



Senior Managers and Certification Regime Overview

CORE FIRMS

This document is intended to assist members in understanding the intentions of the scheme specific to their scope requirements. These are not comprehensive but created to help firms know where to look for assistance, much of which is shown by links to the FCA website and documents.

Introduction

1. The Financial Conduct Authority (FCA) is changing how people working in financial services are regulated and this will affect almost every firm that is regulated by the FCA. Currently the FCA regulates senior management through the Approved Persons Regime.
2. After the financial crisis it was recommended that the FCA develop a new accountability system that was more focused on senior managers and individual responsibility. The FCA have created the Senior Managers and Certification Regime (SM&CR), the regime was applied to banks and building societies from March 2016.
3. The UK Government agreed to extend the regime to all financial services firms and the FCA is replacing the Approved Persons Regime with the Senior Managers and Certification Regime from 9th December 2019.
4. The aims of the regime are to **raise the standards of conduct and culture** for everyone who works in financial services by making senior people in firms more responsible and accountable for their actions. Also, the regime will increase understanding of where responsibility lies.
5. The regime will apply to firms or groups on a legal entity basis and is tailored to reflect the different risks, impact and complexity of different firms.
6. The staff at the financial services firms will be divided into three categories in terms of the application of the regime – Senior Managers, Certification Staff and Conduct Staff.

Jonathan Davidson, Executive Director of Supervision- Retail and Authorisations at the FCA, said:

“Culture and governance in financial services and its impact on consumer outcomes is a priority for the FCA. The extension of the Senior Managers and Certification Regime is key to driving forward culture change in firms.

“This is about individuals, not just institutions. The new Conduct Rules will ensure that individuals in financial services are held to high standards, and that consumers know what is required of the individuals they deal with. The regime will also ensure that Senior Managers are accountable both for their own actions, and for the actions of staff in the business areas that they lead.”

FCA has stated that the aims of the Senior Management & Certification Regime are

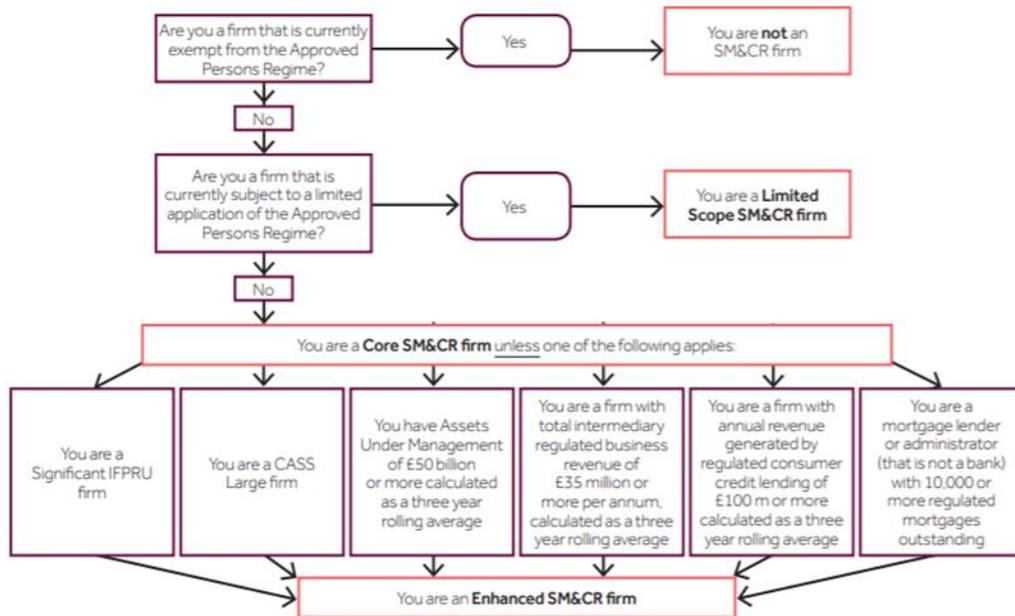
“Reduce harm to consumers and strengthen market integrity by creating a system that enables firms and regulators to hold people to account”

The FCA website has a specific area to assist and guide solo-regulated firms and can be found here <https://www.fca.org.uk/firms/senior-managers-certification-regime/solo-regulated-firms>

Design of the Regime

7. The SM&CR has three elements: Senior Managers Regime, Certification Regime and Conduct Rules and all apply to each legal entity. The regime has three types of firms: Limited Scope, Core Regime and Enhanced Regime, with extra requirements for some bigger or more complex firms or groups.

