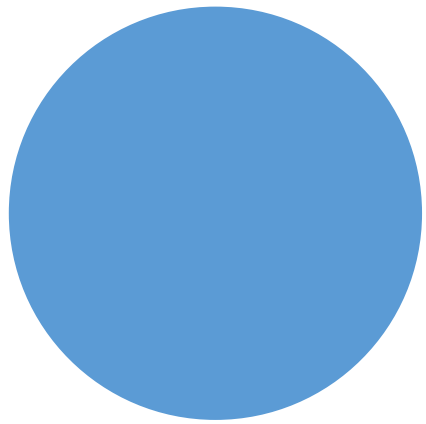
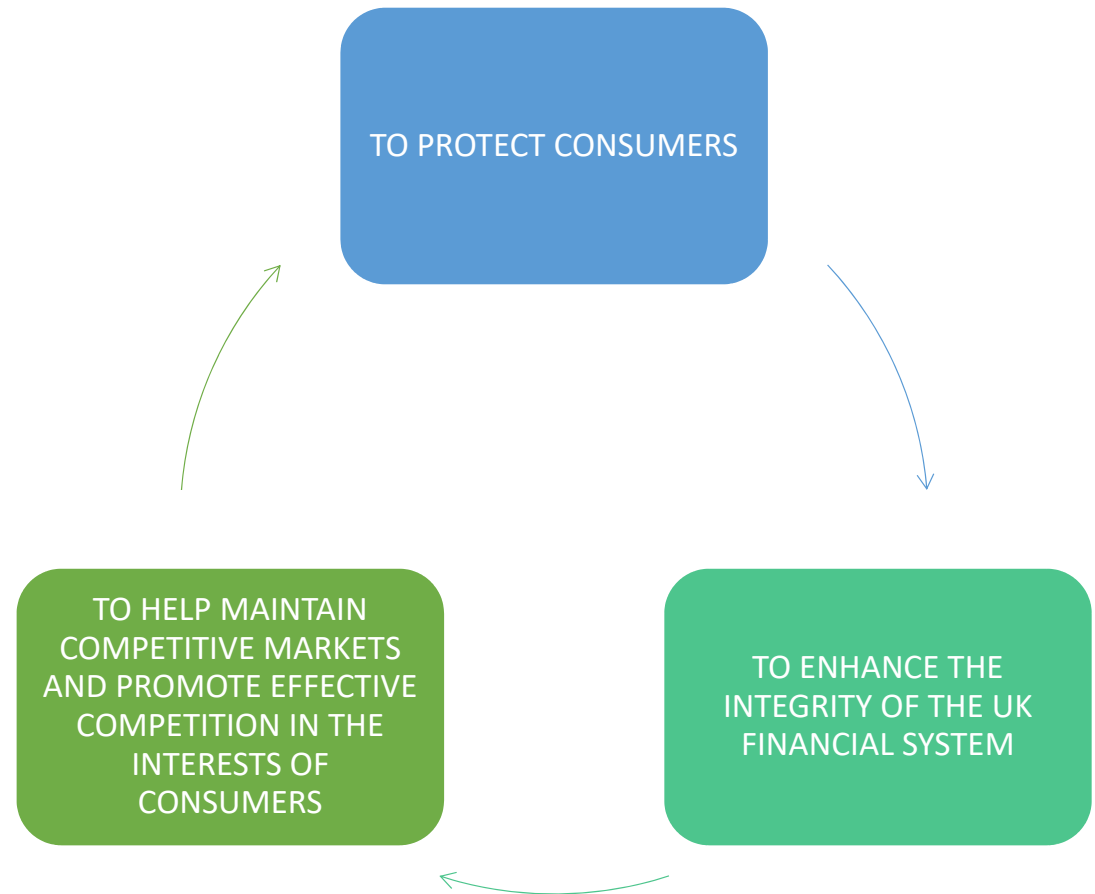


