

SENIOR MANAGERS & CERTIFICATION REGIME

The Senior Managers and Certification Regime (SMCR) will commence for solo-regulated firms on 9th December 2019. There are three main pillars of SMCR which underpin the changes which will be introduced for all firms: 1) the Senior Managers Regime, 2) the Certification Regime and 3) the Conduct Rules. The key requirements for core and limited scope firms are set out below.

1. THE SENIOR MANAGERS REGIME

SENIOR MANAGEMENT FUNCTIONS (SMFs)

SMFs are the replacement for Significant Influence Functions. SMF holders are referred to as “Senior Managers”. Individuals with existing approvals under the Approved Persons Regime will be automatically converted to Senior Managers wherever possible. Only SMFs will appear on the Financial Services Register.

STATEMENTS OF RESPONSIBILITY (SoRs)

For each Senior Manager, a SoR will be required. It should be a single, self-contained document setting out his/her role and responsibilities clearly.

PRESCRIBED RESPONSIBILITIES (PRs)

PRs are additional responsibilities outlined in the Handbook that firms must assign to Senior Managers to ensure they consider key conduct and prudential risks.

2. THE CERTIFICATION REGIME

The Certification Regime covers specific functions which are not covered by SMFs but still impact customers. Your firm needs to assess that people doing these are fit and proper and issue them with a certificate annually. The current CF30 function, for example, will be replaced by the “client dealing function” under the Certification Regime. All Certification Function holders will be added to an additional public register that will be created by SMCR, called “the Directory”.

3. THE CONDUCT RULES

The Conduct Rules are a new set of rules which set out general standards for good conduct. There are two tiers of Conduct Rules: one for most employees and directors, the other for Senior Managers.

They apply to your firm’s regulated and unregulated activities but are not applicable to ancillary staff whose role is not specific to financial services.

What does your firm need to do to transition to SMCR?

1. Understand how to create a SoR that clearly outlines each Senior Manager’s individual obligations without underlapping or overlapping.
2. Understand how the certification process will work and which of your employees will require certification. The FCA will not approve these people – the onus is on your firm.
3. All Senior Managers need to bear in mind that they have a Duty of Responsibility under FSMA. If your firm breaches the FCA’s requirements, a Senior Manager could be held accountable if they didn’t take reasonable steps to stop or prevent the breach.

Key questions to consider

1. Do you have the **knowledge** to comply with the requirements of SMCR effectively?
2. Do you have the **resources** to implement SMCR in the timeframe required (ideally before Q3 2019)?

MPAC will be working with clients on the implementation of SMCR. Please contact us on info@mpacgroup.co.uk if you would like to discuss SMCR in more detail.