

Guidance consultation

Senior Managers and Certification Regime: Proposed guidance on statements of responsibilities and responsibilities maps for FCA firms

October 2018

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1 Introduction

About the guidance

- 1.1 The purpose of the proposed guidance is to give FCA solo-regulated firms practical assistance and information on preparing the Statement of Responsibilities (SoR) and Responsibilities Maps.
- 1.2 We are extending the Senior Managers and Certification Regime (SM&CR) to all FSMA authorised firms. Under the SM&CR, all Senior Managers must have a SoR. In addition, all enhanced firms must have a Responsibilities Map.
- 1.3 The guidance sets out the purpose of SoRs and Responsibilities Maps, provides some questions for firms to ask themselves and outlines examples of good and poor practice. It is designed to be read alongside the [Guide for FCA solo-regulated firms \(the Guide\)](#) as well as applicable rules and guidance in the FCA Handbook.
- 1.4 References in this Guidance Consultation to rules and guidance are based on the near-final rules published in [PS18/14](#) and Handbook text. It isn't a substitute for reading the relevant Handbook sections, but we have provided cross-references to where you can find further information wherever possible.
- 1.5 We have to consult on the proposed guidance as it forms 'general guidance', as defined in section 139B (5) of Financial Services and Markets Act. It is not binding and we will not presume that a firm's departure from our guidance indicates that it has breached our rules.
- 1.6 The guidance provided should be applied in a risk-based and proportionate way. This includes considering the size, nature and complexity of the firm when deciding whether a certain example of good or poor practice is appropriate to its business. Please note that:
 - The self-assessment key questions and the examples of good and poor practice that we use in the guidance are not exhaustive.
 - The good practice examples are just some way that firms might comply with applicable rules and requirements of the SM&CR.
 - Similarly, although we outline some examples of poor practice, these are not exhaustive either. Depending on the circumstances, certain poor practices may be sufficient to breach applicable rules.

- The example responsibilities maps are purely provided as examples of how these documents could be constructed based on fictitious firms. **They should not in any way be interpreted as guidance on how firms should organise their governance or management arrangements.**

Who does this guidance affect

- 1.7 This guidance will be of interest to all FCA solo-regulated firms which are subject to SM&CR.
- 1.8 The examples are relevant depending on whether firms are classified as Limited Scope, Core or Enhanced. Use Figure 1 and Table 1 of the [Guide](#) to identify your firm's classification. Chapter 3 is only relevant to Enhanced firms.

How to respond to this consultation

- 1.9 The proposed guidance on which we are consulting is set out in Chapters 2 and 3. We welcome consultees' views on the questions we ask about the proposed guidance. You can find them in Annex I. Please send us your comments by 10 December 2018.

Use the online response form on our website or write to us at the following address:

Accountability Team
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

Email address: gc18-04@fca.org.uk

When you see these icons



Enhanced firm



Core firm



Limited Scope firm



Things to consider

Good Practice

In these boxes, we have included points that demonstrate good practice.

Poor Practice

In these boxes, we have included points that demonstrate poor practice.

2 Statement of Responsibilities

A SoR is a single document that every Senior Manager will need to have, clearly setting out their role(s) and responsibilities.

Purpose

- 2.1 The purpose of a SoR is to make clear what a Senior Manager is responsible and accountable for, under the ultimate accountability of a firm's governing body.
- 2.2 It should be clear and easy for regulators, the Senior Manager and others in the firm to understand it. The SoR should contain enough information to clearly describe the Senior Manager's actual responsibilities and accountabilities, but without unnecessary detail. A SoR needs to be self-contained and not refer to other documents.
- 2.3 Ask yourself:
 - Could someone who understands the type of business that you do, but doesn't know how your firm is organised, understand what the individual Senior Manager is accountable for by reading their SoR?
- 2.4 A SoR is not the same as a job profile, so it should not describe the competencies and skills required for the role or how the responsibilities should be discharged. It should focus on what the role holder is accountable for.
- 2.5 Preparing and maintaining an up to date SoR is a legal requirement for individuals who are Senior Managers.

Handbook references

- 2.6 Handbook rules and guidance for allocating Prescribed Responsibilities can be found in [SYSC 24](#). Handbook rules and guidance for allocating overall responsibilities can be found in [SYSC 26](#).
- 2.7 Rules and guidance around SoRs themselves can be found in [SUP 10C.11](#).

Key questions by SoR section¹ for Core SM&CR firms

Prescribed Responsibilities

This section is used to allocate one or more Prescribed Responsibilities. A Senior Manager may not necessarily have any Prescribed Responsibilities.

- Are the Prescribed Responsibilities that you have allocated appropriate to this role?
- If any of these Prescribed Responsibilities are shared with another Senior Manager, are they shared appropriately (eg because of a job share)? Has the rationale been explained? Is it clear that these are allocated to the Senior Manager who is ultimately responsible?
- If any of these Prescribed Responsibilities are divided, is there a good reason for this and have they been divided in a way that is manageable?
- Are the allocated Prescribed Responsibilities applicable to this legal entity?

Other responsibilities

This section is used to describe the Senior Manager's other responsibilities. This could be anything not covered by the Prescribed Responsibilities but will usually cover business functions and activities for which they are accountable (eg sales, customer service, information technology).

- Have these responsibilities been described clearly so that they can be understood by someone who is not familiar with them?
- Where other Senior Managers are responsible for similar areas, is the distinction clear?
- Are these responsibilities relevant to this legal entity?

Supplementary information

This section provides space for additional information.

¹ The SoR sections refer to the 'Statement of responsibilities for solo-regulated SM&CR firms' form in 10C Annex 10D of the FCA Handbook.

Key questions by SoR section for Enhanced SM&CR firms

Prescribed Responsibilities

This section is used to allocate one or more Prescribed Responsibilities. A Senior Manager may not necessarily have any Prescribed Responsibilities.

- Are the Prescribed Responsibilities allocated to a Senior Manager appropriate to their role?
- If any of these Prescribed Responsibilities are shared with another Senior Manager, are they shared appropriately (eg because of a job share)? Has the rationale been explained? Is it clear that these are allocated to the Senior Manager who is ultimately responsible?
- If any of these Prescribed Responsibilities are divided, is there a good reason for this and have they been divided in a way that is manageable?
- Are the allocated Prescribed Responsibilities applicable to this legal entity?

Overall Responsibilities

This section in the SoR is used to describe responsibilities for the main functions and activities of the business. They are just as important as Prescribed Responsibilities.

The purpose of the Overall Responsibilities is to ensure that an SMF manager is responsible and accountable for every area of a firm's activities so that there are no gaps. You can find more details about what the Overall Responsibilities mean on p.25-26 of the [Guide](#).

- What activities, business areas and functions does my firm undertake or have?

Firms need to consider all their financial services activities and identify which individuals are accountable for what.

You may find it useful to use the indicative list in the Handbook ([SYSC 25 Annex 1 G](#)) as a starting prompt to help you to think about responsibilities and how your business is organised, but this is not mandatory or exhaustive ([SYSC 25.7](#)). Each firm will have its own set of Overall Responsibilities reflecting their business and activities.

- Does every activity, business area and management function at this legal entity have a Senior Manager with Overall Responsibility for it?

If a responsibility is included in any of the SMF roles (eg Chief Risk function) or the Prescribed Responsibilities that apply to the firm, then firms should not also allocate that responsibility as an Overall Responsibility.