8. Below is a flow diagram taken from the FCA’s publications to help firms determine which categorisation will apply to them. In due course the FCA will be contacting every firm to tell them what regime the FCA has categorised the firm, waiting for this will limit the time available and it is strongly recommended that firms consider their categorisation as soon as possible so that they are thinking and acting on what is required of them.



ACTION: The FCA have included an online ‘firm checker tool’ on the FCA website, accessed via the link below, firms answer a few questions about their activities and receive an immediate idea of their categorisation.

<https://www.fca.org.uk/decision-tree/firm-checker-tool>

9. This rest of this document is going to focus on firms that have a categorisation of ‘Core’ if you are a Limited Scope or Enhanced firm you should refer to specific guidance aimed at your firm categorisation, the information in this guide will either not be proportionate (Limited Scope firm) or could be insufficient (Enhanced firm) for firms to meet their regulatory obligations.

In July 2018 the FCA published a guide for FCA Solo-regulated firms, click on this link <https://www.fca.org.uk/publication/policy/guide-for-fca-solo-regulated-firms.pdf> to access the FCA guide.

Firms should use this as a guide to support their understanding of the FCA SM&CR, but be aware that rules and references can change, all information and links in this document were correct at the time of publication. Firms should, where appropriate, adjust their timeline view of the FCA Handbook to reflect the date that the new FCA requirements are due to be in force i.e. after 9th December 2019, this will then show the rules and guidance that applies.

Senior Managers Regime

1. Regulated firms are required to identify the most senior people whose roles will carry out 'Senior Management Functions' (SMF) these activities involve or might involve a risk of serious consequences for the firm. The regime sets out various Senior Management Functions that are applicable to senior individuals in the firm, the number of these Senior Management Functions depend on whether the firm is categorised as Limited, Core or Enhanced, the firm and the firm's regulated permissions.
2. There are a set of 'core' Senior Management Functions which will apply to firms; almost all of these are currently controlled functions under the Approved Persons Regime. The main difference is the FCA approach to approval i.e. Committee Chair approved instead of all Non-Executive Directors. This means that some individuals that are approved under the Approved Persons Regime will not be approved under the Senior Managers and Certification Regime.

Senior Management Functions

Function Name	Relevant to Core Firms
SMF1 – Chief Executive	Y
SMF3 – Executive Director	Y
SMF9 – Chair	Y
SMF27 – Partner	Y
Required Functions*	
SMF16 – Compliance Oversight	Y
SMF17 – Money Laundering Reporting Officer	Y

FCA Handbook – SUP 10C.4.3R Annex 1

<https://www.handbook.fca.org.uk/handbook/SUP/10C/4.html> The list above only applies to 'Core' firms. SMF9 – Chair: is the only approved function that can be held by a Non-Executive Director (NED). Other NEDs currently approved to hold CF2 under the Approved Persons Regime will no longer be approved by the FCA, their existing approval will lapse at the start of the new regime.

**Required functions are those which apply to firms because of specific FCA Handbook rules. The introduction of SM&CR does not change the existing application of the FCA rules and firms are not required to allocate a Senior Management Function or appoint an individual to the role if the FCA Handbook does not require them to be appointed.*

3. There is no requirement for existing Approved Persons to apply for FCA approval, the FCA will, where possible, automatically transfer existing Approved Persons across to a new Senior Management Function. The authorised firm through their 'FCA Connect' portal will need to review the SMF allocations and make any amendments by mid-November 2019.

ACTION: Review the current details of all the governance structures within the firm and update FCA Connect with any changes.

ACTION: Firms should be clear who of their current CF2 Non-Executives, where the firm has them, will be or is the 'Chair' so that when requested by the FCA to make the necessary notification the firm and individual involved are aligned.

4. The persons allocated a Senior Management Function are those who in the business are the decision makers and the business must allocate the appropriate responsibilities to these key decision makers. A key change in the SM&CR is the introduction of a prescribed document that states what the senior manager is responsible for, 'Statement of Responsibilities' and a 'Duty of Responsibility'. This duty means that if something goes wrong in the senior managers area that they are responsible for, the FCA will consider whether the senior manager took 'reasonable steps' to prevent or stop this breach from happening.
5. Existing individuals must have a Statement of Responsibility in place before the commencement of the SM&CR on 9th December 2019. Whilst the FCA does not require the individual Statement of Responsibility to be submitted as part of the transition to the new Regime, the FCA will expect the firm to provide the Statement of Responsibility for any senior manager if the firm is requested to do so.