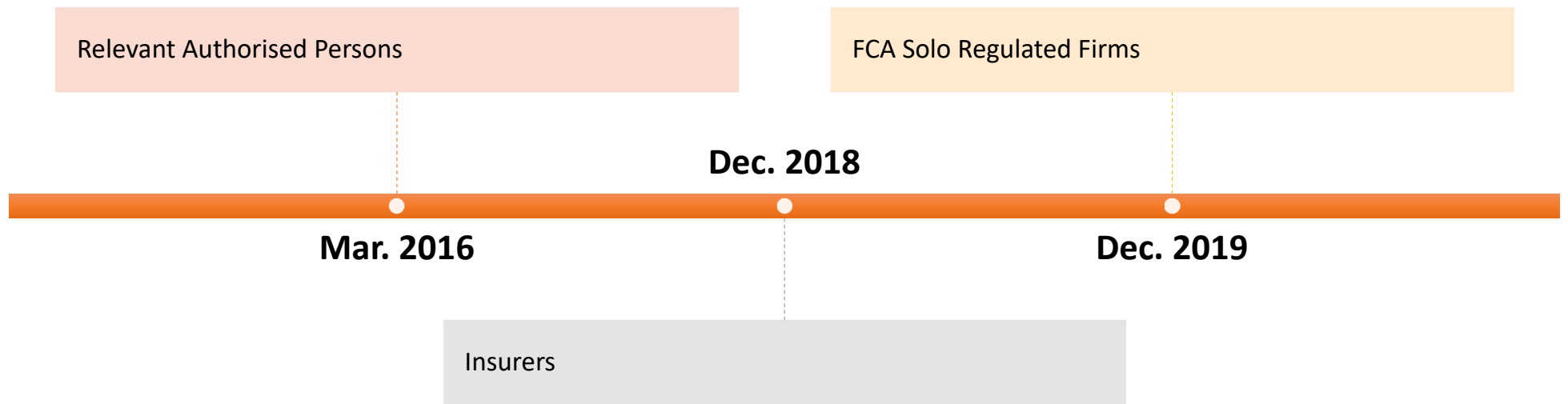
The Senior Managers &
Certification Regime – for
enhanced firms

Some key factors

- New accountability system more focused on senior managers and individuals responsibility
- Raising standards of conduct
- It replaces the Approved Persons Regime except for Appointed Representatives (at this stage)
- It's a key part of the **culture** and governance priority
- Overall aim to reduce harm to consumers – and build confidence in financial services

FCA Objectives





The timeline so far



Before we get
started on
Certification –
let's talk culture

- Firms' culture and governance help deliver FCA objectives
- Firms develop a culture of accountability at all levels
- **Firms understand and can explain their cultures, including what drives their behaviours.**
- Drivers of culture – Purpose, Leadership, Reward & Managing People and Governance focused on delivering consumer outcomes
- Firms take steps to proactively identify and address issues when things go wrong, and can demonstrate that they learn from these events.

Culture



- Culture is the product of a number of different drivers within firms, and is shaped by many influences that drive the behaviour of everyone in an organisation.
- VISION, VALUES, NORMS, SYSTEMS, SYMBOLS, LANGUAGE, BELIEFS, ASSUMPTIONS, HABITS

1

The regulators will continue approve the appointment of Senior Management Functions but the list is narrower than SIFs

2

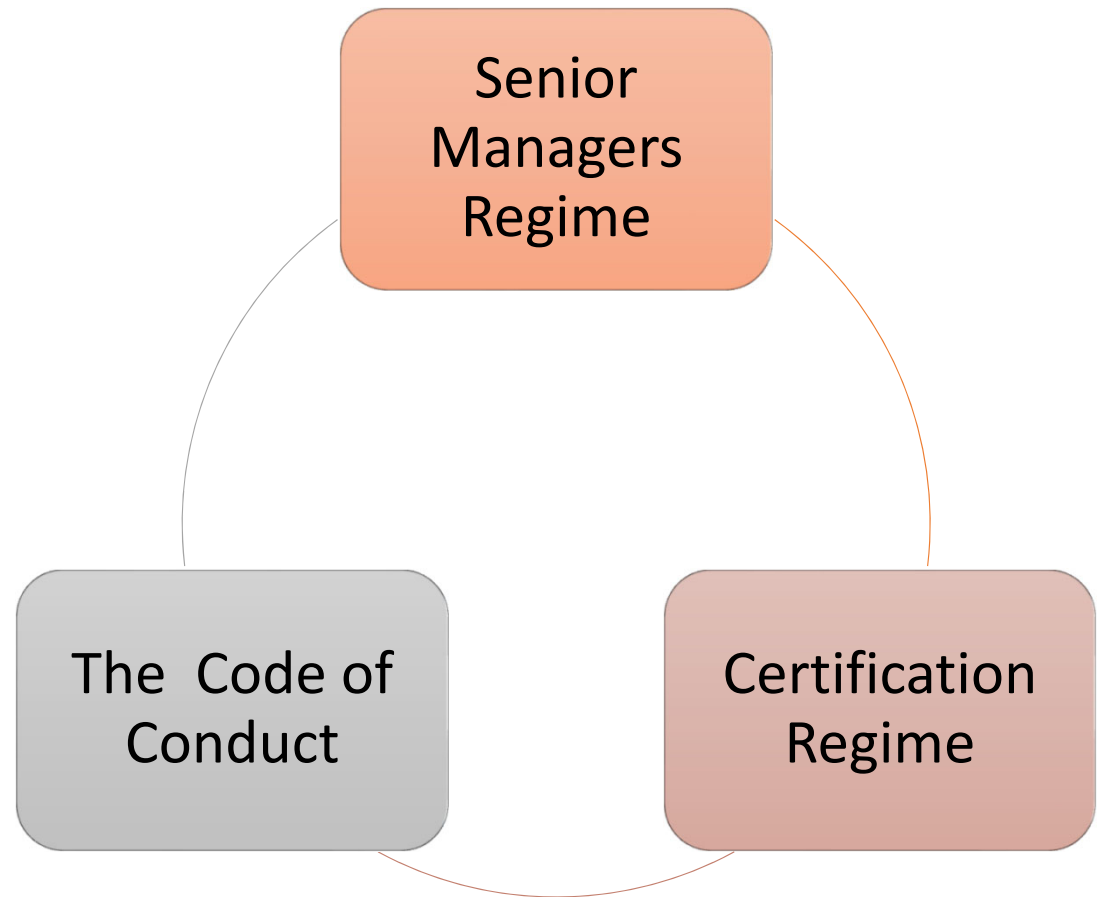
Firms will take responsibility to certify certification functions with a designated SMF taking on the specific responsibility

