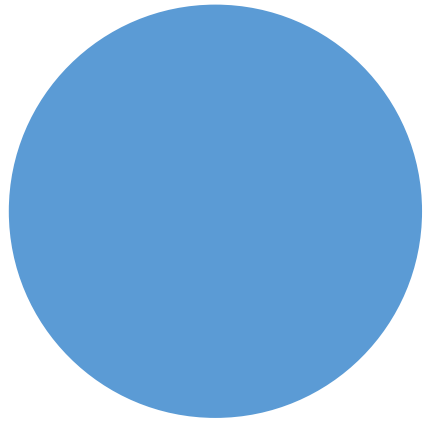
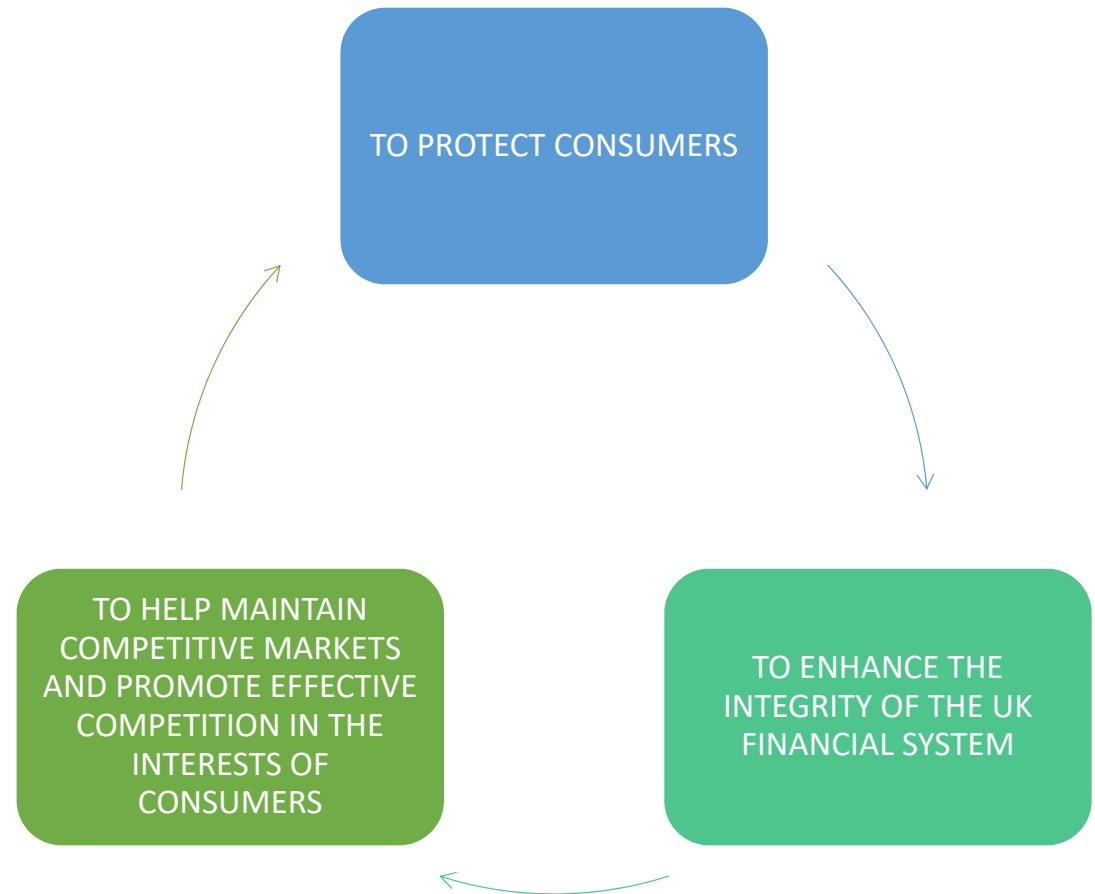