ACTION: Draft and agree Statements of Responsibilities (SoR's) for all senior managers holding Senior Management Functions before the end of November 2019. SUP 10C.11 <https://www.handbook.fca.org.uk/handbook/SUP/10C/11.html> The SoR is a self-contained document and must clearly set out what the senior manager is responsible for.

The FCA has published FG19/2 SM&CR: Guidance on statements of responsibilities and responsibilities maps for FCA firms <https://www.fca.org.uk/publication/finalised-guidance/fg19-02.pdf>

NB: Core firms are not required to have responsibility maps

Prescribed Responsibilities

6. Prescribed Responsibilities are new and careful consideration is needed as to which senior manager is the best person in the firm to hold the prescribed responsibilities. There are specific prescribed responsibilities set out in the FCA Handbook SYSC 24, <https://www.handbook.fca.org.uk/handbook/SYSC/24/1.html>, below are the 5 prescribed responsibilities which apply to core firms

Responsibility Reference	Responsibility Description
(a)	Performance by the firm of its obligations under SMR, including implementation and oversight
(b)	Performance by the firm of its obligations under the Certification Regime
(b-1)	Performance by the firm of its obligations in respect of notifications and training of the Conduct Rules
(d)	Responsibility for the firm's policies and procedures for countering the risk that the firm might be used to further financial crime
(z)	Responsibility for the firm's compliance with CASS (if applicable)

Each of the above should be allocated to a senior manager. In some instances that might be the same or a small number of individuals and when allocated the prescribed responsibility it must be clearly included in the senior manager's Statement of Responsibility'

FCA guidance can be found on the FCA website
<https://www.fca.org.uk/publication/finalised-guidance/fg19-02.pdf>

Fit and Proper

7. SM&CR extends the 'FIT' requirement to cover Certification staff, senior managers, board directors and non-approved NEDs.
8. A firm and any candidate to be a senior manager needs to declare if a candidate has a criminal record (to the maximum extent allowed by law). Firms must also undertake a criminal record check as part of each senior managers application for approval. This requirement also applies to board directors* and NEDs who are not senior managers. These checks are not mandatory for certified functions, but firms may choose to undertake these checks for other staff where they are legally allowed to do so.

ACTION: Firms will either need to register with the Disclosure and Barring Service (DBS) and other equivalent agencies or use an umbrella organisation to act as an intermediary for this service. *please refer to FCA Policy statement PS19/20 for more information.

9. The FCA has summarised its requirements in section 10 of The Senior Managers and Certification Regime: Guide for FCA solo-regulated firms.
<https://www.fca.org.uk/publication/policy/guide-for-fca-solo-regulated-firms.pdf>
The FCA is clear that when someone is in these roles the firm must assess them on an ongoing basis, and at least once a year.

FCA FIT Sourcebook sets out the detailed guidance about what things firms should consider as part of an individual's fitness and propriety. This includes:

- Honesty, integrity and reputation
- Competence and capability, including whether the individual satisfies any relevant FCA training and competence requirements
- Financial soundness

ACTION: Review and consider the requirements in the FCA FIT Sourcebook compared to the firms existing procedures, make any necessary changes and ensure this is clearly communicated and reflected in the firm's other connected policies or procedures for example; how will the firm take into account other legislative requirements i.e. employment law, Rehabilitation of Offenders Act, Rehabilitation of Offenders (Northern Ireland) Order and General Data Protection Requirements (Special Category data).

A firm will need to consider the requirements of the SM&CR across all of its employment policies and procedures.

10. Firms need to consider if the information that it holds meets the requirements to appoint the employee to a certified role i.e. is the reference history sufficient or should a new reference be sought (SYSC 22.7.7G).

11. Firms should, wherever feasible, conclude all investigations before an individual/employee departs, this includes disciplinary or misconduct investigations. SYSC 22.5.18G.