3

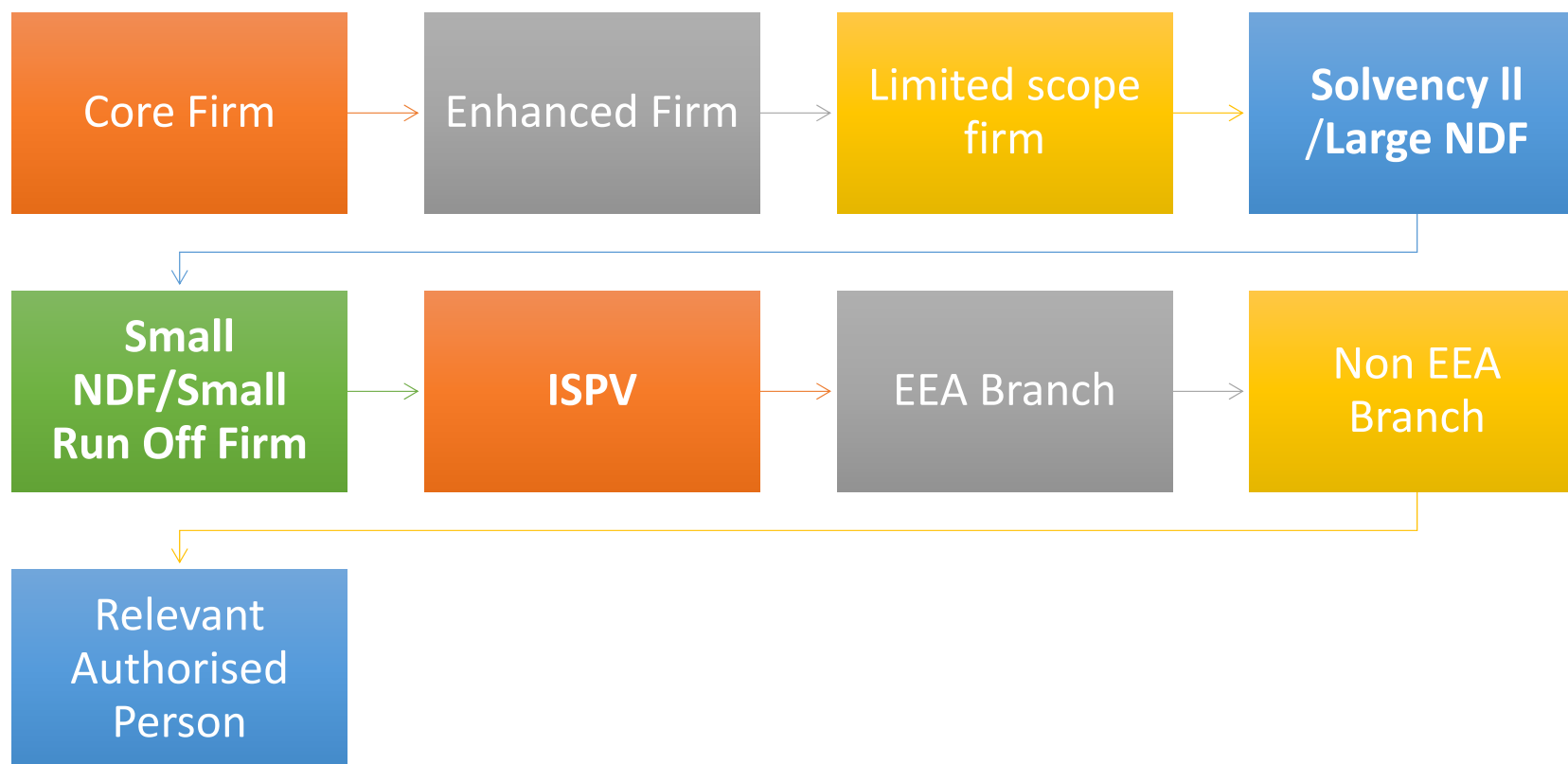
Firms must undertake at least annual assessments of FITness as part of the continuing certification process