- Have you clearly described each Overall Responsibility for the relevant individual in their SoR?
- If any other Senior Managers are accountable for a similar area of responsibility, have you clearly described the dividing line between them (e.g. which product lines or customers each is accountable for)?
- If any of these responsibilities are shared with another Senior Manager, are they shared appropriately (e.g. because of a job share)?
- Have you checked you have not allocated an Overall Responsibility to a second or third line function (e.g. risk, compliance or internal audit) which is actually only accountable for oversight or monitoring? (For example, the Compliance Oversight function should not be given responsibility for sales where its only function is in its oversight role).

Other responsibilities

This section can be used to describe responsibilities for other activities which are not covered by a prescribed responsibility or that have been allocated under the rules about overall responsibility. Most SMF managers will have covered everything they are responsible for under the sections above and do not need to complete this section.

However, there may be things which have not been covered such as new strategic initiatives, business transformation programmes or mergers.

- Have you used this section for responsibilities that are part of the normal course of business and should be Overall Responsibilities? If so, these should be included in that section.
- Have these responsibilities been described clearly so that they can be understood by someone who is not familiar with them?

Supplementary information

This section provides space for additional information.

For example, it can be helpful to provide some further detail about the scope of activities of a role-based Senior Management Functions such as the SMF4 - Chief Risk, which vary in detail between businesses.

Key questions by SoR section for Limited scope SM&CR firms

Prescribed Responsibilities

This section is not relevant to Limited Scope firms.

Other responsibilities

This section is used to describe the Senior Manager's responsibilities. This will usually cover business functions and activities for which they are accountable (eg sales, customer service, information technology).

- Have these responsibilities been described clearly so that they can be understood by someone who is not familiar with them?

Are these responsibilities relevant to this legal entity?

Supplementary information

This section provides space for additional information

Q1: Do you think we have suggested the relevant key questions for preparing SoRs? If not, what other considerations could we add?

Case Studies and examples of Statements of Responsibilities

This section looks at some examples of SoRs for selected Senior Managers of the example firms presented in the [Guide](#) (p.9).

Example 1: Other Overall Responsibility Function (SMF18) in an Enhanced firm (Firm A)

Firm A

Firm A is an Enhanced firm within a global banking group. It employs 3000 staff, performing a variety of roles for the UK entity, some of whom hold roles in scope of the Certification Regime. Two of the firm's 5 Non-Executive Directors are Senior Managers of other group entities.

Statement of Responsibilities

3.1.2 Senior Management Functions

Senior management function	Description of senior management function	Tick SMF applied for or held					Effective Date
		Core firms				Enhanced SMCR firms	
		Limited scope SMCR firms	UK core SMCR firms	EEA core SMCR firms	Third country branches		
SMF 18	Other Overall responsibility		☒				09/12/2019

3.2.1 Prescribed Responsibilities

No Prescribed Responsibilities have been allocated to this individual.



The Prescribed Responsibilities cannot be allocated to someone performing the 'Other Overall Responsibility' Senior Management Function. The only exception to this is the Prescribed Responsibility for CASS compliance.

3.3.1 Overall Responsibilities

Please provide a title for this overall responsibility	Please provide further details of this overall responsibility	Is this overall responsibility shared? If 'Yes' please provide, the name(s), IRN(s) and/or job title(s) of the individual(s) you are sharing this responsibility with (where known)
Market making	Accountable for wholesale market making in exchange listed and OTC products for Atlas Capital Markets PLC, pricing and executing transactions as principal compliant with relevant Atlas policies, processes and risk appetite.	No
Trading for clients	Accountable for dealing in investments as agent and execution of orders on behalf of clients including electronic trading for EMEA clients for all debt and rates desks of the entity.	No
Corporate investments	Accountable for the Treasury Department, which is responsible for managing the Atlas Group EMEA corporate investments.	No

Example 2: SMF3 - Executive Director at a Core firm (Firm B)

Firm B

Firm B is a medium-sized IFA and mortgage broking firm incorporated as a limited company. The firm falls within the Core tier and has 40 staff. This includes 2 Executive Directors and 30 advisers, all of whom give investment or mortgage advice. Six of the remaining staff do not advise but perform various functions connected to financial services. Two of the remaining staff are not involved in financial services activities at all. The firm has a governing body with three Non-Executive Directors, one of whom acts as the firm's Chair.

Statement of Responsibilities

3.1.2 Senior Management Functions

Senior management function	Description of senior management function	Tick SMF applied for or held					Effective Date
		Core firms				Enhance d SMCR firms	
		Limited scope SMCR firms	UK core SMCR firms	EEA core SMCR firms	Third country branches		
SMF 3	Executive Director		☒				09/12/2019

3.2.1 Prescribed Responsibilities

Ref	Prescribed Responsibility (Applicable to UK Core SMCR firms)	Does this prescribed responsibility apply?	Is this prescribed responsibility shared?
a	Responsibility for the firm's performance of its obligations under the senior managers regime	Yes	No
b	Responsibility for the firm's performance of its obligations under the employee certification regime	Yes	No

3.4.1 Other Responsibilities

Please provide a title for this other responsibility	Please provide further details of this other responsibility	Is this other responsibility shared? If 'Yes' please provide, the name(s), IRN(s) and/or job title(s) of the individual(s) you are sharing this responsibility with (where known)
Mortgage sales and advice	Responsible for all aspects of mortgage advice and sales apart from mortgages on commercial properties.	No
Customer service	Responsible for providing services to existing mortgage customers, including responses to queries and processing alterations to existing mortgages, liaising with providers as necessary. This includes mortgages on commercial properties	No
Business upgrade	Responsible for the business change programme 'Cosmos'; Cosmos is a project up-scaling our Mortgage Unit, ending in August 2020.	No

Example 3: Limited Scope Function at a Limited Scope Firm (Firm C)**Firm C**

Firm C is a dental practice incorporated as a limited company. It is a Limited Permission Consumer Credit firm and is therefore a Limited Scope firm.

Statement of Responsibilities**3.1.1 Senior Management Functions**

Senior management function	Description of senior management function	Tick SMF applied for or held					Effective Date
		Core firms				Enhanced SMCR firms	
		Limited scope SMCR firms	UK core SMCR firms	EEA core SMCR firms	Third country branches		
SMF 29	Limited scope function (limited scope SMCR firms only)	☒					09/12/2019

3.2.1 Responsibilities

Please provide a title for this other responsibility	Please provide further details of this other responsibility	Is this other responsibility shared? If 'Yes' please provide, the name(s), IRN(s) and/or job title(s) of the <i>individual(s)</i> you are sharing this responsibility with (where known)
Insurance Distribution	I am responsible for the insurance sales and distribution in the firm.	No
Staff training	I am responsible for the staff's competence and technical knowledge to sell insurance products.	No

Examples – Prescribed Responsibilities

The following examples demonstrate good and poor practice in sharing or dividing Prescribed Responsibilities.