Regulatory References

12. The SM&CR introduces a new set of rules on regulatory referencing, these are detailed in the FCA Handbook SYSC 22 and include a standard template for the information sharing between firms.
13. There is an obligation to obtain a reference when considering an application or appointing someone to a controlled function or issuing a certificate under the certification regime. The reference must cover the potential employee's last six month's employment history (minimum).
14. There is an obligation to provide a reference, FCA would normally expect a response to be provided within six weeks of receiving such a request and as an SMCR firm must additionally provide specific data as required in SYSC 22 Annex 1R after referring to the factors it should take into account in SYSC 22 Annex 2R. A firm need not include details of the criminal record checks it has undertaken as it is for the new firm/employer to undertake their own checks as appropriate.
15. Firms have an obligation to ensure that any reference that is provided is accurate and fair, the firm should exercise due skill and care when drafting the reference. Where a firm's records are incomplete or do not cover the period expected it must state that in its response. There is also guidance on factors to consider when deciding if a previous misconduct is 'sufficiently serious' to be disclosed (SYSC 22.5.11G).
16. There is also now an obligation to revise a reference that has been provided, these are set out in SYSC 22.2.4R onwards and firms must familiarise themselves with the requirements ensuring that the firms policies and procedures are updated to ensure that the obligations are met. These rules also include a rule that requires the firm to find out who the current employer is and a requirement to respond within a reasonable timeframe.
17. Firms must note that under SYSC 22.5.13R the firm must not enter into any agreements not to disclose information, often referred to as compromise agreements, that would restrict their ability to disclose information as noted in SYSC 22. All obligations to comply with SYSC disclosure apply regardless of the terms of the agreement entered into.
18. SYSC 22.6 provides further guidance on giving and updating references, this includes omitting or supplementing mandatory disclosures, requirement to consider whether there has been a conduct breach and its disclosure

Evidence Requirements

19. There is a general requirement to ensure that records are kept to evidence that the requirements of the firms obligations can be evidenced (SYSC 22.9.1R); SYSC has specific requirements in SYSC Annex 1R (E) Fit and Proper (F) disciplinary action and firms should ensure these are met and also consider other information time limits/relevance of data.

FCA guidance SYSC 22.9.5 is clear that information and records before the firm became an SM&CR firm must also be retained, where they exist, in order to meet the firm's obligation with SYSC 22.9.1R.

20. Under SM&CR, firms must collect extra evidence when assessing candidates for senior manager positions, certification functions or NED roles (even if not a senior manager). The FCA has explained these extra requirements in Section 10 of the guide for solo-regulated firms <https://www.fca.org.uk/publication/policy/guide-for-fca-solo-regulated-firms.pdf> . This includes evidence of criminal record checks and regulatory referencing undertaken.
21. Firms must retain records of disciplinary and Fit & Proper findings going back 6 years.
22. Similar, to the previous Approved Persons Regime, the FCA expect firms to keep all their information accurate and up to date using the FCA Connect system.

Changes to responsibilities of Senior Managers

23. Where individuals fulfilling the Senior Management Functions change, these individuals must first be approved by the FCA before taking up their role within the firm. The firm must take steps to ensure that any individual being considered to hold a Senior Management Function are capable and understand their responsibilities, as they are the most senior people in the firm and have the greatest potential to cause harm or impact on consumers, the business and market integrity. These individuals also have an important part to play in embedding the right culture and governance within the firm.

12-week Rule

24. The FCA recognises that where a temporary absence or unforeseen situation arises an individual would need to step into a Senior Management Function to ensure that the firm maintain compliance with its regulatory obligations. The FCA does not require this individual to be approved as long as the appointment is for less than 12 consecutive weeks [FCA SUP 10C.3.13R] However, the firm should regularly review the situation to determine whether the situation is temporary or a permanent change is required. If a change is needed that the firm must notify the FCA and the individual will need to have been assessed by the firm before they submitted an application for the appointment of a new senior manager.

The firm and individuals in the firm covered by the Conduct Rules should also consider disclosing any information to the FCA, that the FCA may reasonably be expected to be made aware of.

Certification Regime

25. The Certification Regime covers specific functions that aren't Senior Management Functions (SMF) but could have a significant impact on customers, the firm and/or market integrity. Certified individuals are not approved by the FCA, firms will be responsible to check and confirm (certify) these individuals, at least once a year, are suitable to do their job. The Certification Regime is set out in the FCA Handbook – SYSC 27, many of these roles may have been approved previously by the FCA. i.e. CF29 significant management function, CF30 customer function.
26. Under FSMA, and in FCA SYSC 27.2.3G, firms are required to take reasonable care to ensure that no employee of the firm carries out an FCA certification function unless the individual has a valid certificate issued by the firm to carry out that certified function to which the certificate relates.
27. Where a role meets the definition of a certification function a firm needs to make sure that anyone doing that role has been certified. A firm must apply the certification regime from the SM&CR introduction date for all new appointments to a certified role. All existing individuals in roles identified as meeting the certification role definition must be assessed as fit & proper and issued with a 'certificate' within 12 months of the introduction of SM&CR i.e. by December 2020.
28. The certification regime applies to employees of the firms. Firms need to review the SM&CR regime's definition of 'employees' as it covers individuals seconded to the firm, contractors for example, and may include advisers employed by a firm on a contract basis.

