



Getting to Grips with THE CERTIFICATION REGIME Code of Conduct

The three elements of the SMCR



Senior Managers Regime



Certification Regime



The Code of Conduct

Requirement

- Under section 64B of the *Act*, a *relevant authorised person* must:

Ensure that all *persons* subject to the *rules* in *COCON* are notified of the *rules* that apply to them; and

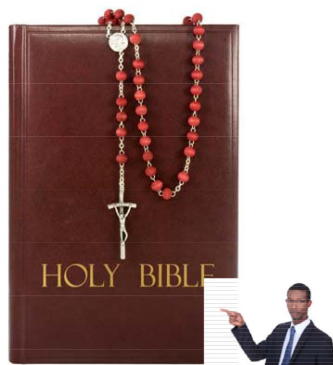
Take all reasonable steps to ensure that those *persons* understand how the *rules* in *COCON* apply to them.

The steps that a *relevant authorised person* must take to secure that its *conduct rules staff* understand how the *rules* in *COCON* apply to them include the provision of suitable training.

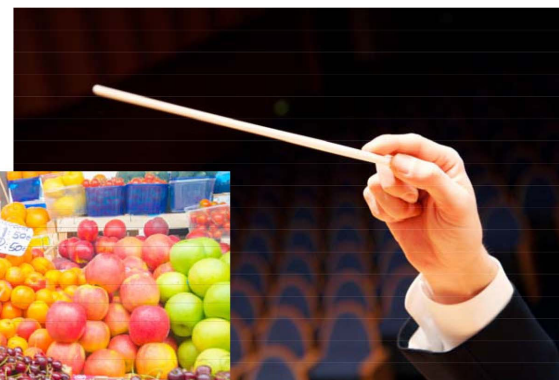
Suitable training should always ensure that those who are subject to the *rules* in *COCON* have an awareness and broad understanding of all of the *rules* in *COCON*, and that they also have a deeper understanding of the practical application of the specific *rules* which are relevant to their work.



Individual Conduct Rules



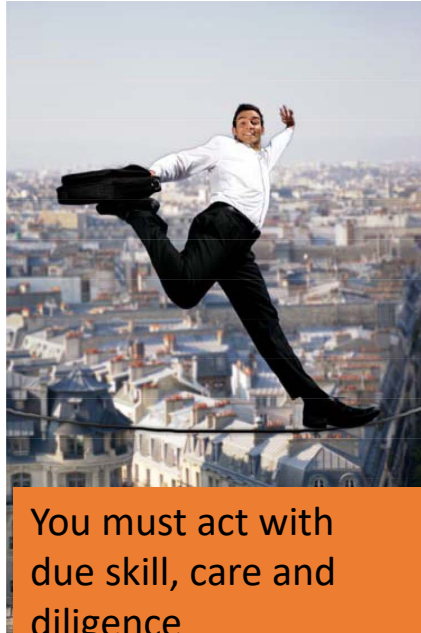
Customer Waiting Area



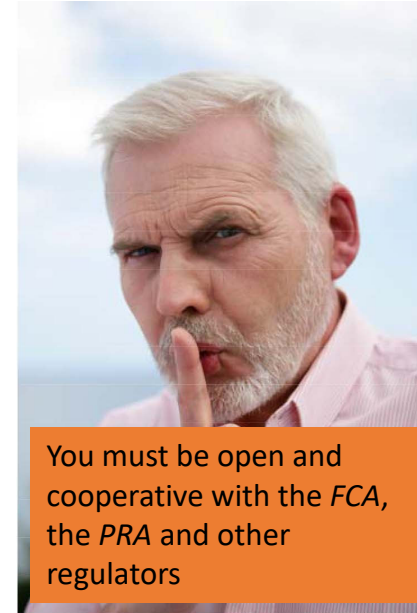


You must act with integrity

HOLY BIBLE



You must act with due skill, care and diligence



You must be open and cooperative with the *FCA*, the *PRA* and other regulators

Customer Waiting Area



You must pay due regard to the interests of *customers* and treat them fairly



You must observe proper standards of market conduct



1

Rule 1: You must act with integrity.

2

Rule 2: You must act with due skill, care and diligence.

3

Rule 3: You must be open and cooperative with the *FCA*, the *PRA* and other regulators.

4

Rule 4: You must pay due regard to the interests of *customers* and treat them fairly.