The Key Changes

The three elements of the SMCR



Which type of firm are you?



Types of firm - Enhanced

firm that is a Significant IFPRU firm

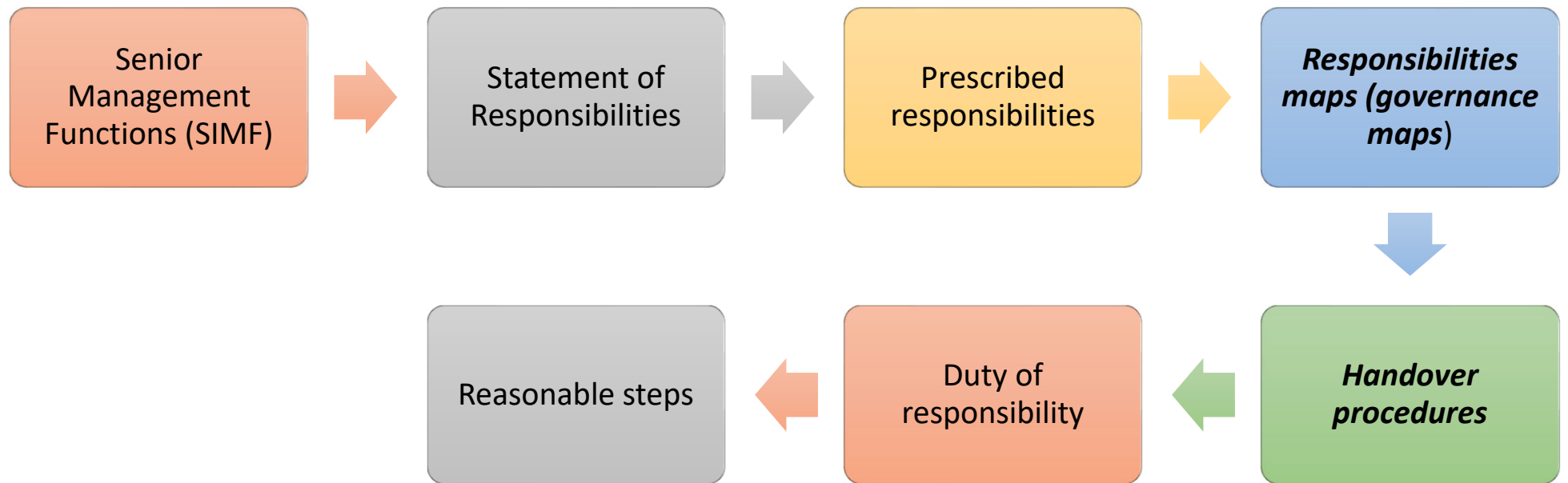
firm that is a CASS Large firm

Firms with Assets Under Management of £50 billion or more (at any time in the previous 3 years)

Firms with current total intermediary regulated business revenue of £35 million or more per annum

Firms with an annual regulated revenue generated by consumer credit lending of £100m or more

Mortgage lenders (that are not banks) with 10,000 or more regulated mortgages outstanding



Senior Managers Regime – key elements



SMFs for Enhanced Firms

- There are 17 SMF roles (6 for Core Firms)
- Includes governing, required and systems & controls
- Dealt with on an entity by entity basis
- Multiple SMF roles in same entity permitted
- Roles across groups permitted but separate process
- SMF only if you have someone doing the job- except for a required function
- No territorial limitation