Example 4: SMF1 - CEO in a Core firm

Senior management function	Description of senior management function	Tick SMF applied for or held					Effective Date
		Core firms				Enhanced SMCR firms	
		Limited scope SMCR firms	UK core SMCR firms	EEA core SMCR firms	Third country branches		
SMF 1	Chief Executive		☒				09/12/2019

Ref	Prescribed Responsibility (Applicable to UK Core SMCR firms)	Does this prescribed responsibility apply?	Is this prescribed responsibility shared?
a	Responsibility for the firm's performance of its obligations under the senior managers regime	Yes	Yes
b	Responsibility for the firm's performance of its obligations under the employee certification regime	Yes	Yes
b-1	Responsibility for the firm's obligations in relation to individual conduct rules for: (a) training; and (b) reporting	Yes	No

Ref	Prescribed Responsibility	Further Relevant Details
a	Responsibility for the firm's performance of its obligations under the senior managers regime	This responsibility is shared with Maria R (IRN12345) who is the departing CEO, as part of the handover.
b	Responsibility for the firm's performance of its obligations under the employee certification regime	This responsibility is shared with Maria R (IRN12345) who is the departing CEO, as part of the handover.

Good Practice

This is an appropriate use of sharing a responsibility because it is shared between the departing and incoming senior managers (CEO in this example) working together temporarily as part of a handover. The rationale for sharing is explained.

Example 5: SMF1 - CEO in an Enhanced firm:

Senior management function	Description of senior management function	Tick SMF applied for or held					Effective Date
		Core firms				Enhanced SMCR firms	
		Limited scope SMCR firms	UK core SMCR firms	EEA core SMCR firms	Third country branches		
SMF 1	Chief Executive					☒	09/12/2019

Ref	Prescribed Responsibility (Applicable to UK Core SMCR firms)	Does this prescribed responsibility apply?	Is this prescribed responsibility shared?
a	Responsibility for the firm's performance of its obligations under the senior managers regime	Yes	No
b	Responsibility for the firm's performance of its obligations under the employee certification regime	Yes	Yes
b-1	Responsibility for the firm's obligations in relation to individual conduct rules for: (a) training; and (b) reporting	Yes	No

Ref	Prescribed Responsibility (These should be applied by enhanced scope SMCR firms, in addition to the prescribed responsibilities for core firms)	Does this prescribed responsibility apply?	Is this prescribed responsibility shared?
c	Responsibility for the firm's performance of its obligations under the senior managers regime	Yes	No
j	Responsibility for the firm's performance of its obligations under the employee certification regime	Yes	No

Ref	Prescribed Responsibility	Further Relevant Details
b	Obligations under the certification regime	Compliance Officer Riya L. (SMF16&17) has joint accountability for this prescribed responsibility.

The rationale for sharing Prescribed responsibility b is not explained and it is unclear how it would work in practice. It would be poor practice for a Compliance Officer to share PRs with the CEO as it is not clear who would be ultimately accountable. Also, Compliance is a second line of defence function and should be independent.

Example 6: SMF16 - Compliance Officer in a Core firm

Senior management function	Description of senior management function	Tick SMF applied for or held					Effective Date
		Core firms				Enhanced SMCR firms	
		Limited scope SMCR firms	UK core SMCR firms	EEA core SMCR firms	Third country branches		
SMF 16	Compliance Oversight		☒				09/12/2019

Ref	Prescribed Responsibility (Applicable to UK Core SMCR firms)	Does this prescribed responsibility apply?	Is this prescribed responsibility shared?
d	Overall responsibility for the firm's policies and procedures for countering the risk that the firm might be used to further financial crime	Yes	Yes

Ref	Prescribed Responsibility	Further Relevant Details
d	Responsibility for the firm's policies and procedures for countering the risk that the firm might be used to further financial crime	I am sharing this responsibility with my direct report Ron F. (SMF17- MLRO) and Alex D. (SMF3- Executive Director and COO). The remit of my responsibility includes the Compliance function and is confined to the systems and controls in respect of MAR but not the requirements for AML reporting.

Although described as shared, this appears to be a divided responsibility. The division is complex and involves individuals who report to each other, potentially confusing accountability. It is not clear who is responsible for countering the risk that the firm might be used to further financial crime apart from in relation to Market abuse.

No rationale has been given. For example, reasonable justification might be the Chief Operating Officer taking responsibility for aspects of financial crime related to IT security, while other aspects sit with another individual

Example 7: SMF3 - Executive Director in an Enhanced firm

Senior management function	Description of senior management function	Tick SMF applied for or held					Effective Date
		Core firms				Enhanced SMCR firms	
		Limited scope SMCR firms	UK core SMCR firms	EEA core SMCR firms	Third country branches		
SMF 3	Executive Director					☒	09/12/2019

Ref	Prescribed Responsibility (Applicable to UK Core SMCR firms)	Does this prescribed responsibility apply?	Is this prescribed responsibility shared?
a	Responsibility for the firm's performance of its obligations under the senior managers regime	Yes	Yes
b	Responsibility for the firm's performance of its obligations under the employee certification regime	Yes	Yes
b-1	Responsibility for the firm's obligations in relation to individual conduct rules for: (a) training; and (b) reporting	Yes	Yes
d	Overall responsibility for the firm's policies and procedures for countering the risk that the firm might be used to further financial crime	Yes	Yes

Ref	Prescribed Responsibility	Further Relevant Details
a, b, b-1, d	Responsibility for the firm's policies and procedures for countering the risk that the firm might be used to further financial crime	All directors share the PRs as they take collective responsibility for these areas

Every SMF manager in this firm shares the PRs resulting in roles not being clearly defined. This isn't an appropriate reason to share a PR under our rules. SMF managers do not have clear individual accountability.

Examples – Overall Responsibilities (Enhanced firms only)

This section is applicable only to Enhanced firms, who must allocate such responsibilities as part of the Enhanced Regime.

The following examples demonstrate good and poor practice in allocating as well as sharing Overall Responsibilities. It's not possible to divide an Overall Responsibility because they are specific to how a firm is structured and the roles of the people running it.

Example 8: SMF27 – Partner in an Enhanced firm

Senior management function	Description of senior management function	Tick SMF applied for or held					Effective Date
		Core firms				Enhanced SMCR firms	
		Limited scope SMCR firms	UK core SMCR firms	EEA core SMCR firms	Third country branches		
SMF 27	Partner					☒	09/12/2019

Please provide a title for this overall responsibility	Please provide further details of this overall responsibility	Is this overall responsibility shared? If 'Yes' please provide, the name(s), IRN(s) and/or job title(s) of the individual(s) you are sharing this responsibility with (where known)
Investment research	I am responsible for the oversight of the investment research department in its role to provide research and recommendations to the wealth management business unit. This research will encompass individual	No

	investments, as well as providing information on macro/micro economic trends.	
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This is helpful as it provides some context in respect to the investment research function.

It could be improved further by more explanation and context on the specific role. For example, this individual might be responsible for specific client types or asset classes.