5

Rule 5: You must observe proper standards of market conduct

Individual Conduct Rules

- SC1: You must take reasonable steps to ensure that the business of the *firm* for which you are responsible is controlled effectively.
- 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*.
- SC3: You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person and that you oversee the discharge of the delegated responsibility effectively.
- SC4: You must disclose appropriately any information of which the *FCA* or *PRA* would reasonably expect notice.
- **When exercising your responsibilities you must pay due regard to the interests of current and potential future policyholders in ensuring the provision by the firm of an appropriate degree of protection for their insured benefits**

Senior Manager Conduct Rules

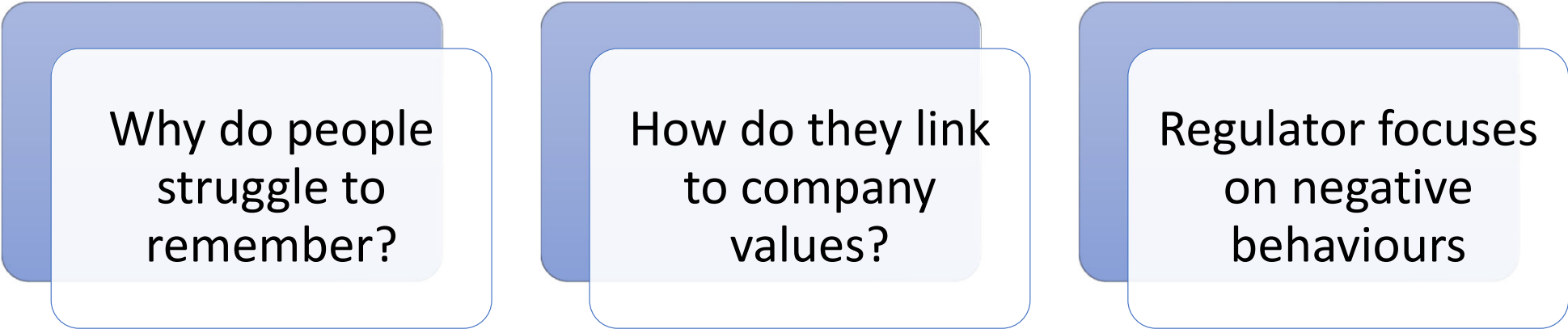


INDIVIDUAL	SENIOR
SMFs NEDs CERTIFICATION – FCA CERTIFICATION – PRA- KFHS/MRTs EMPLOYEES (EXCLUDE ANCILLARY STAFF) –FCA	SMFs CERTIFICATION –PRA –KFHS NEDs – RULE 4

Conduct Rules scope

Covers both regulated and non regulated financial services activities (Different for RAPs)

Issues



Why do people
struggle to
remember?

How do they link
to company
values?

Regulator focuses
on negative
behaviours

Integrity

- What does it mean to you?
- How do you create common understanding?
- How do you make it relevant across all levels of your firm?
- How do you make it work for all aspects of the code?



The integrity question

You have just enjoyed a great meal with your partner and have asked for the bill. This arrives and running a cursory eye over the itemised account you notice that the sweets have not been added to the bill. What do you do?

- a) Say nothing. Pay the bill and promptly leave.
- b) Say nothing. Pay the bill adding a slightly more generous tip.
- c) Call the staff member over. Explain what you have noticed and ask for 50% of the difference to be added to your bill.
- d) Call the staff member over. Explain what you have noticed. Ask for a revised bill to include the missing sweets. Pay the bill but leave no tip.
- e) Call the staff member over. Explain what you have noticed. Ask for a revised bill to include the missing sweets. Pay the bill and leave the same tip you would have paid assuming everything was in order in the first place

The background of the slide features several thin, curved lines in shades of gray, some solid and some dashed, creating a sense of motion or orbits. A blue rectangular box with a small triangular pointer at the bottom is positioned on the left side.