SMFs – Mapping across

Current Controlled Function	Possible Corresponding SMF
CF1 – Director	SMF2 Chief Finance Officer , SMF3 Executive Director, SMF4 Chief Risk Officer , SMF5 HO Internal Audit . SMF7 Group Entity Senior Manager, SMF24 Chief Operations
CF2 – Non Executive Director	SMF9 –Chair, SMF10 –Chair Risk Com, SMF11 Chair Audit Com, SMF12 Chair Remuneration Com, SMF13 Chair Nominations Com, SMF14 Sen Ind Director, SMF7
CF3 – Chief Executive	SMF1 Chief Exec, SMF2, SMF4, SMF5
CF4 - Partner	SMF27 –Partner, SMF2, SMF4
CF5- Director of Unincorporated Association	SMF2, SMF3, SMF4, SMF5
CF6 –Small Friendly Society Function	SMF2, SMF3, SMF4, SMF5
CF10 Compliance Oversight	SMF16 Compliance Oversight
CF10a CASS Operational Oversight	SMF18 –Other Overall Responsibility
CF11 Money Laundering Reporting Officer	SMF17 MLRO
CF28 – Systems and Controls Function	SMF2, SMF4, SMF5
CF29 – Significant Management Function	SMF18, SMF24

Governing Functions

Required Functions

Systems & Control Functions

Non Exec Directors

- CF2 under approved persons will lapse
- Only NEDs who hold Chair positions or Senior Independent Director position will be approved by the FCA
- Normally expect the Chairs of the Internal Audit, Compliance and Risk Committees to be allocated to a NED if there is one
- All NEDs will be subject to Conduct Rules, FIT assessment (not Limited Scope) and Regulatory References (Not Limited Scope)
- Form K to convert approved NED to SMF9 (If Executive Chair need to submit form A)

Applies to firms regulated and unregulated financial services activities

An overall responsibility cannot be divided –set out what they are responsible for in a clear and accurate way

SYSC 25 Annex 1 lists examples of business areas

SMF18 only used if SMF does not hold other SMF

SMF 18 cannot hold PR except CASS

Other business areas –SMF18

Overall Responsibility



Every activity, business area and management function has a Senior Manager with overall responsibility for it



The Senior Manager has ultimate responsibility for managing or supervising a function



Briefs and reports to the governing body about their area of responsibility



Puts matters for decision about their area of responsibility to the governing body



Should be the most credible senior person with sufficient seniority, resources and authority



Can still be the CEO or other members of the executive team

Examples of
business
activities and
functions of
an SMCR firm

Payment Services	Settlement	Investment Management
Financial or Investment Advice	Mortgage Advice	Corporate Investments
Wholesale sales	Retail Sales	Trading for clients
Market making	Investment Research	Origination/syndication and underwriting
Retail lending decisions	Wholesale lending decisions	Design/Manufacture products for wholesale customers
Design/Manufacture products for retail customers	Marketing	Customer service
Customer Complaints handling	Dealing with customers in arrears	Information Technology
Business continuity planning	Human resources	Incentive schemes

See SYSC 25 Annex 1 for complete list



Approvals that end

- CF2- Non Executive Director – Unless SMF9 (Chair)
- CF10a – CASS Oversight
- CF28 – Systems & Control
- CF29 – Significant Management
- CF30 – Customer Function



Duty of responsibility / Reasonable steps

- The senior manager responsible for that area could be held accountable if they did not take 'reasonable steps' to prevent or stop the breach.
- Burden of proof lies with the regulator