Example 9: SMF18 - Other Overall Responsibility Function in an Enhanced firm

Senior management function	Description of senior management function	Tick SMF applied for or held					Effective Date
		Core firms				Enhanced SMCR firms	
		Limited scope SMCR firms	UK core SMCR firms	EEA core SMCR firms	Third country branches		
SMF 18	Other Overall responsibility					☒	09/12/2019

Please provide a title for this overall responsibility	Please provide further details of this overall responsibility	Is this overall responsibility shared? If 'Yes' please provide, the name(s), IRN(s) and/or job title(s) of the individual(s) you are sharing this responsibility with (where known)
Human Resources	I am responsible overall for the Human Resources (HR) Function of XXX Group Ltd, which focuses on implementing the Group HR's Policy, oversight and management of staffing and organisational approach to HR with regard to employees and management within XXX Ltd and YYY Ltd, including but not limited to internal appointments, hiring new employees, graduate scheme, compensation policy and employees' benefits, organisational development programme, performance management, employee relationship management, learning and development, employee engagement and training.	No

	For this purpose, my role involves supervising and monitoring the activities of the HR function in relation to: Professional development of employees; Talent management and acquisition; Creating and delivering policy in relation to bonuses and other performance-based compensation; The management of the risks held within the HR function including updating the Risk Log; Please review the HR function contained in the responsibilities map of XXX Ltd for full details.	
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This example, provides a helpful list of the HR functions for which the individual has responsibility.

The SoR is specific to a legal entity and should not include details of responsibility in other entities except to the extent necessary to understand how the individual's functions in relation to the regulated firm fit in with their group responsibilities.

'Including but not limited to...' may imply that some areas of responsibility have not been documented.

There is more detail than necessary about the individual's own management role, leading to a 'job description' approach.

The information from 'For this purpose...' is not needed and is potentially confusing as it repeats a lot of the earlier material but in different words.

Example 10: SMF24 – Chief Operations Function in an Enhanced firm

Senior management function	Description of senior management function	Tick SMF applied for or held					Effective Date
		Core firms				Enhanced SMCR firms	
		Limited scope SMCR firms	UK core SMCR firms	EEA core SMCR firms	Third country branches		
SMF 24	Chief Operations					☒	09/12/2019

Please provide a title for this overall responsibility	Please provide further details of this overall responsibility	Is this overall responsibility shared? If 'Yes' please provide, the name(s), IRN(s) and/or job title(s) of the individual(s) you are sharing this responsibility with (where known)
Customer service	I am accountable for all related issues to the Board.	No

Individual identified as accountable to the board which indicates the correct application of overall responsibility in terms of seniority.

More detail on the actual role they perform would be desirable to allow for a clear understanding of their scope of responsibility. Customer service is a generic term and without further detail does not adequately describe what the individual is responsible for.

Example 11: SMF18 - Other Overall Responsibility Function in an Enhanced firm

Senior management function	Description of senior management function	Tick SMF applied for or held					Effective Date
		Core firms				Enhanced SMCR firms	
		Limited scope SMCR firms	UK core SMCR firms	EEA core SMCR firms	Third country branches		
SMF 18	Other Overall responsibility					☒	09/12/2019

Please provide a title for this overall responsibility	Please provide further details of this overall responsibility	Is this overall responsibility shared? If 'Yes' please provide, the name(s), IRN(s) and/or job title(s) of the individual(s) you are sharing this responsibility with (where known)
Customer Complaints	I am the first point of contact for customer complaints and responsible for TCF in the firm.	No

The detail of this SoR focuses on the individual's role as first point of contact rather than accountability for dealing with complaints.

It is not reasonable for one person to be responsible for Treating Customers Fairly (TCF). Treating Customers Fairly is part of the firms' obligations and the relevant conduct rule applies to everyone performing financial services activities at the firm. It is also fundamental to the responsibilities of every Senior Manager.

Example 12: SMF3 - Executive Director in an Enhanced firm without any Prescribed Responsibilities

Senior management function	Description of senior management function	Tick SMF applied for or held					Effective Date
		Core firms				Enhanced SMCR firms	
		Limited scope SMCR firms	UK core SMCR firms	EEA core SMCR firms	Third country branches		
SMF 3	Executive Director					☒	09/12/2019

Please provide a title for this overall responsibility	Please provide further details of this overall responsibility	Is this overall responsibility shared? If 'Yes' please provide, the name(s), IRN(s) and/or job title(s) of the individual(s) you are sharing this responsibility with (where known)
Executive Director	I contribute to the Board and to Executive Committee (ExCo).	Yes – with all members of the Board.

Contributing to the Board and to ExCo is part of the job of any Executive Director and is part of the description of the Executive Director Senior Management Function. It should therefore not be included as an overall responsibility. An Executive Director is likely though to have particular responsibility for part of the firm's business (for example, head of sales) and this responsibility should be included as an overall responsibility.

This is not an appropriate use of an overall responsibility.

Q2: Do you think the suggested examples are clear in demonstrating good and poor practices of preparing SoRs? If not, please explain why.

3 Responsibilities Maps

Purpose

- 3.1 A Responsibilities Map provides an overview of how a firm is managed and governed. It should be a practical document that is clear and easy for regulators and people who work for the firm to understand.
- 3.2 Your Responsibilities Map should contain key information about governance bodies, senior management reporting lines and Senior Managers' responsibilities. We require that this key information is presented at a legal entity level but if your firm is part of a group, it should show clearly how the firm relates to its group.
- 3.3 Good Responsibilities Maps usually have a mixture of graphics and text and are easy to navigate and comprehend. Ask yourself:
 - Would someone who didn't know your firm be able to understand how it was governed and who was accountable for its business activities?
- 3.4 Neither very long, complex maps nor very minimal ones are likely to meet this purpose.
- 3.5 The requirement to have a Responsibilities Maps applies only to Enhanced firms.

Handbook references

- 3.6 Handbook rules and guidance are in [SYSC 25](#).

Key questions

- Is it easy to understand the governance structure of the firm and who is responsible for strategic decisions? For example, are these made by individuals or through committees? Is it easy to understand who has oversight of delivery of these decisions?
- Can the reader understand who is responsible for implementing these decisions, including the key responsibilities of Senior Managers?
- Is information on responsibilities provided at a summary level? If not, consider moving detailed information into SoRs.
- Is it easy to understand who reports to whom?
- If there are multiple reporting lines, is the distinction between them clear?

For firms in groups:

- Is it clear how the firm relates to others in its group, especially other UK regulated firms?
- Are the key group level individuals with influence over the firm identified?
- Does the map show how they connect with key individuals and governance bodies of the firm?
- If the firm relies on group-level governance committees (eg group RiskCo), are these shown and can the reader understand how this works?
- If governance decisions are made by group management committees (eg EMEA Operations Committee), is the remit and membership of these committees clear?
- If group committees influence the governance of the firm, is it clear how these relate to each other and to the formal governance of the firm (eg its Board of Directors)?

Q3: Do you think the suggested examples are clear in demonstrating how to formulate a Responsibilities Map (Enhanced firms only)? If not, please explain why.

Example Map 1

The first example of a responsibilities map is for Firm A, the example enhanced firm that we presented in the Guide.

Firm A

Firm A is an enhanced firm within a global banking group. It employs 3000 staff, performing a variety of roles for the UK entity, some of whom hold roles in scope of the Certification Regime. Two of the firm's 5 Non-Executive Directors are senior managers of other group entities.

Firm A needs to apply the Enhanced SMFs. Firm A does not have a Senior Independent Director, so it does not need anyone to be approved for the SMF14 function. The Chair is also the Chair of the Nominations Committee, so she will hold both the SMF9 and the SMF13 functions. The two Non-Executive Directors who are senior managers of other group entities are judged to exercise a significant influence on the firm, so should be approved as Group Entity Senior Managers (SMF7).

The firm has three individuals who are accountable to ('report to') the Board for a significant business unit of the firm but do not perform one of the role-based Senior Management Functions. They will need to be approved under the Other Overall Responsibility function (SMF18).