Below are some examples of Certification Functions (full details in FCA SYSC 27)

Certification Function	Overview
Functions subject to qualification requirements	This includes, for example, mortgages advisers, retail investment advisers and pension transfer specialists. the full list is set out in the FCA Training and Competence Sourcebook
The client dealing function	This function will be expanded from the current CF30 function to apply to any person dealing in or arranging investments with clients, including retail and professional clients
Anyone who supervises or manages a Certified Function (directly or indirectly), but isn't a senior manager	This is to ensure that individuals who supervise certified employees are held to the same standard of accountability. It also makes sure a clear chain of accountability between junior certified employees and the senior manager ultimately responsible for that area. The FCA's example if a firm employs a customer-facing financial adviser, every manager above them in the chain of responsibility will have to be certified (until the senior manager approved under senior managers' regime is reached)

Significant Management Certification Function

29. The FCA has been given new powers to ensure certain ‘significant harm functions’ are covered under the Certification Regime. These functions do not necessarily have to be customer facing instead could be an internal support department. Firms have to review and decide if they have any of these functions. If the firm determines that it has then the Certified Regime must be applied, firms should refer to FCA SYSC 27.7 <https://www.handbook.fca.org.uk/handbook/SYSC/27/7.html> for factors that the FCA expect firms to consider, as well as some examples of business units.

Below are a small set of examples of Significant Management Functions SYSC 27.8; further guidance is also included in the guide for FCA solo-regulated firms

<https://www.fca.org.uk/publication/policy/guide-for-fca-solo-regulated-firms.pdf>

Significant Management Function	Where defined (FCA Handbook)
Significant Management	SYSC 27.8.4R
Functions Requiring Qualifications	SYSC 27.8.10R TC App 1.1.1R
Managers of Certified employee	SYSC 27.8.13R
Material Risk Takers	SYSC 27.8.14R
Client Dealing Function	SYSC 27.8.18R

30. In regard to functions requiring a qualification, firms should also note if a person is yet to complete their qualification but is in a role requiring a qualification they are still, as far as the FCA rule SYSC 27.8.10R (3) is concerned, fulfilling a ‘Certified Function’. Further guidance to meeting this rule requirement is provided in the FCA Handbook <https://www.handbook.fca.org.uk/handbook/SYSC/27/8.html>
31. The certification of individuals in a ‘Certified Function’ classified role must be carried out at least once a year, and firms should take into account whether the individual:
- Has obtained a qualification
 - Has undergone, or is undergoing, training
 - Possesses a level of competence, or
 - Has the personal characteristics.
32. FSMA 63F requires the firm to issue a certificate to an individual only where the firm is satisfied that the individual is a fit & proper person to perform the certification function to which the certificate relates. FCA SYSC 2 Requirements of Certification Regime, provides guidance to firms on what steps the FCA reasonably expects, this includes FIT and Proper requirements and regulatory referencing or where a secondment is being undertaken.
33. The certificate itself must:
- State that the firm is satisfied that the individual is fit and proper to perform the function to which the certificate relates; and
 - set out the aspects of the affairs of the firm that the individual will be involved in performing the function

The certificate must be valid for 12 months beginning on the date it is issued, it can be valid for a shorter period but cannot be drafted to be valid for longer than 12 months. When drafting the certificate, a firm may want to consider all functions that the employee is fulfilling, where they have already been assessed as fit & proper to carry out the function. There is guidance in FCA SYSC 27.2 on flexibility in drafting the certificate, including not including functions that the employee is not suitable to perform.