DEPP 6.2.9 -E

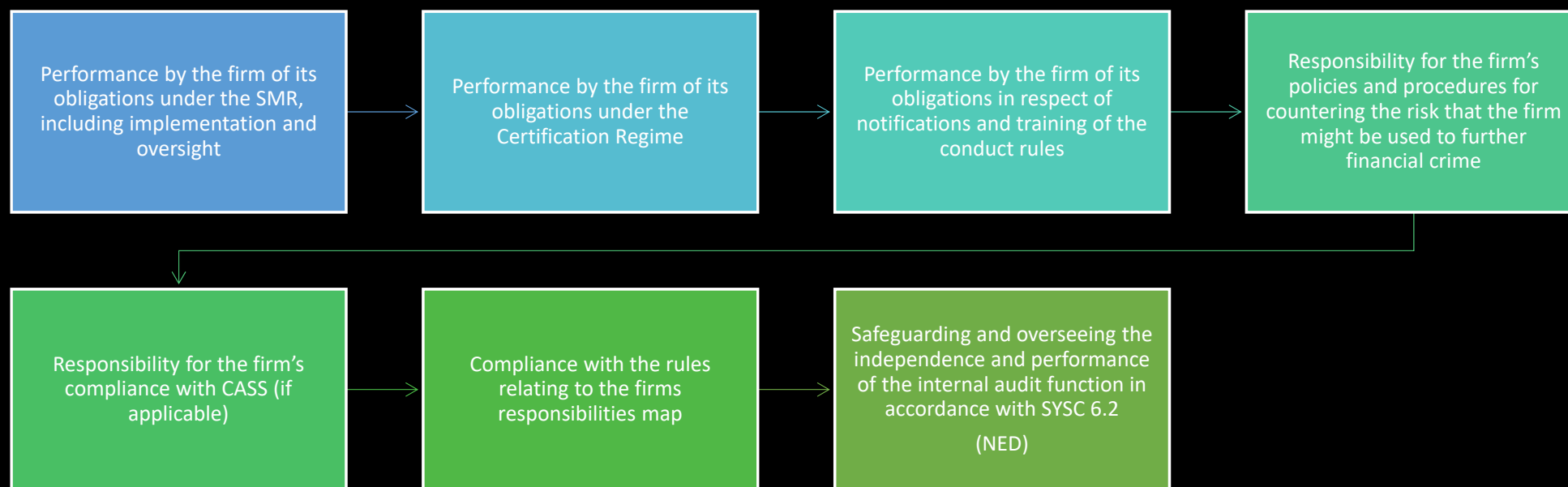
- (8) whether the [SMF manager](#) took reasonable steps to ensure that any delegation of their responsibilities, where this was itself reasonable, was to an appropriate person with the necessary capacity, competence, knowledge, seniority and skill, and whether the [SMF manager](#) took reasonable steps to oversee the discharge of the delegated responsibility effectively;
- (9) whether the [SMF manager](#) took reasonable steps to ensure that the reporting lines, whether in the [UK](#) or [overseas](#), in relation to the [firm's](#) activities for which they were responsible, were clear to staff and operated effectively;
- (10) whether the [SMF manager](#) took reasonable steps to satisfy themselves, on reasonable grounds, that, for the activities for which they were responsible, the [firm](#) had appropriate policies and procedures for reviewing the competence, knowledge, skills and performance of each individual member of staff to assess their suitability to fulfil their duties;
- (11) whether the [SMF manager](#) took reasonable steps (including in relation to [SYSC 4.9](#)) to assess, on taking up each of their responsibilities, and monitor, where reasonable, the governance, operational and risk management arrangements in place for the [firm's](#) activities for which they were responsible (including, where appropriate, corroborating, challenging and considering the wider implications of the information available to them), and whether they took reasonable steps to deal with any actual or suspected issues identified as a result in a timely and appropriate manner;

Enhanced Firms – prescribed responsibilities

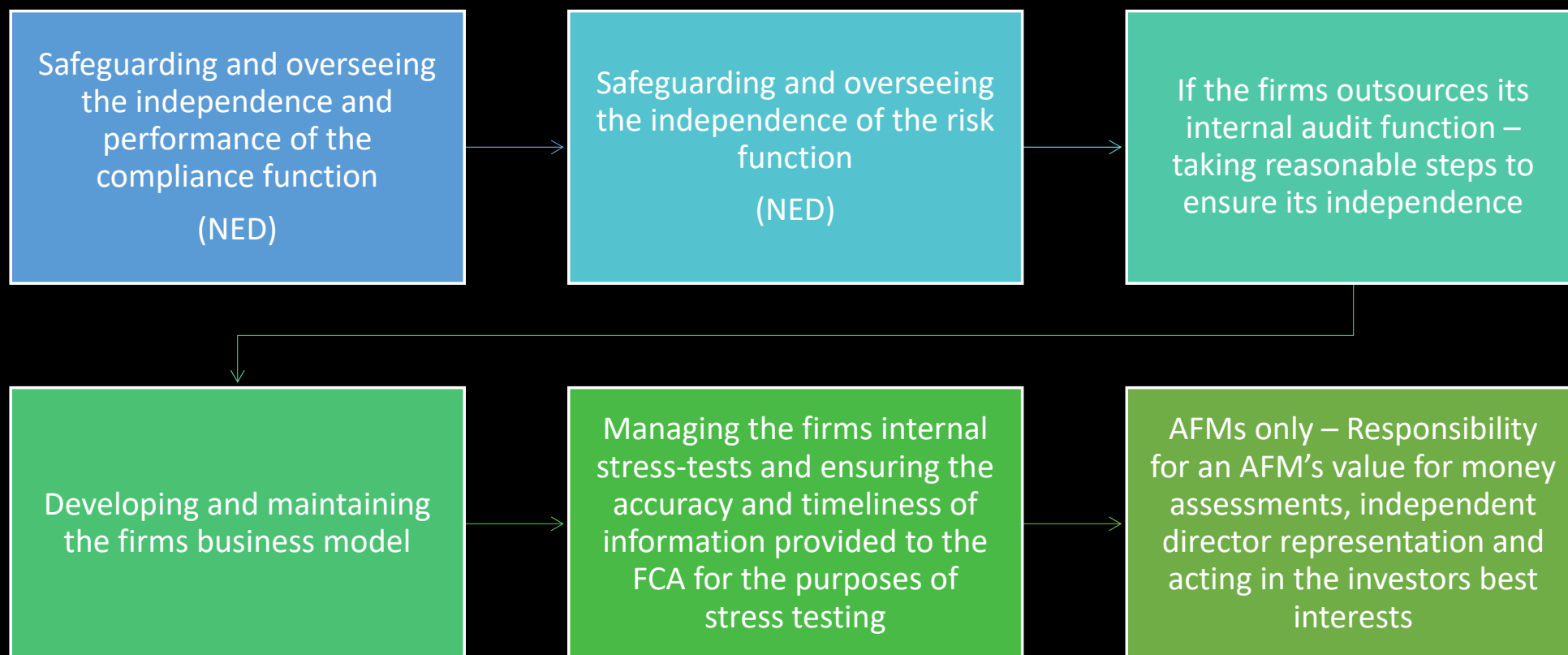
Normally held by one person who is the most senior person appropriate to hold that responsibility

