCON rule.

- (5) The effect of SUP 15.3.11R(1) is also that if:
- (a) a person in (1) breaches COCON;
  - (b) either of the following apply:
    - (i) the firm does not take (or has not yet taken) disciplinary action against that person of the kind in SUP 15.11.5G; or
    - (ii) the breach is of a rule in COCON 2.1 (Individual conduct rules); and
  - (c) the breach is significant,
- the firm should also immediately notify the FCA of that breach.
- (6) The effect of this section and section 64 of the Act is that if:
- (a) a person in (1) breaches one of the rules in COCON 2.1 (Individual conduct rules);
  - (b) the firm takes disciplinary action against that person of the kind in SUP 15.11.5G; and
  - (c) the action, failure to act or circumstance that is the basis of the disciplinary action in (b) also amounts to the breach of COCON in (a),
- the firm should notify it under SUP 15.11.12AR, even if it has already notified it under (5).
- (7) Paragraph (6) does not apply to a breach of one of the rules in COCON 2.2. Paragraph (3) applies instead.

Timing and form of notifications: conduct rules staff other than SMF managers

- 15.11.13 R (1) A firm must make any notifications required pursuant to section 64C of the Act relating to conduct rules staff other than SMF managers in accordance with SUP 15.11.13R to SUP 15.11.15R. This is subject to SUP 15.11.12AR (Timing and form of notifications: senior conduct rules staff other than SMF managers).

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General guidance on notifications of rule breaches and disciplinary action

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- 15.11.20 G ...

- 15.11.21 G The timing and form of notifications under this section depend on the category into which the member of the *conduct rules staff* concerned falls. For this purpose, what matters is the category into which they fall at the time of the breach, not at the date the disciplinary action is taken or the date of the notification.

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## 15.15 Notification by retail intermediaries of qualification as an enhanced scope SMCR firm

Application: General

- 15.15.1 R Subject to *SUP* 15.15.2R and *SUP* 15.15.3R, this section applies to a *firm* that meets the conditions in ~~*SYSC 23 Annex 1 8.18R*~~ *SYSC 23 Annex 1 8A.1R* (Special requirements for calculating intermediary regulated business revenue).

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Definitions

- 15.15.7 R In this section:
- ...
- (3) reporting period has the same meaning as it does in ~~*SYSC 23 Annex 1 8.21R*~~ *SYSC 23 Annex 1 8A.4R*; and
- ...

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## 16 Reporting requirements

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### 16.26 Reporting of information about Directory persons

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Frequency and timing of reports: certification employees

- 16.26.13 R In respect of a *certification employee*, an *SMCR firm* must submit a report within 20 business days or, in the case of (2), seven 7 business days of:

...

- 16.26.14G G ...

~~Seven business days~~ The period of 7 or 20 business days is intended to be the maximum length of time for making a notification. By reporting more

quickly, firms can improve the accuracy of the information included in the Directory.

Frequency and timing of reports: non-SMF director Directory person

- 16.26.15 R In respect of a *non-SMF director Directory person*, an *SMCR firm* must submit a report within 20 business day or, in the case of (2), seven 7 business days of:

...

Frequency and timing of reports: sole trader Directory person or appointed representative Directory person

- 16.26.16 R In respect of an *appointed representative Directory person* or a *sole trader Directory person*, an *SMCR firm* must submit a report within 20 business days or, in the case of (2), seven 7 business days of:

...

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**TP 5 Transitional Miscellaneous transitional provisions for the SMCR and the approved persons regime: changes to SUP 10A, SUP 10C, SUP 15.11 and SUP 16.26**

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**5.2 Benchmark submitters or benchmark administrators: new firm**

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- 5.2.4 R ...

**5.3 Miscellaneous changes in 2026**

- 5.3.1 R SUP TP 5.3 relates to amendments to SUP 10C made by the Individual Accountability (SMCR Review) Instrument 2026.

- 5.3.2 R In SUP TP 5.3 the ‘commencement date’ means 24 April 2026.

12-week rule

- 5.3.3 R The amendments to SUP 10C.3A.6R (as renumbered by the Individual Accountability (SMCR Review) Instrument 2026) and the insertion of SUP 10C.3A.7R, SUP 10C.3A.8R and SUP 10C.3A.13R by that instrument coming into force on the commencement date, apply in relation to any absence that begins after the commencement date.

Criminal record checks

- 5.3.4 R The amendments to SUP 10C.10.16R coming into force on the commencement date apply to any application for approval made after the commencement date.

Reporting of information about Directory persons

- 5.3.5 R The amendments to SUP 16.26.13R, SUP 16.26.15R and SUP 16.26.16R coming into force on the commencement date apply to any reportable matter of the kind referred to in those *rules* that occurs after the commencement date.

**Part 2: Comes into force on 1 September 2026**

[*Editor's note:* This Part takes into account the changes introduced by Part 1 of Annex F of this instrument.]

**15 Notifications to the FCA**

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**15.11 Notification of COCON breaches and disciplinary action**

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Reasons for making a notification to the FCA

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15.11.6G G ...

- (2) However, the *firm* should not report such reduction or recovery under section 64C of the *Act* if that action was taken for a reason that is not misconduct of a kind that breaches *COCON*. For example, there may be no *COCON* breach because:
- (a) the action was taken because the individual has breached a requirement of the *firm* that does not amount to a breach of *COCON* because, for example, it is outside the scope of *COCON* 1.1.7AR (To what conduct does it apply? (Other limitations: Non-banks));

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