As an Enhanced firm, Firm A will need to allocate all 12 prescribed responsibilities required by the Enhanced regime to Senior Managers. As the firm holds client assets, it allocates the CASS Prescribed Responsibility to one of its Senior Managers.

Here, we have used the name Atlas Capital Markets Ltd for Firm A in the example.

Atlas Capital Markets Limited

Responsibilities Map

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The information on this page is not required by the FCA Handbook but it provides helpful context for understanding how the group governance works and gives a broader understanding of the group.

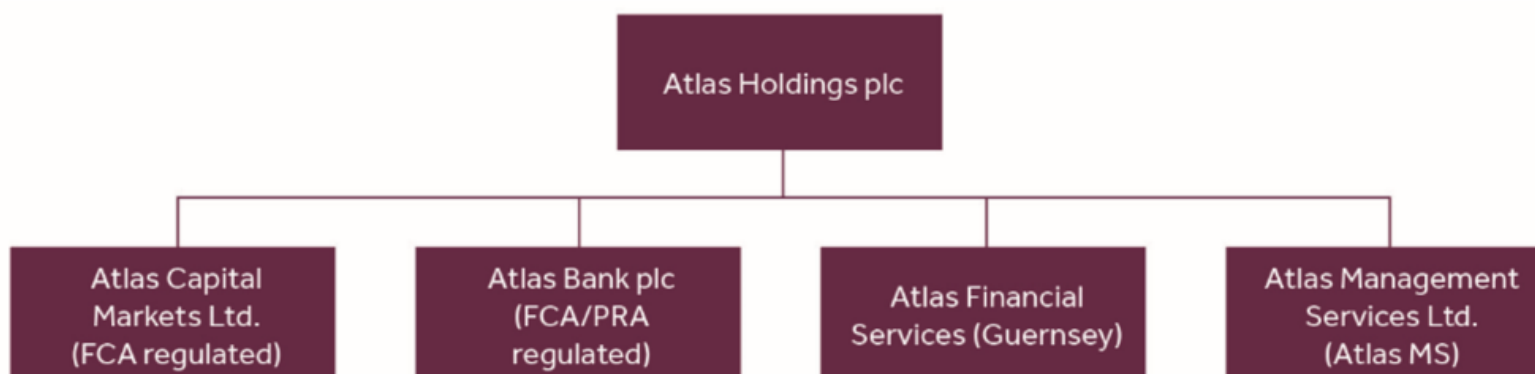
Group structure

Atlas Capital Markets Limited provides investment services and advice on debt issuance (mainly corporate bonds), structured products and hedging solutions. This UK entity is dealing with eligible counterparties and wholesale clients in the EMEA market. It is wholly owned subsidiary of Atlas Bank Holdings plc. Although the firm does not meet the threshold of a significant IFPRU firm, it has submitted the Form O and opted up to the enhanced regime from core.

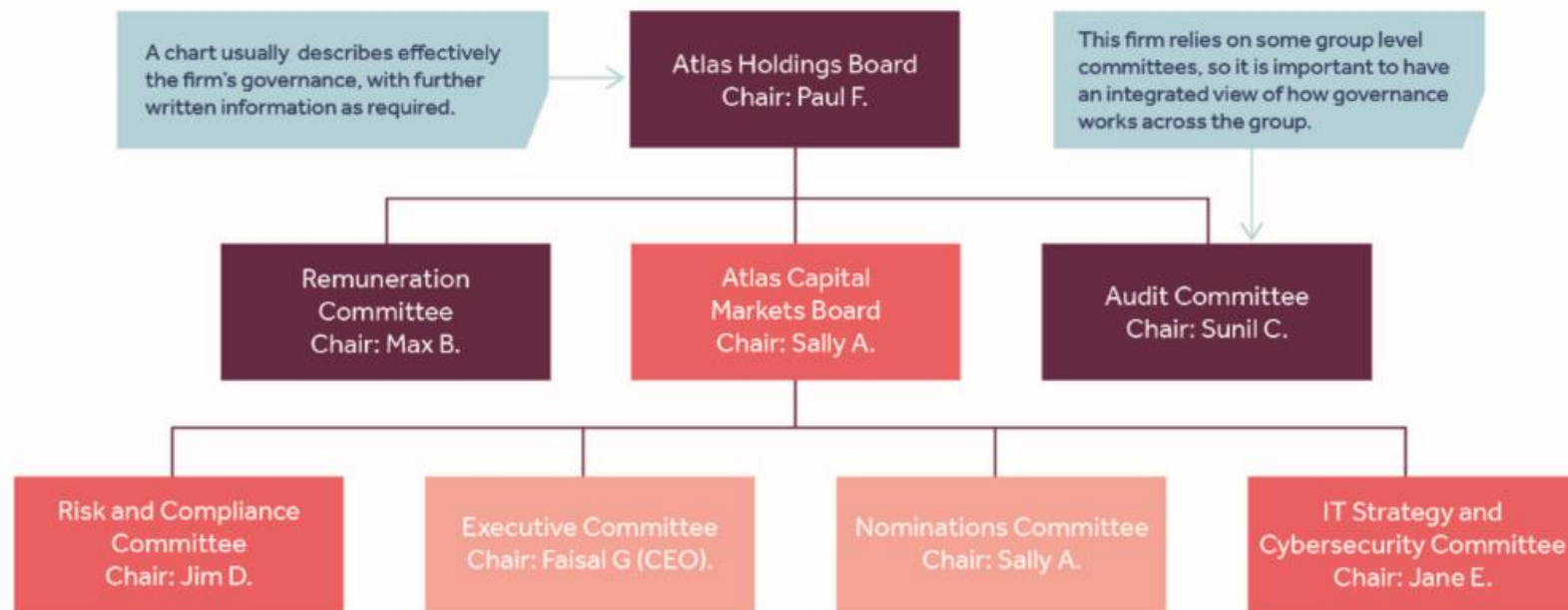
Atlas Bank PLC is a global bank, providing deposit accounts and loans to individual and small business customers. It also acts as a distributor for Atlas Capital Markets products and introduces clients to Atlas Capital Markets advisers.

Atlas Financial Services (Guernsey) provides offshore investments which are sold through Atlas Capital Markets Limited.

Atlas Management Services Limited employs staff who provide services for Atlas Capital Markets Limited and other companies in the Atlas group.



Governance structure



Atlas Capital Markets Ltd. relies on the Group Remuneration Committee and Audit Committee. Details are given below.

In this example for simplicity we have not included a detailed description of the business functions at local and global level. Sufficient information should be included in order to ensure that responsibilities have been assigned for all the relevant areas.

UK Business functions

In this section, we would expect a description of services and products offered reflected in the areas of overall responsibilities.

- Trading Desks (eg Bonds and issuance desk, FX, cross-currency and single currency basis swaps, IRO and IRS desks)
- Treasury Department



For any non-financial activities or support functions that are not included in the map, enough information about the management and governance arrangements in these areas must be provided to show how these fit in with the firm's management and governance as a whole ([SYSC 25.3](#)).