A firm should only divide or share a responsibility where it is appropriate and can be justified e.g. part of a job share, working together as part of a handover

Prescribed responsibilities – Enhanced Firms



Prescribed responsibilities – Enhanced Firms



Statements of responsibility— do's and don'ts

Self contained document

It is unreasonable that one person has responsibility for the firm's TCF or culture

Do not share a responsibility with the Compliance Function when their role is oversight – lines of defence

Ensure you get a clear understanding of the business areas for which the person is responsible

Business areas might be divided by such aspects as asset class, customer type, product lines

Drafting Statements of responsibility

First section on prescribed responsibilities

Second on Overall responsibilities – SYSC25
Annex1

Other responsibilities –other things not
covered by the aforementioned (e.g. new
strategic initiatives, business transformation
programmes or mergers

Supplementary Information – Further detail
of role based SMF such as Chief Risk Officer –
this is seen as a helpful addition

Useful Publication

Finalised guidance

FG19/2 Senior Managers and Certification Regime: Guidance on statements of responsibilities and Responsibilities Maps for FCA firms

March 2019

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Example SMF18

- 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.
- 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.



Example SMF18

- 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.
-

Responsibilities maps – what are they

- How prescribed responsibilities have been allocated
- Who has overall responsibilities for firms activities, business areas and management functions
- Details of individuals and committees reporting lines
- How are responsibilities shared or divided?
- Presented by legal entity but if its part of a group how it relates to the group
- Who is responsible for strategic decisions?
- Who has oversight of these decisions?