34. There is a requirement for a firm to maintain a record of every employee that has a valid certificate issued by the firm.
35. Remember that the regime applies at 'legal entity' level and therefore where an employee carries out a certification function for a different legal entity within the group the regulated firm must issue a certificate for each legal entity, this could mean that an employee has multiple certificates. Further guidance on issuance of multiple certificates can be found in FCA SYSC 27.2.
36. Where an employee changes role part way through the 12-month certification period the firm may need to complete a re-assessment of the employee and reissue the certificate, ensuring that the employee is fit & proper to perform the new function. The FCA has included guidance in its handbook SYSC 27.2.
37. Where a firm decides that it is not issuing a certificate then FCA SYSC provides guidance on what steps the firm may propose to take following its decision not to award the certificate i.e. notification to the FCA for a breach of rules in COCON.
38. There are certification functions where the 'emergency' or 12-week rule does not apply, firms should ensure that they understand how and to what the SYSC 27.5.1R 12-week rule applies.
39. Where a senior manager, already holding a Senior Management Function, is performing a certification function that is very different to what they are doing as a senior manager – they must also be certified. The FCA expect this to be uncommon in larger firms but may for example occur in a financial advice firm where a senior manager performing SMF3 – Executive Director, also performs a role that meets the definition of the client dealing or a function requiring a qualification. This could include advising or supervising.

Conduct Rules

The Financial Services and Markets Act (FSMA) gave the FCA new powers to create conduct rules and apply them to all employees within a firm – not just approved individuals. These are new enforceable rules that set basic standards and good personal conduct, which the FCA will hold people to account. Firms should refer to the FCA COCON sourcebook:

<https://www.handbook.fca.org.uk/handbook/COCON/1/?view=chapter>

ACTION: review the FCA definition of ‘employee’ to ensure the firm considers all appropriate individuals that are in the firm.

40. The conduct rules are intended to improve standards of individual behaviour in financial services from the top down and the bottom up. The rules represent a meaningful change in the standards of conduct that the FCA expect from those working in the financial services industry.
41. There are two tiers of conduct rules that apply to all firms. The first set are general and apply to most employees and directors in a firm. The second set are rules that only apply to senior managers, the FCA have included *one rule in COCON 2/2.2.4/SC4 that applies to all directors and NEDs who are not senior managers.*

FCA Handbook	Individual Conduct Rules (apply to most employees and directors)
COCON 2.1.1	Rule 1: You must act with integrity.
COCON 2.1.2	Rule 2: You must act with due skill, care and diligence.
COCON 2.1.3	Rule 3: You must be open and cooperative with the FCA, the PRA and other regulators.
COCON 2.1.4	Rule 4: You must pay due regard to the interests of customers and treat them fairly.
COCON 2.1.5	Rule 5: You must observe proper standards of market conduct.

FCA Handbook	Senior Manager Conduct Rules
COCON 2.2.1	SC1: You must take reasonable steps to ensure that the business of the firm for which you are responsible is controlled effectively.
COCON 2.2.2	SC 2: 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.
COCON 2.2.3	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.
COCON 2.2.4	SC 4: You must disclose appropriately any information of which the FCA or PRA would reasonably expect notice.

42. The FCA have been clear that the conduct rules apply to a firm’s regulated and un-regulated financial services activities (including any related ancillary activities i.e. an activity carried on in connection with a regulated activity). Firms should ensure that they are familiar with the

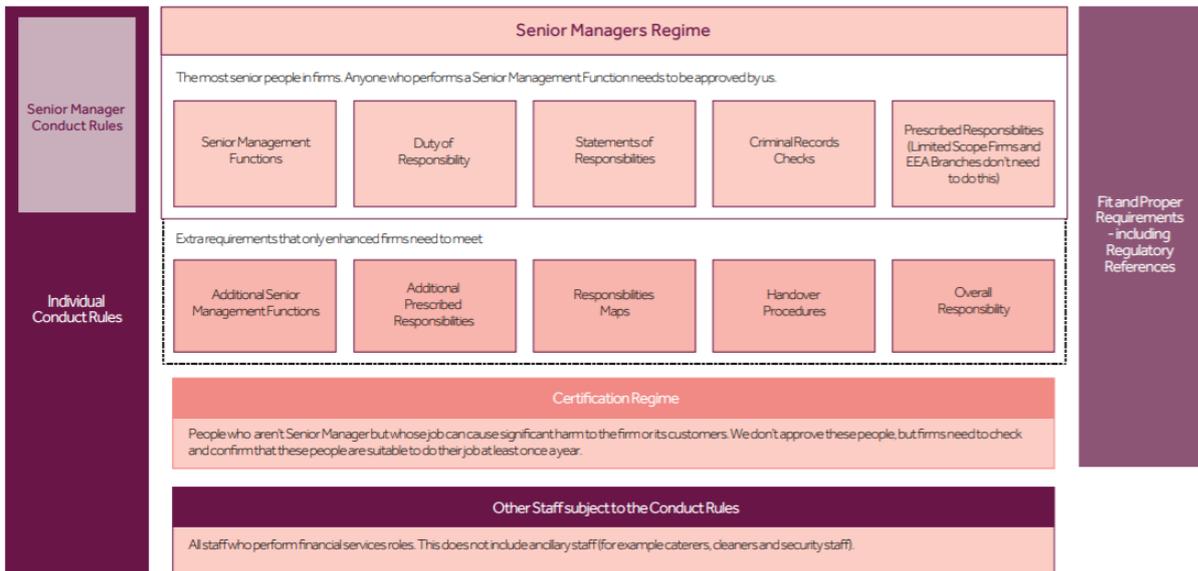
roles and processes undertaken by all individuals in their firm and apply the conduct rules accordingly.