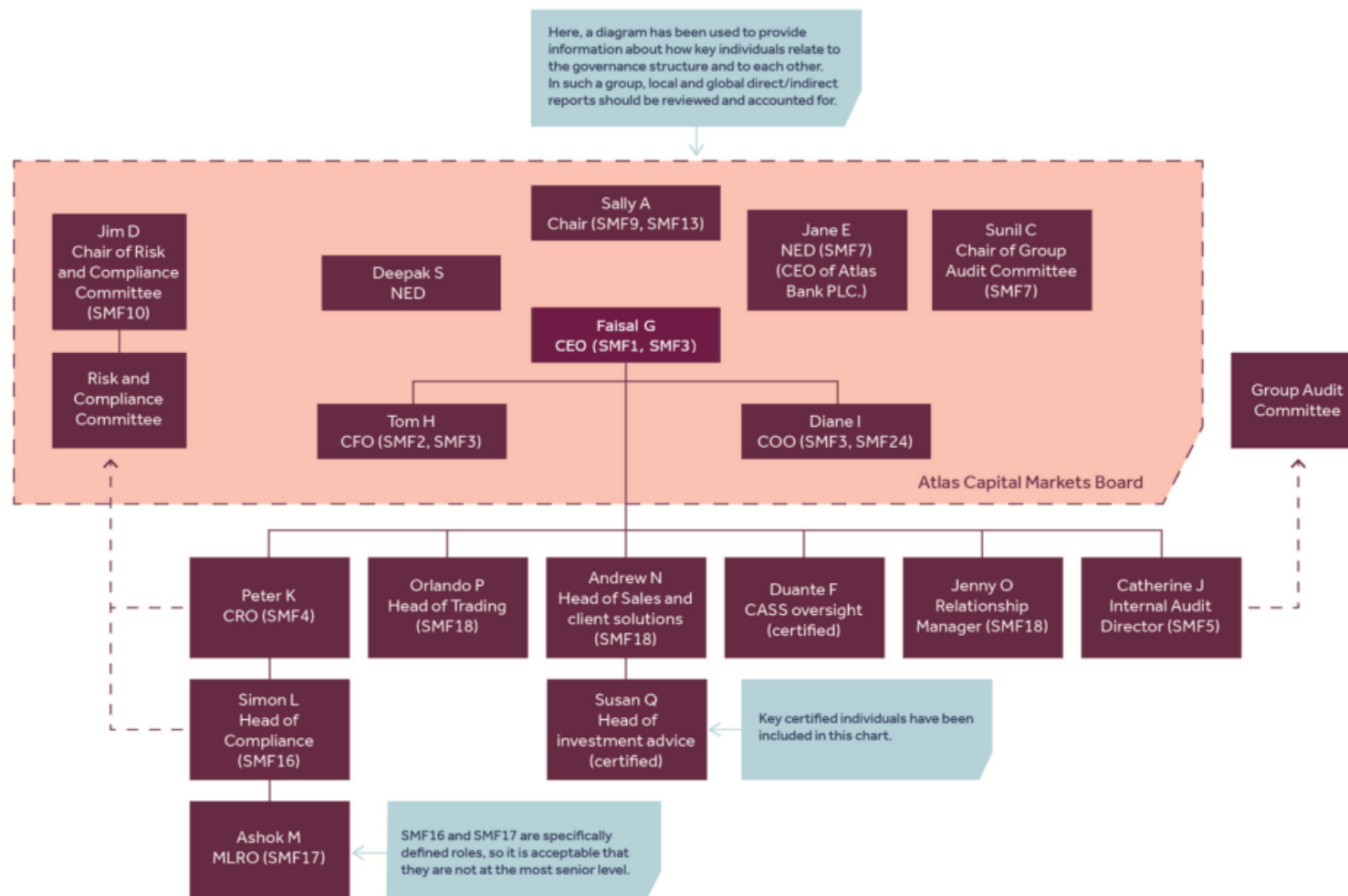
- Human Resources
- Information Technology
- Compliance and Legal Services etc.

Summary of Boards and Committees

Body	Members	Attends	Purpose and remit
Atlas Holdings plc			
Board	Paul F (Chair) Max B (SID) Sunil C (NED) Jim D (NED) Jane E (NED) Laura F (NED) Faisal G (Group CEO) Tom H (Group CFO)		Set and monitor the strategy for the Group, including risk appetite. Ensure appropriate controls are in place.
Remuneration Committee	Max B (Chair) Sally A Jane E	Especially in groups, it is important to be able to understand the roles that the various governance bodies play in the governance of the firm.	Set and monitor the remuneration strategy for the Group. Oversee application of the Remuneration Code in Group companies. Approve remuneration arrangements of directors and senior executives of all Group companies.
Audit Committee	Sunil C (Chair) Max B Jim D Laura F Deepak S.	Catherine J (Internal Audit Director)	Responsible for Group financial reports, external and internal audit. Ensure that there are effective controls in all Group firms.
Atlas Capital Markets			
Board	Sally A (Chair) Sunil C (NED) Jim D (NED) Jane E (NED) Faisal G (CEO) Tom H (CFO) Diane I (COO) Deepak S.		Set and monitor strategy within the Group Global strategy parameters. Monitor key risks. Decide on matters reserved to the Board.

Body	Members	Attends	Purpose and remit
Risk and Compliance Committee	Jim D (Chair) Sunil C Jane E	Peter K (CRO) Simon L (Head of Compliance)	Advise the Board on risks to the firm, including conduct risk. Oversight of the firm's risk framework and risk management. Oversight of the firm's compliance function. Oversight of the firm's financial crime framework.
Nominations Committee	Sally A (Chair) Deepak S (NED) Jim D (NED)	Orlando P (HR Director)	Appoint directors to the Board and committees for Atlas Holdings.
IT Strategy and Cybersecurity Committee	Jane E (Chair) Jim D Diane I (COO)		Oversight of the firm's IT architecture and change programme, including resilience and recovery. Approval of business cases for IT projects with a budget of more than £10m. Oversight of the firm's cybersecurity framework. Review of all major IT incidents, including significant outages and cybersecurity breaches.
Executive Committee	Faisal G (CEO) Tom H (CFO) Diane I (COO) Peter K (CRO) Andrew N (Marketing Director) Jenny O (Client Services Director) Orlando P (HR Director) Susan Q (Head of Products)	Simon L (Head of Compliance)	Direct and co-ordinate the management of the business to meet the strategy and objectives of the Board and within the budget, risk appetite and any other constraints set by the Board.

Senior management reporting lines



Senior management responsibilities

Name	Employment status	SMFs held	Prescribed responsibilities	Overall responsibilities
Faisal G	Director	SMF1, SMF3	(b) Certification Regime (b-1) Conduct rules (t) The firm's business model	
Tom H	Director	SMF2, SMF3	(j-3) If the firm outsources its internal audit function, taking reasonable steps to ensure that every person involved in the performance of the service is independent from the persons who perform external audit, <u>including:</u> • supervision and management of the work of outsourced internal auditors • management of potential conflicts of interest between the provision of external audit and internal audit services	
Peter K	Employed by Atlas MS	SMF4	(s) Internal stress tests	Middle Office
Catherine J	Employed by Atlas MS	SMF5		

Some senior managers, holding SMFs with clearly defined roles have no prescribed or overall responsibilities, as their responsibilities are included in their roles.

Our expectation is that these prescribed responsibilities should be allocated to an SMF manager who performs executive functions (SYSC 24.3.3) especially in complex firms but allocation to non-executives can be acceptable if it can be justified.