The Senior Managers &
Certification Regime – for core
firms

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





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

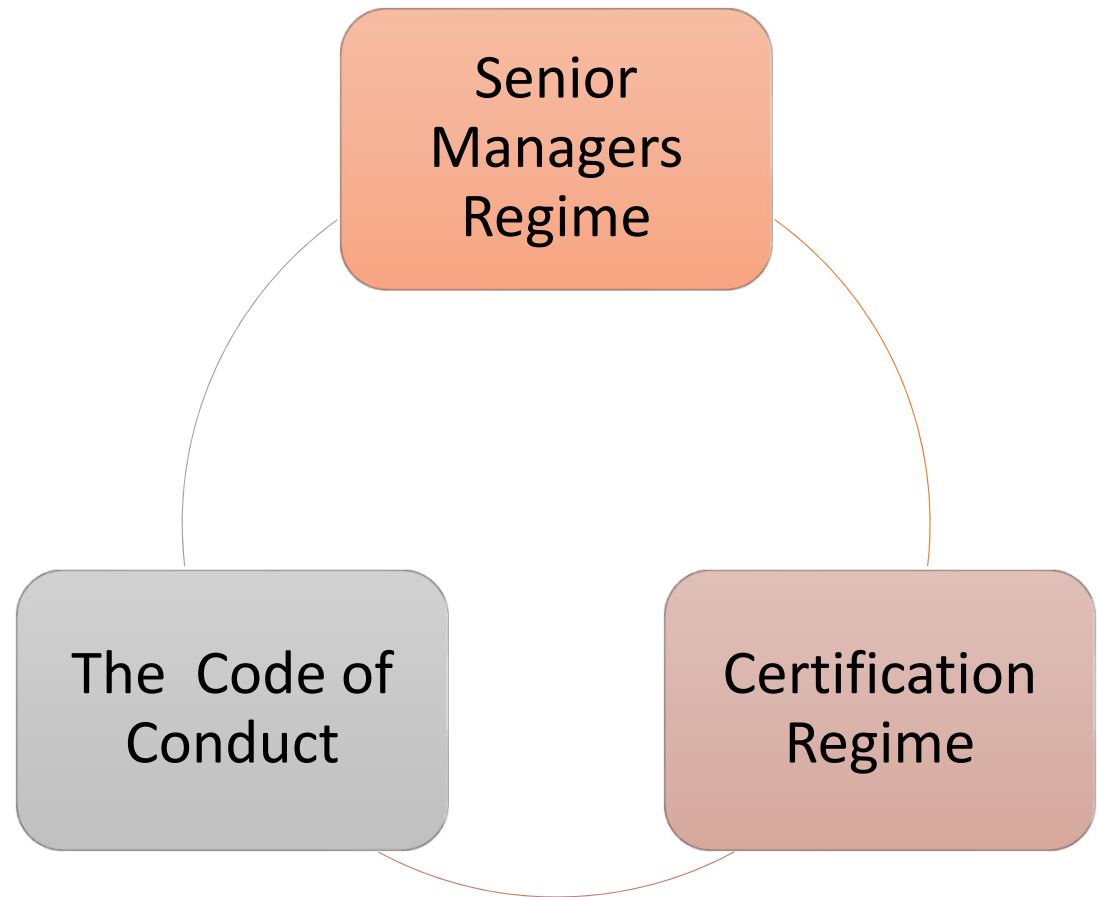
- Firms' culture and governance help deliver FCA objectives
- Firms develop a culture of accountability at all levels
- **Firms understand and can explain their cultures, including what drives their behaviours.**
- Drivers of culture – Purpose, Leadership, Reward & Managing People and Governance focused 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.