43. The FCA expect firms to ensure that everyone subject to COCON – Code of Conduct is notified of the rules that apply to them; and the firm takes all reasonable steps to ensure that those individuals understand how the rules apply to them. The FCA has provided further guidance to firms in COCON 2.3.
44. FCA guidance in COCON 2.3.3 also expects firms to ensure that, where appropriate, training and awareness of the notification of COCON breaches and any disciplinary action deals with reporting requirements of an SMCR firm. The FCA reporting and notification requirements for COCON breaches are contained in SUP 15.11.
45. The FCA specific guidance on each of the individual conduct rules is contained within COCON 4.1; also the FCA specific guidance on each of the senior manager conduct rules is contained within COCON 4.2. The guidance provides good and poor practice to help individuals and firms understand the behaviour expected of them. For example, in COCON 4.1.13G the FCA makes it clear that Rule 4: You must pay due regard to the interest of customers and treat them fairly: (COCON 2.1.4R) applies to all conduct rule staff, regardless of whether that person has direct contact or dealings with customers of the firm.
46. Firms must review and update their policies and procedures to ensure that its systems and controls reflect the requirements to support good conduct by all that are subject to them. One area that has been discussed widely is the disclosure of information (SC4), also Rule 3 being open and cooperative with the regulator. Remember that SC4 applies to NEDs even where they are not appointed senior manager under SM&CR. Firms should consider what policies and procedures are in place within their firm to ensure all employees have awareness of this requirement and the duty to disclose. The approach should be clear whether disclosing internally, to a senior manager with responsibility, or where they are the senior manager responsible for reporting matters to the regulator. Also, employees will need guidance on when to report directly to the appropriate regulator.
47. In its guidance (4.2.26G) the FCA is clear that SC4 imposes a duty on a senior conduct rules staff member to disclose appropriately any information of which the appropriate regulator would reasonably expect, including making a disclosure in the absence of any request or enquiry from the appropriate regulator.

The FCA guidance (COCON 4.2.28G) also states that even where the senior manager that is responsible for reporting within the firm, is unsure if the matter is within their area or not, the FCA expect that senior manager to make enquiries to inform themselves that the senior manager who is handling matter is or has notified appropriately, rather than disregard the matter.

How the SM&CR applies to different types of firms

Regime Breakdown



OVERVIEW OF THE SM&CR (PUBLISHED BY THE FCA)