Sunil C	Director of Atlas Holdings	SMF7	(j) Safeguarding and overseeing the Internal Audit function	
Jane	Employed by Atlas MS (Director and CEO of Atlas Bank PLC)	SMF7		
Sally A	Director	SMF9, SMF13	(a) Senior Managers Regime (c) Responsibilities map	
Jim D	Director	SMF10	(k) Safeguarding and overseeing the Compliance function (l) Safeguarding and overseeing the Risk function	
Simon L	Employed by Atlas MS	SMF16	(d) Financial crime	
Ashok M	Employed by Atlas MS	SMF17		
Orlando P	Employed by Paragon Business Solutions Ltd.	SMF18		Corporate investments Trading for clients Market Making
Andrew N	Employed by Atlas MS	SMF18		Financial and Investment Advice Wholesale sales

Our expectation is that the prescribed responsibility for financial crime is allocated to a board member or a member of executive committee and not to a relatively junior person who lacks the seniority to exercise credible oversight across the organisation. This is poor practice, even where the responsibility has been allocated to the Money Laundering Reporting Officer.

These individuals are accountable to the Board for areas of the business but do not meet the criteria for any other SMF, so they have been designated as SMF18.

				Marketing Investment research and selection of third party products
Jenny O	Employed by Atlas MS	SMF18		Customer service Customer complaints handling
Diane I	Director	SMF24, SMF3	(z) CASS	Information technology Business recovery Settlement
Susan Q	Employed by Atlas MS	Certified as direct manager of certified advisers	Susan Q has been included here because of the importance of her role and her membership in ExCo.	
Duante F	Employed by Atlas MS	Certified as responsible for CASS Operational Oversight Function		

Annex I- Matters reserved to the Board

The rules require that matters reserved to the governing body (including the terms of reference of its committees) and, if different, the management body are included in the map.

We have not provided examples of this information here.

Example Map 2

Example Responsibilities Map| for an enhanced firm

Version	Date	Author	Change	Regulatory Submission
1	December 2019	Kieran J.	Initial full responsibility map	No
2	January 2020	Kieran J	Board Changes	Yes

Contents

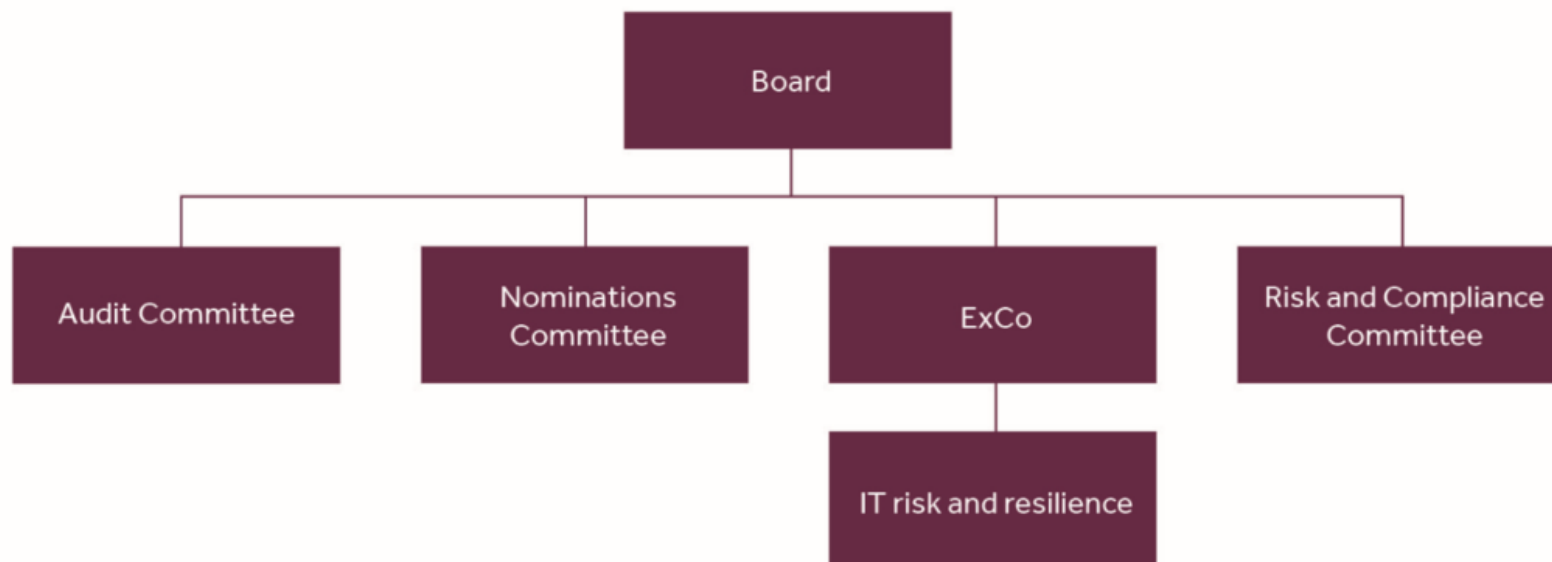
Governance structure
Boards and Committees.....
Assignment of Senior Management Functions
Reporting Lines
Assignment of Senior Management Responsibilities

Governance structure

PropLad Ltd is a mortgage and insurance broker primarily dealing with retail clients and small businesses. PropLad Ltd also offers advisory services and has arrangements with several introducer appointed representatives (IARs). The company covers a wide range of services from mainstream broking to some more niche areas like debt consolidation mortgages.

PropLad Ltd operates a 3 Lines of Defence model.

The map should also include a description of the firm's business functions and activities.



Boards and Committees

Committee	Meeting frequency	SMF Members	Other Members
Board	Quarterly	Jonathan K. (Chair) Paul E. (Vice chair) Federico O. Gemma N. Oscar F. Miah H. Nancy G.	Lee B (NED) Sam T (Company Secretary) (<i>attends</i>)
Executive Committee	Monthly	Oscar F. (Chair) Miah H. Evelyn P. Nancy G Lauren I. Hadif M. Kieran J.	

A short description of the committees' purpose and role should be provided as terms of reference can be lengthy and written in a formal and technical language.