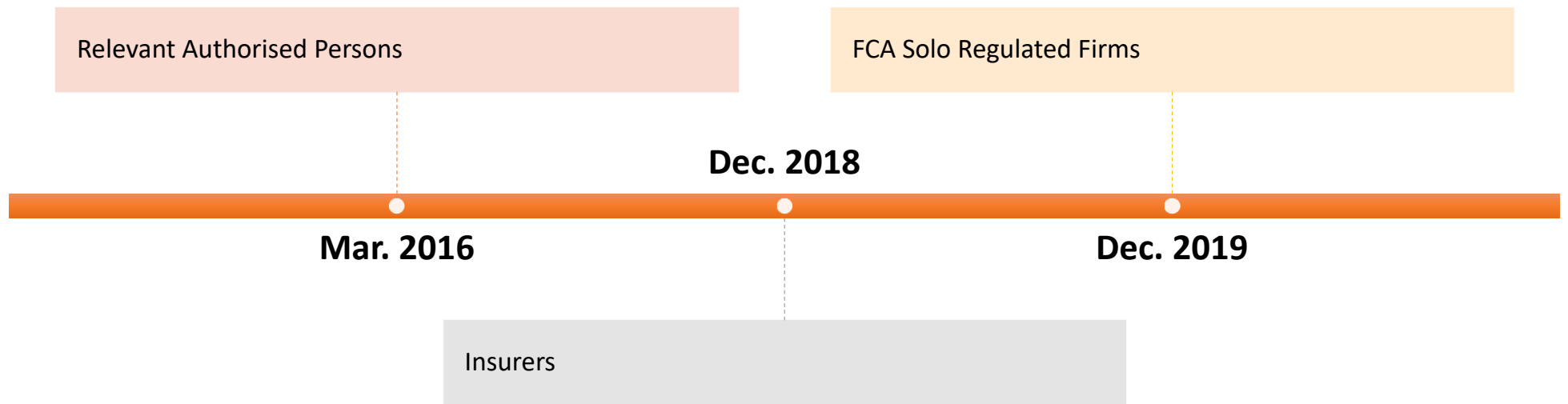
Culture



- 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

The three elements of the SMCR





The timeline so far

1

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

2

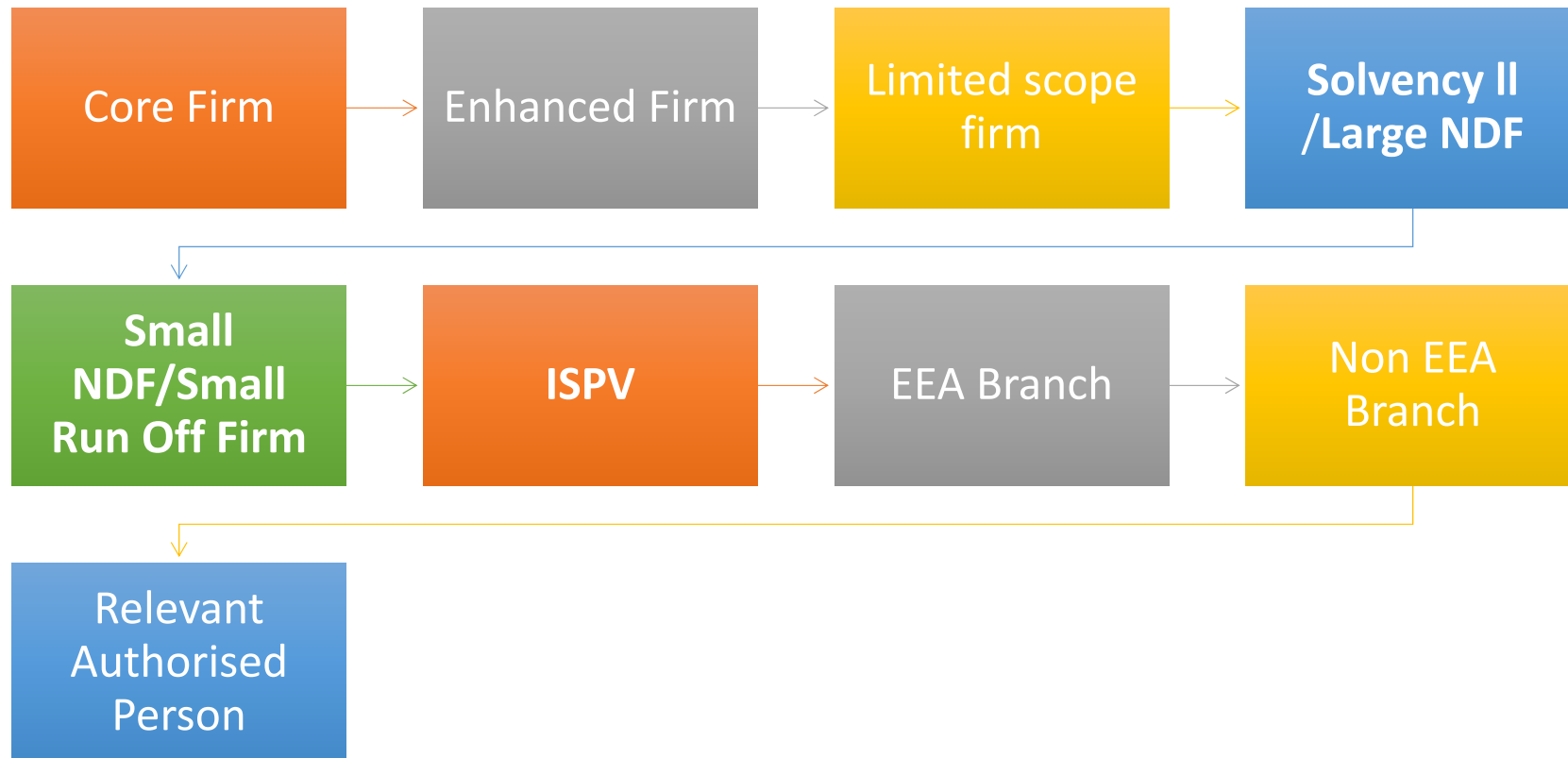
Firms will take responsibility to certify certification functions with a designated SMF taking on the specific responsibility