Think about
creating this
environment

- *The story is told of an unannounced visit by John F. Kennedy to the space center at Cape Canaveral in the mid 1960s. Kennedy toured the complex and met a man in overalls. "What do you do here?" he asked. The man replied, "I'm earning a living." Kennedy nodded and moved on. He met another man in overalls and asked him the same question. "I clean away all the rubbish," the man said. Kennedy smiled and strode on until he met another man in overalls and put the same question again. This time a big smile came across the face of the man who replied, "Mr President, I'm helping to put a man on the moon."*

You must act with integrity

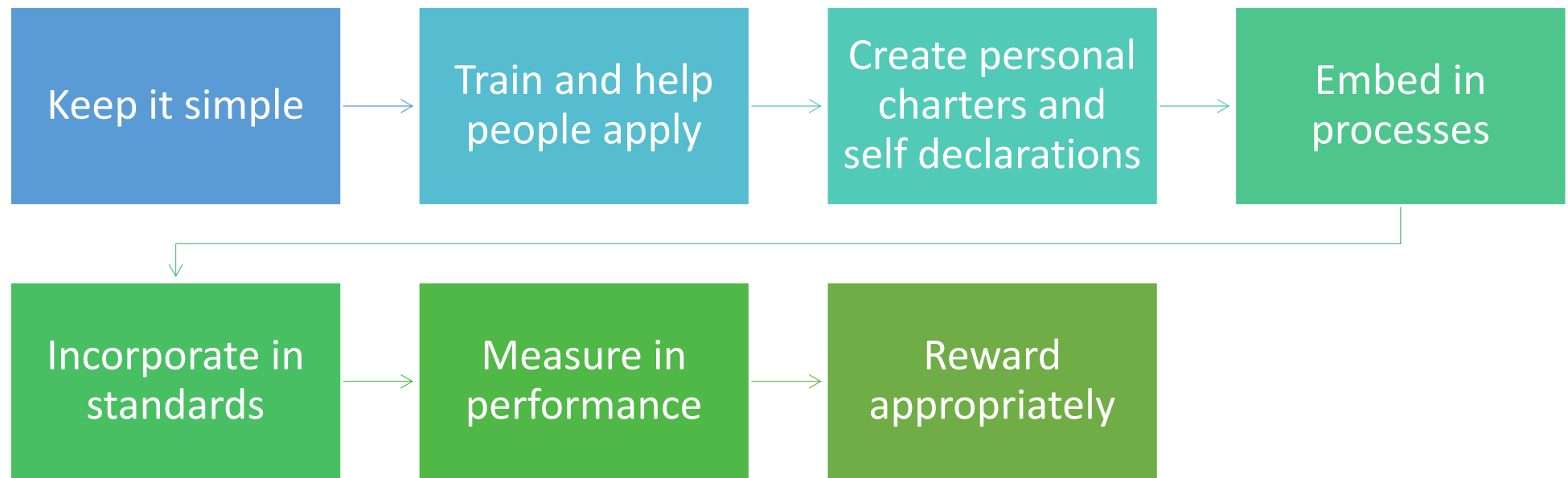
OPTION A

- Keep promises
- Confidentiality
- Honesty
- Communicate
- Admit mistakes
- Fix don't blame
- Lead by example

OPTION B

- Provide full, clear , accurate and relevant information to customers whether internal or external at all times
- Protect the confidentiality of information and ensure it is secure
- Seek mutual understanding of outcomes in all dealings with customers whether internal or external

Key steps



Code of Conduct Breach

Depends on
Individual circumstances
Characteristics of the
function
Behaviour expected in the
function

Personal culpability
Deliberate
Standard below that which
would be reasonable

How activities relate to
other handbook provisions

Consistency with regulatory
standards of regulatory
system applicable to
person's firm

Annual return – Form H in
October – Disciplinary
actions

Note PRA – KFHs/MRT –
similar requirement to SMF
– 7 days not annual

If a *firm* decides not to issue a certificate to that *person*, the *firm* must give the *person* a notice in writing stating:

(1) what steps (if any) the *firm* proposes to take in relation to the *person* as a result of the decision; and

(2) the reasons for proposing to take those steps.

It should consider if the circumstances warrant making a notification to the *FCA* for a breach of the *rules* in *COCON* pursuant to n SUP 15.3.11R

Code of Conduct Annual return to *FCA* in October covering the year 1 September to 31 August

What if certificate declined?

SUP 15.3.11R

- This is an immediate notification not part of an annual return
- It is used when there is a significant breach and must be done as soon as the firm becomes aware.
- Significance relates to potential financial losses to customers/firm, frequency of breach and the strength of the SYSC controls and the time taken to identify and rectify the breach.
- If this leads to an individual (s) be subjected to formal written warning or worse it is expected that details will be included in the annual return.