Summary of SM&CR Tools

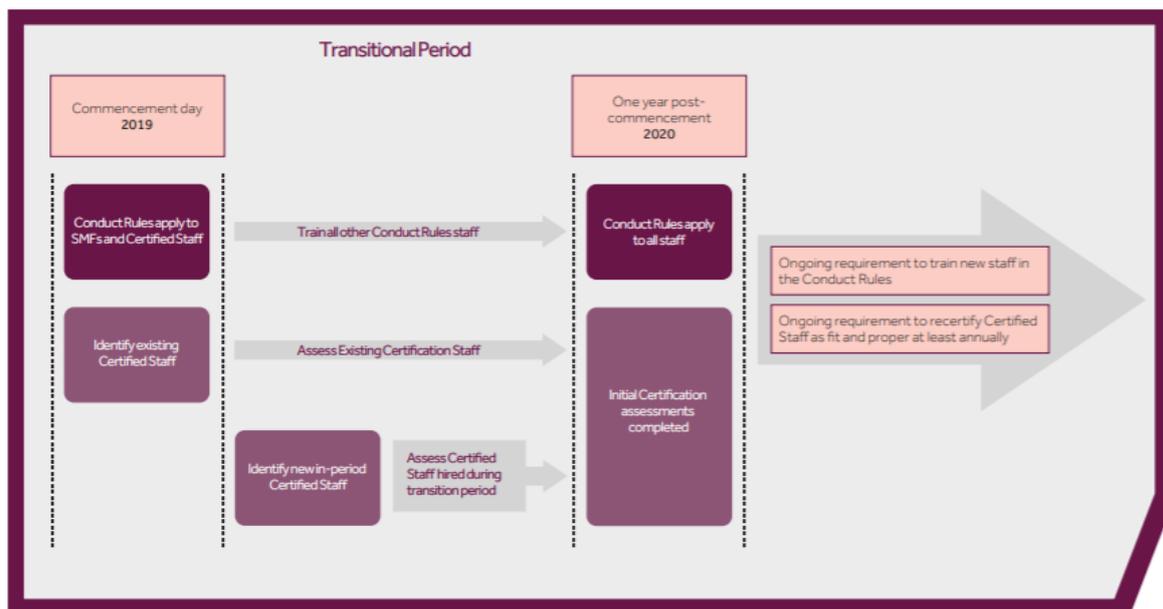
Tool	Limited Scope	Core	Enhanced	EEA Branches	Third Country Branches
SMFs	<ul style="list-style-type: none"> • SMF29 – Limited Scope Function • SMF16 – Compliance Oversight • SMF17 – MLRO 	<ul style="list-style-type: none"> • SMF1 – CEO • SMF3 – Executive Director • SMF9 – Chair • SMF27 – Partner • SMF16 – Compliance Oversight • SMF17 – MLRO 	<ul style="list-style-type: none"> • SMF1 – CEO • SMF2 – CFO • SMF3 – Executive Director • SMF27 – Partner • SMF4 – CRO • SMF5 – Head of Internal Audit • SMF9 – Chair • SMF10 – Chair of the Risk Co • SMF11 – Chair of the Audit Co • SMF12 – Chair of the Remuneration Co • SMF13 – Chair of the Nominations Co • SMF14 – Senior Independent Director • SMF16 – Compliance Oversight • SMF17 – MLRO • SMF18 – Other Overall Responsibility • SMF24 – COO 	<ul style="list-style-type: none"> • SMF21 – EEA Branch Manager Function • SMF17 – MLRO 	<ul style="list-style-type: none"> • SMF19 – Head of Third Country Branch • SMF3 – Executive Director • SMF16 – Compliance Oversight • SMF17 – MLRO
PRs	None apply	5 (+1 for AFMs) apply	12 (+1 for AFMs) apply	None apply	8 (+1 for AFMs) apply
Duty of Responsibility	Applies to all firms				
Statements of Responsibilities	Applies to all firms				
Responsibilities Maps	X	X	✓	X	X
Handover Procedures	X	X	✓	X	X
Overall Responsibility	X	X	✓	X	X
Certification Regime	Applies to all firms				
Fit and Proper	Applies to all firms				
Conduct Rules	Applies to all firms				

Transition

In the FCA's Senior Managers and Certification Regime guide for solo-regulated firms the FCA has set out the transition provisions that apply to all firms as they move to the new regime;

- Having identified certification staff at the start of the new regime, firms have 12 months from the commencement date to complete the initial certification process
- Senior managers and certification staff will need to have been identified, trained and abide by the Conduct Rules from the start of the regime, but firms have 12 months to train their other staff on the conduct rules

Timelines for moving to the SM&CR



Converting existing FCA approvals

Core firms should refer to chapter 14 of the Senior Managers and Certification Regime guide where the FCA sets out how existing control functions approvals will be mapped into the new regime and those that will not be mapped and maybe changing to a 'Certification Regime Role'. There are also actions firms should consider and take in good time ahead of the commencement of the new regime and clear guidance on the FCA form(s) that a firm should use in the FCA Connect system.

Below is another link to the FCA SM&CR guide for solo-regulated firms to refer <https://www.fca.org.uk/publication/policy/guide-for-fca-solo-regulated-firms.pdf>

Firms should use this as a guide to support their understanding of the FCA SM&CR, but be aware that rules and references can change, all information and links in this document were correct at the time of publication. Firms should, where appropriate, adjust their timeline view of the FCA Handbook to reflect the date that the new FCA requirements are due to be in force i.e. after 9th December 2019, this will then show the rules and guidance that applies.