3

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

The Key Changes

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

Types of firm - Limited Scope

This covers all firms that currently have a limited application of the Approved Persons Regime, including:

Limited Permission
Consumer Credit Firms

sole traders

authorised professional
firms whose only regulated
activities in are
non-mainstream regulated
activities

oil market participants

service companies

energy market participants

subsidiaries of local
authorities or registered
social landlords

insurance intermediaries
whose principal business is
not insurance
intermediation and who
only have permission to
carry on insurance

mediation activity in relation
to non-investment insurance
contracts

internally managed AIFs

Types of firm - Core

All other firms – except
Individuals and Approved Persons
of Appointed Representatives –
Consultation to follow

Core firms can become enhanced
firms

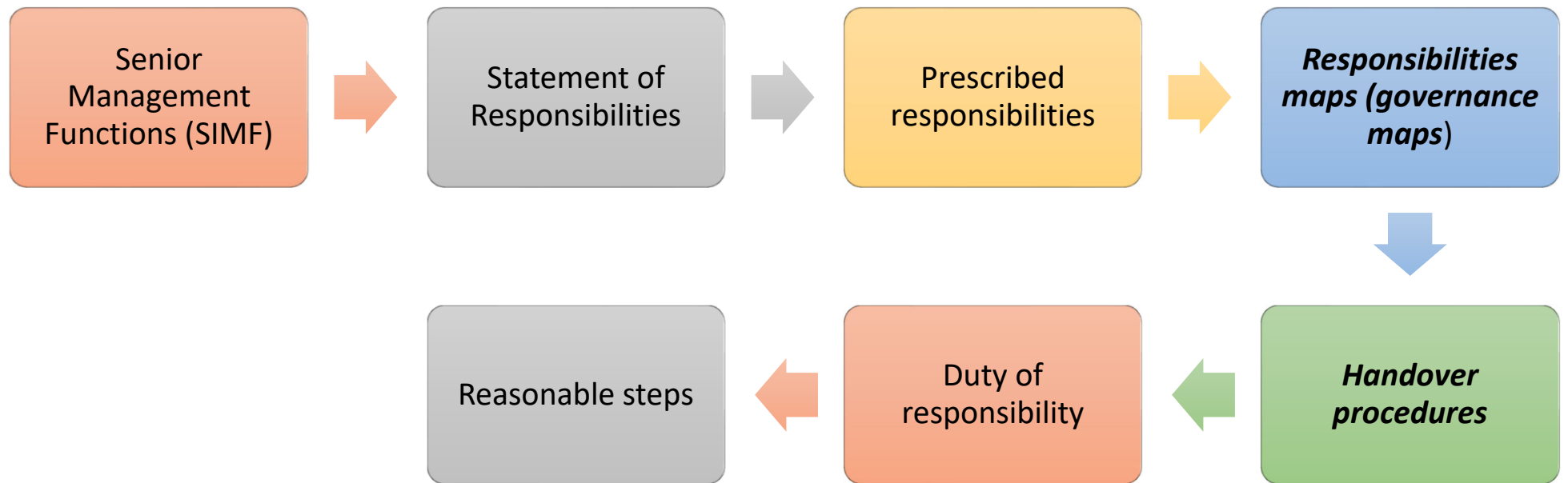
Opting up and moving up

Can opt up – maybe relevant to groups

Required to move up if satisfy higher category requirements

To opt up – you have three months – Form O required

To move up – 12 months from the date the measure triggered



Senior Managers Regime – key elements



Core Firms SMFs

Governing Functions

- **SMF1 – Chief Executive** This is the person(s) with responsibility, under the immediate authority of the governing body, for the conduct of the whole of the business (or relevant activities). Note: Although the Chief Executive is the most senior member of an executive team, it does not mean that a firm's governing body cannot allocate specific responsibilities to other Senior Managers.
- **SMF3 – Executive Director** A director of a firm, other than a Non-Executive Director.
- **SMF27 - Partner** A partner in a firm, other than a limited partner in a partnership registered under the Limited Partnership Act 1907.
- **SMF9 - Chair** The person with responsibility for chairing, and overseeing the performance of the role of, the governing body of the firm.