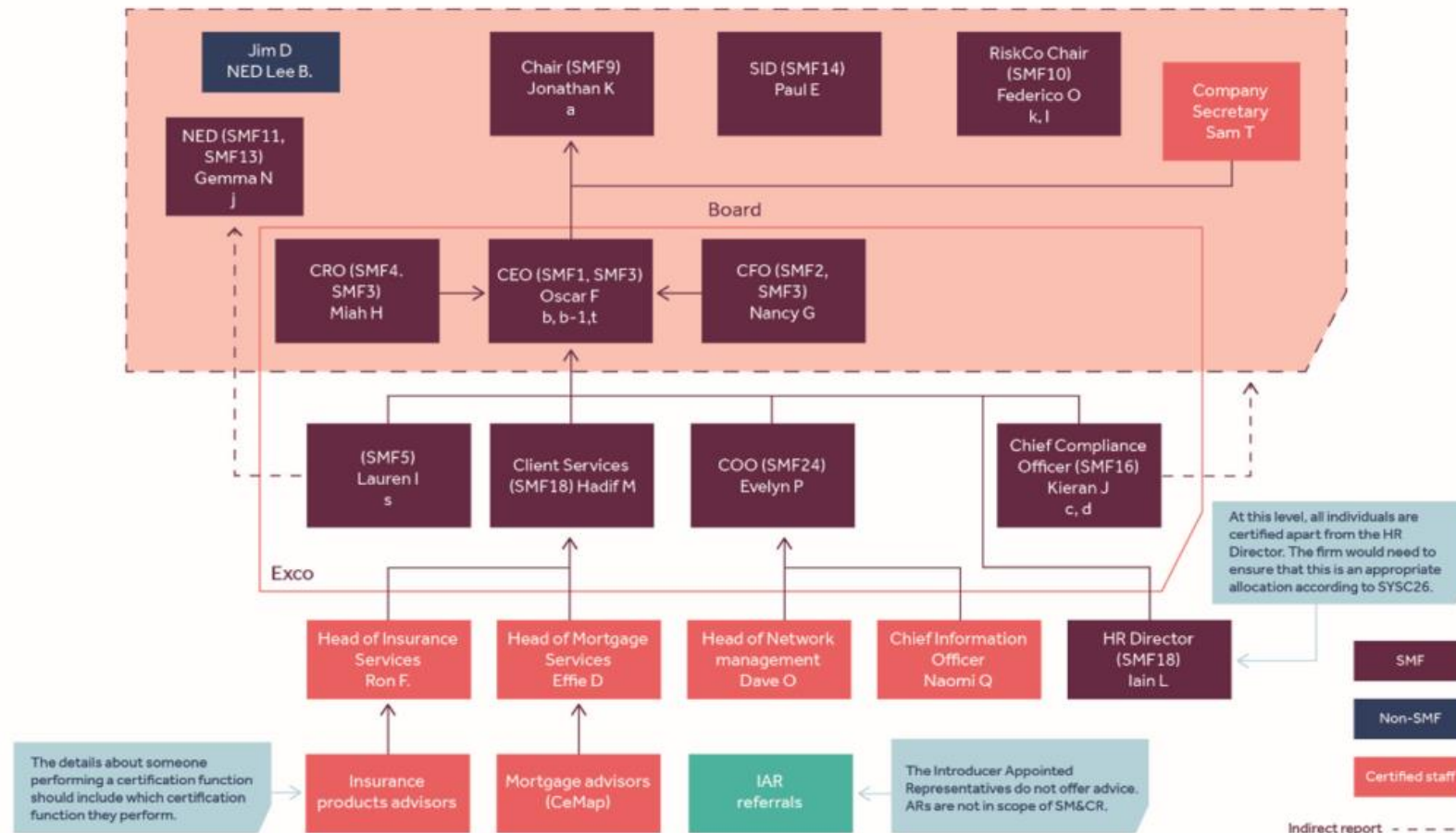
Nominations Committee	Annually	Gemma N. (Chair)	Lee B (NED) Sam T (Company Secretary) (<i>attends</i>)
Audit Committee	Bi annually	Lauren I. (Chair) Gemma N. Federico O.	N/A
Risk and Compliance Committee	Quarterly	Federico O. (Chair) Kieran J. (SMF16)	Lee B (NED)
IT risk and resilience Committee	Quarterly	Evelyn P. (Chair) <u>Hadif M</u>	Dave O. (certified)

Assignment of Senior Management Functions

Although we are not prescriptive of how this information should be presented, any grid used would need to be clear and relevant to the firm. Similar grids could be used for prescribed responsibilities.

	Oscar F	Nancy G	Miah H	Lauren I	Kieran J	Jonathan K	Iain L	Hadif M	Gemma N	Federico O	Paul E	Evelyn P.
SMF1	•											
SMF2		•										
SMF3	•	•	•									
SMF4			•									
SMF5				•								
SMF8												
SMF9						•						
SMF10										•		
SMF11									•			
SMF12												
SMF13									•			
SMF14											•	
SMF15												
SMF16					•							
SMF17												
SMF18							•	•				
SMF24												•

Reporting Lines



There is no mention of whether any of the senior managers included are employees of the firm according to SYSC25.

Assignment of Senior Management Responsibilities

	SMFs Held	Prescribed Responsibilities	Overall Responsibilities	Shared/Split
Oscar F	SMF1 SMF3	(b) Performance by the firm of its obligations under the Certification Regime (b-1) Performance by the firm of its obligations in respect of notifications and training of the Conduct Rules (t) Developing and maintaining the firm's business model		
Nancy G	SMF2 SMF3	This information helpfully clarifies the scope of the CFO's role but, as they are expected responsibilities of the CFO, it is not mandatory and they could just be documented under 'Supplementary information' in her SoR.	Management of the firm's funding and liquidity Financial reporting and accounts Financial Planning and Analysis	
Miah H	SMF4 SMF3	(s) Managing the firm's internal stress tests and ensuring the accuracy and timeliness of information provided to the FCA for the purposes of stress testing		
Lauren I	SMF5		Accountable for the Internal Audit function including leading the Internal Audit Department and delivering the Audit Plan	
Kieran J	SMF16	(d) Responsibility for the firm's policies and procedures for countering the risk that the firm might be used to further financial crime (c) Compliance with the rules relating to the firm's Responsibilities Map		
			Production and distribution of marketing materials and communications – compliance with financial promotions rules	

Accountability for updating the Map is not the same as practically amending the documents for the submission. Firms need to ensure that this is allocated to the most senior person.

Jonathan K	SMF9	(a) Performance by the firm of its obligations under the Senior Managers Regime, including implementation and oversight		
Iain L	SMF18		Human Resources including staff incentives	
Hadif M	SMF18		Mortgage advice Customer Complaints handling in relation to sales	
Gemma N	SMF11 SMF13	(j) Safeguarding and overseeing the independence and performance of the internal audit function (in accordance with SYSC 6.2)		
			Chair of Nominations Committee role: Responsible for the oversight of the expertise, skills and experience of the Board composition, as well as the evaluation and appointment of potential directors to the Board.	
Federico O	SMF10	(k) Safeguarding and overseeing the independence and performance of the compliance function (in accordance with SYSC 6.1)		As this is an inherent responsibility to the role of a NED there is no need to include it as an overall responsibility.
		(l) Safeguarding and overseeing the independence and performance of the risk function (in accordance with SYSC 7.1.21R and SYSC 7.1.22R)		
Paul E			Provide constructive challenge as to the performance of the firm and its management Whistleblowing policy	

The areas of personal accountability should be distinguished from the function the committee has in its terms of reference and/or its role in the company's governance. As this is inherent to the role of a chair, this is not an overall responsibility but could be included under other responsibilities or supplementary information.

Evelyn P.	SMF24	'Oversight of the AR network as per SLAs': It is not clear that this responsibility includes full responsibility for the AR network.	IT strategy and delivery Business Continuity Customer Service Oversight of the AR network as per SLAs Post-sale customer administration, including dealing with providers and customer complaints about service Production and distribution of marketing materials and communications	
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Annex I: Questions in this consultation

Q1: Do you think we have suggested the relevant key questions for preparing SoRs? If not, what other considerations could we add?

Q2: Do you think the suggested examples are clear in demonstrating good and poor practices of preparing SoRs? If not, please explain why.

Q3: Do you think the suggested examples are clear in demonstrating how to formulate a Responsibilities Map (Enhanced firms only)? If not, please explain why.