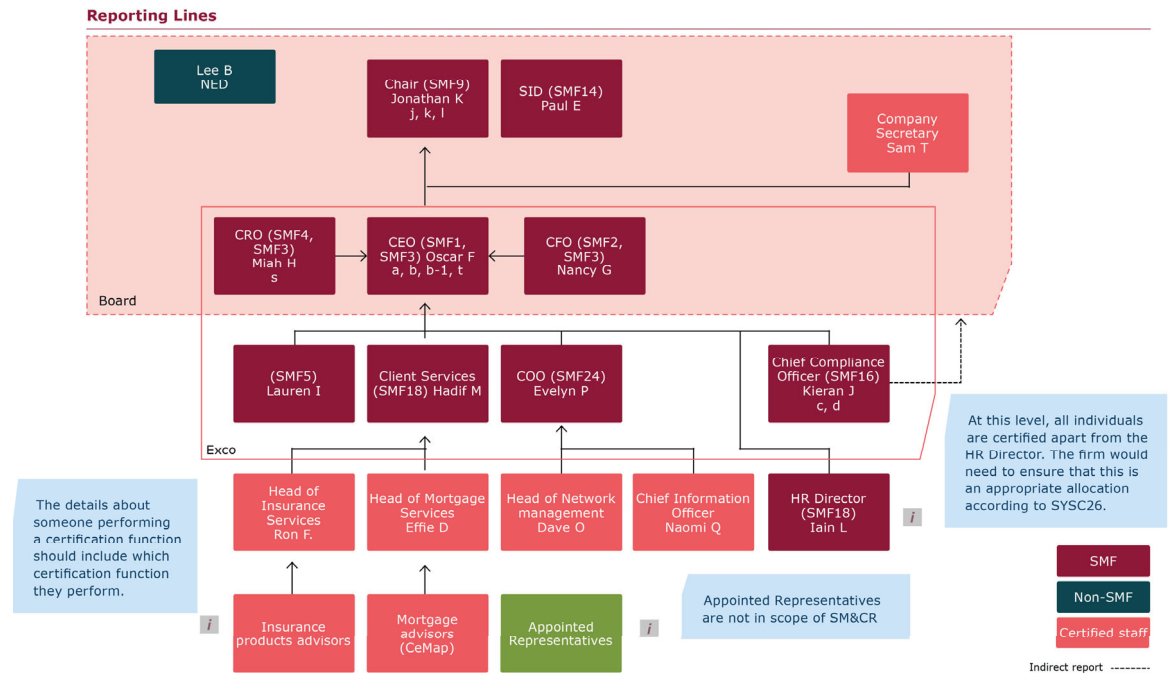




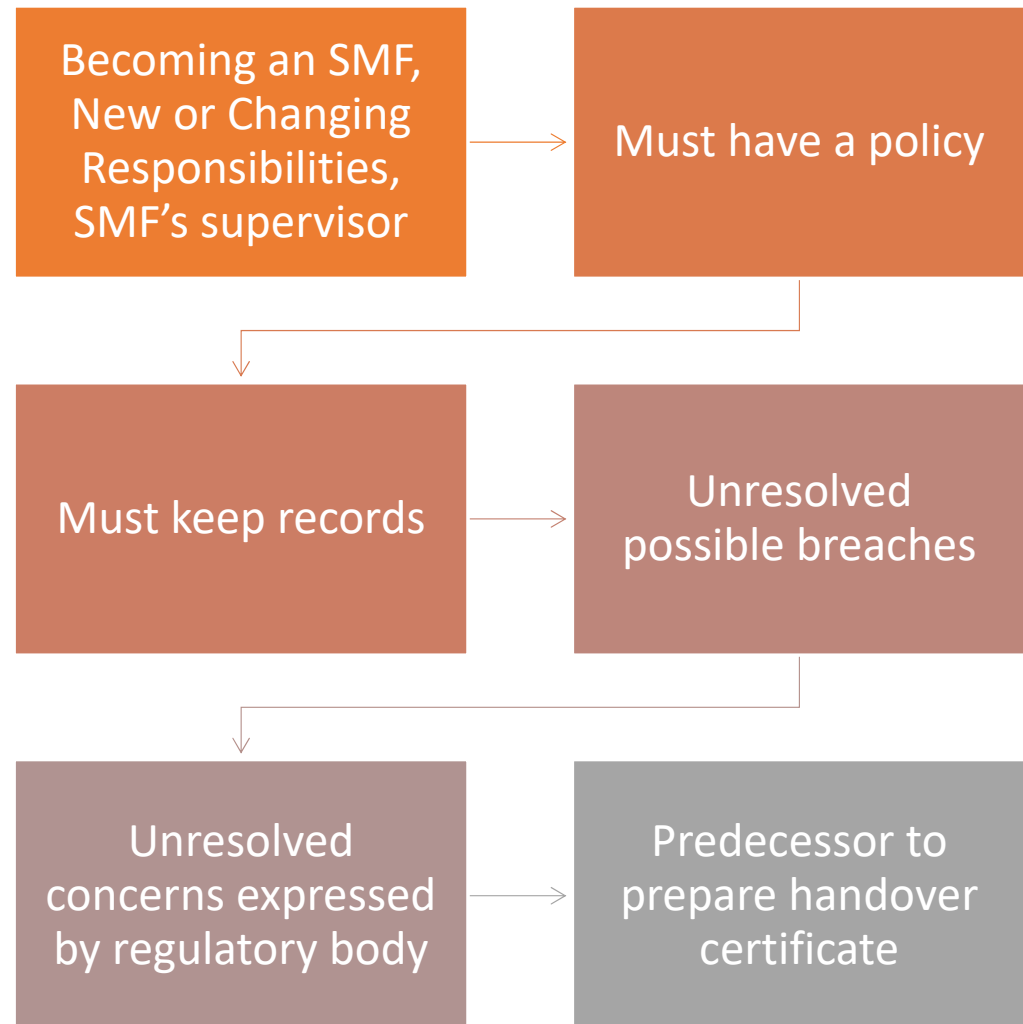
Responsibilities maps – an example

Responsibilities Map

Finalised guidance



Handover procedures



Submitting forms

Done via the connect system

Form K details all Approved Persons transferring to SMF roles at commencement

Statements of Responsibility for all included in form K

Responsibilities map also required

Form A for any new SMF roles

Form E for any transferred roles

List any additional SMF roles (Governing functions CF1-6 can include CF 28 and 29 without further approval)

Forms not in on time- no approved person- reapply including CRB and regulatory references

Applications in process

- Use existing forms up to start
- Roles that don't map across that are in the approval process will lapse at commencement
- Cant do the role without approval – may affect recruitment plans
- New forms available in September- but only used for appointments wef commencement
- Early submissions require CRB but not regulatory references