Required Functions²

- **SMF16 – Compliance Oversight** This is the person responsible for the compliance function in the firm and reporting to the governing body on this.
- **SMF17 – Money Laundering Reporting Officer** This is the person who has responsibility for overseeing the firm's compliance with the FCA's rules on systems and controls against money laundering.



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;



Performance by the firm of its obligations under the SMR, including implementation and oversight



Performance by the firm of its obligations under the Certification Regime



Performance by the firm of its obligations in respect of notifications and training of the Conduct Rules



Responsibility for the firm's policies and procedures for countering the risk that the firm might be used to further financial crime



Responsibility for the firm's compliance with CASS(if applicable)

Core Firms – Prescribed responsibilities

Core 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

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)

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

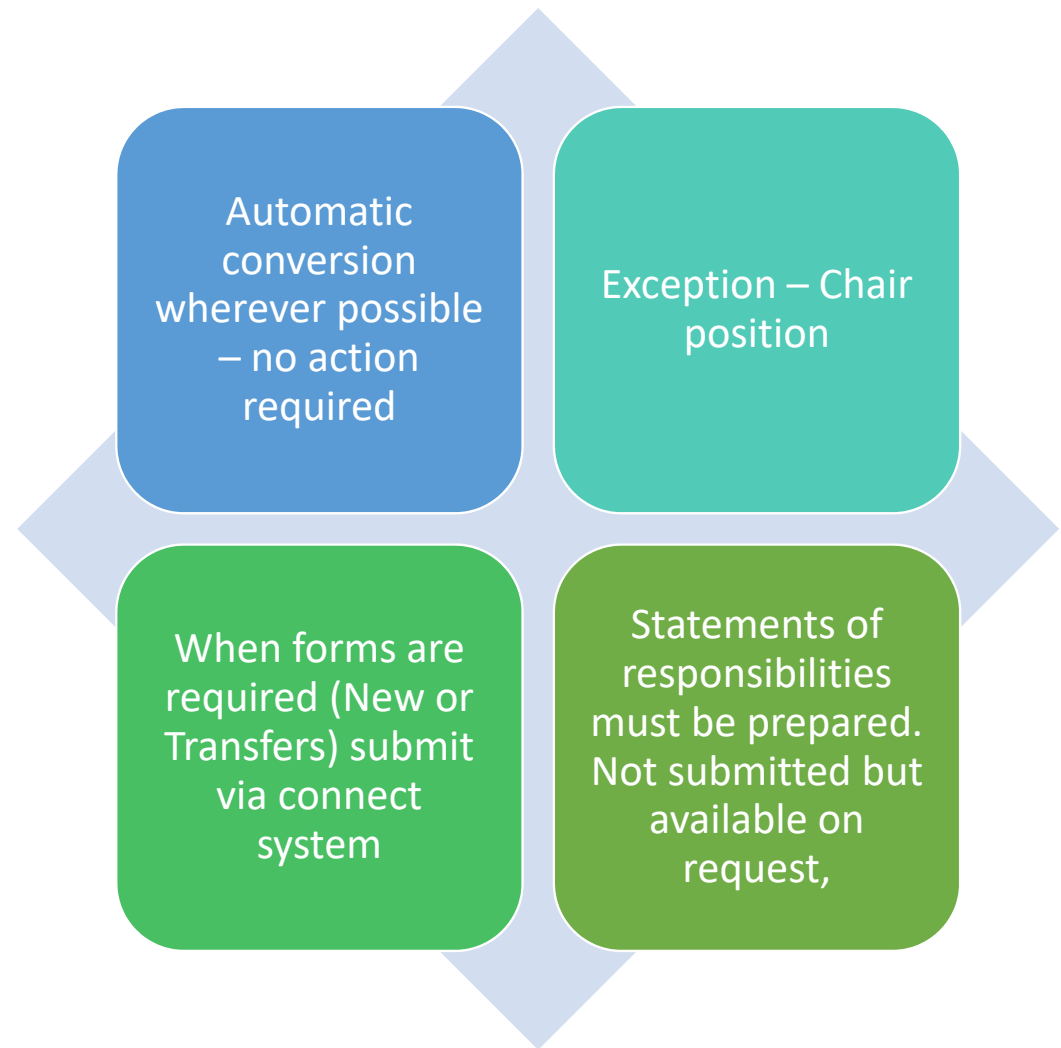
First section on prescribed responsibilities

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

Conversion for Core Firms



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

