

Strengthening accountability in banking and insurance: optimisations to the SIMR, and changes to SMR forms

11 August 2017

On behalf of their members, AFME and UK Finance welcome the opportunity to comment on PRA CP8/17 “Optimisations to the SIMR and changes to SMR forms”.

UK Finance is a new trade association which was formed on 1 July 2017 to represent the finance and banking industry operating in the UK. It will represent around 300 firms in the UK providing credit, banking, markets and payment-related services. The new organisation brings together most of the activities previously carried out by the Asset Based Finance Association, the British Bankers’ Association, the Council of Mortgage Lenders, Financial Fraud Action UK, Payments UK and The UK Cards Association.

AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society. AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia. AFME is listed on the EU Register of Interest Representatives, registration number 65110063986-76.

Comments on PRA CP8/17

CP34/16 proposed creating a new Chief Operations Officer SMF, to be responsible for ‘managing, and ensuring the operational continuity and resilience of, the internal operations, systems and technology of a firm’. In our joint response¹ we argued that the range and depth of understanding needed to ensure this meant that it would be difficult to allocate this function to a single individual and that therefore the PRA should permit this function to be split amongst a (small) number of individuals, as is currently the case in many banks. We are grateful for the PRA’s amendment of approach to focus on responsibility ‘for the firm’s performance of its obligations under the Outsourcing part of the Rulebook’, which will ensure a more proportionate approach to accountability for operations and technology, as is the recognition that this SMF 24 role may be split among no more than three individuals.

We acknowledge the useful engagement with the PRA on the practicalities of implementing the SMCR and the commitment that the approval of SMFs that already hold a function will be streamlined as far as possible. We urge that this is more clearly communicated and the PRA goes further to agree that individuals that are already SMF18s and perform the functions outlined for SMF24 may be grandfathered across with a simple notification. This will reduce the administrative burden for both firms and the PRA.

We note that there will likely be some confusion caused by changing terminology or references from consultation to final policy, as the COO function was originally going to be SMF23, but was changed to SMF24 in the final published policy statement.

Furthermore, the draft Statement of Responsibilities (SoR) form published in the CP updates the referencing of the Prescribed Responsibilities by inserting the Outsourcing responsibility into the list as the new ‘v’, with the subsequent responsibilities all ‘re-lettered’. We ask the PRA to reconsider this change, which will have consequences for firms’ internal documentation and create administrative costs and confusion which the PRA may not have foreseen. Many firms refer to the letters assigned to each Prescribed Responsibility within their internal documents, and use these

¹ <https://www.afme.eu/globalassets/downloads/consultation-responses/afme-bba-response-to-pra-cp34.16.pdf>

letters as a shorthand when referring to the Prescribed Responsibilities. Therefore, updating the letter codes in this way will require many firms to update internal documents which refer to the Prescribed Responsibilities. It may also create confusion within firms, and amongst Senior Managers themselves, as people adjust between the old and new references. These costs could easily be avoided if the Outsourcing responsibility was given a brand-new reference (e.g. 'xx'), rather than taking over the existing 'v' reference.

We also request that, for any future changes, terminology and codes are kept as consistent as possible, as these abbreviations are often well used and understood within firms, and may also be coded into internal systems. When these are changed, it can have an administrative impact for firms who will need to go through their existing policies, documents and systems in order to update them to ensure they are corrected for current terminology and referencing.

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