

EXTENSION OF THE SENIOR MANAGERS AND CERTIFICATION REGIME

WHAT FCA AUTHORISED SOLO-REGULATED FIRMS NEED TO KNOW

The Senior Managers & Certification Regime (SMCR) was introduced by the FCA to replace the Approved Persons Regime (APR) and establish a new system of personal accountability with a greater focus on senior managers and individuals' responsibility. SMCR has been in force for banks, building societies, credit unions and PRA-designated investment firms since March 2016 and is being extended to cover all FCA solo-regulated financial services firms from 9 December 2019.

TYPES OF FIRM

Whilst banks are typically large and sophisticated institutions which can be covered by a single and demanding regime, the FCA acknowledges that solo-regulated firms vary considerably in terms of size and complexity. It would make little sense to apply the same set of rules to a large investment manager or broker with significant assets as to a sole practitioner. Therefore there are three categories of firm under the FCA only regulated regime, each with differing levels of compliance requirement: 'Limited Scope', 'Core' and 'Enhanced'. The latter will follow a regime similar to that observed by banks. Firms will need to determine which category applies to them.

The SMCR will apply both to firms which are located in the UK and also branches of non-UK firms which have permission to carry out regulated activities in the UK.

be assessed annually by the firm.

The regulator has set out a list of prescribed responsibilities. Most firms will be required to allocate these amongst the Senior Managers of the firm.

Each individual Senior Manager will be required to have a Statement of Responsibility setting out their personal responsibilities. Enhanced firms must submit Statements of Responsibility to the regulator; core and limited firms will need to do so only upon request.

Enhanced firms will need to maintain a Management Responsibilities Map, outlining the governance structure of the firm (e.g. line management responsibilities and the remit of Senior Managers).

A Senior Manager will have a "Duty of Responsibility" to take reasonable steps in relation to areas for which the Senior Manager is responsible. Where a problem arises within the scope of a Senior Manager's allocated responsibilities, the regulator can take action against a Senior Manager who has failed to act in line with this Duty of Responsibility.

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THE SENIOR MANAGERS REGIME

Individuals appointed to undertake specific Senior Management Functions will require regulatory approval before commencing their role and must

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3 THE CERTIFICATION REGIME

The Certification Regime will cover staff who are not performing Senior Management Functions but who, if they performed the responsibilities of their role poorly, could cause “significant harm” to customers and/or the firm. Under the regime firms will be required to certify at least annually that the individuals are ‘fit and proper’ to perform their roles.

5 CONDUCT RULES

The majority of a firm’s staff will be required to comply with new conduct rules and must be trained accordingly. The only exception would be those performing ancillary roles not involved in the performance of the firm’s regulated business. Breaches of conduct rules will need to be notified to the FCA. Additional conduct rules will apply to Senior Managers and Non-Executive Directors.

4 REGULATORY REFERENCES

Senior Managers, Certification Regime staff and Non-Executive Directors will be assessed for ‘fitness’ to perform their roles. In particular, firms seeking to appoint a Senior Manager or certified person must request a regulatory reference covering the individual’s employment for the prior six years.



**“FIRMS FALLING UNDER THE EXTENDED SMCR
HAVE JUST A FEW MONTHS TO ENSURE THEIR
COMPLIANCE. NOW IS THE TIME TO ACT.”**

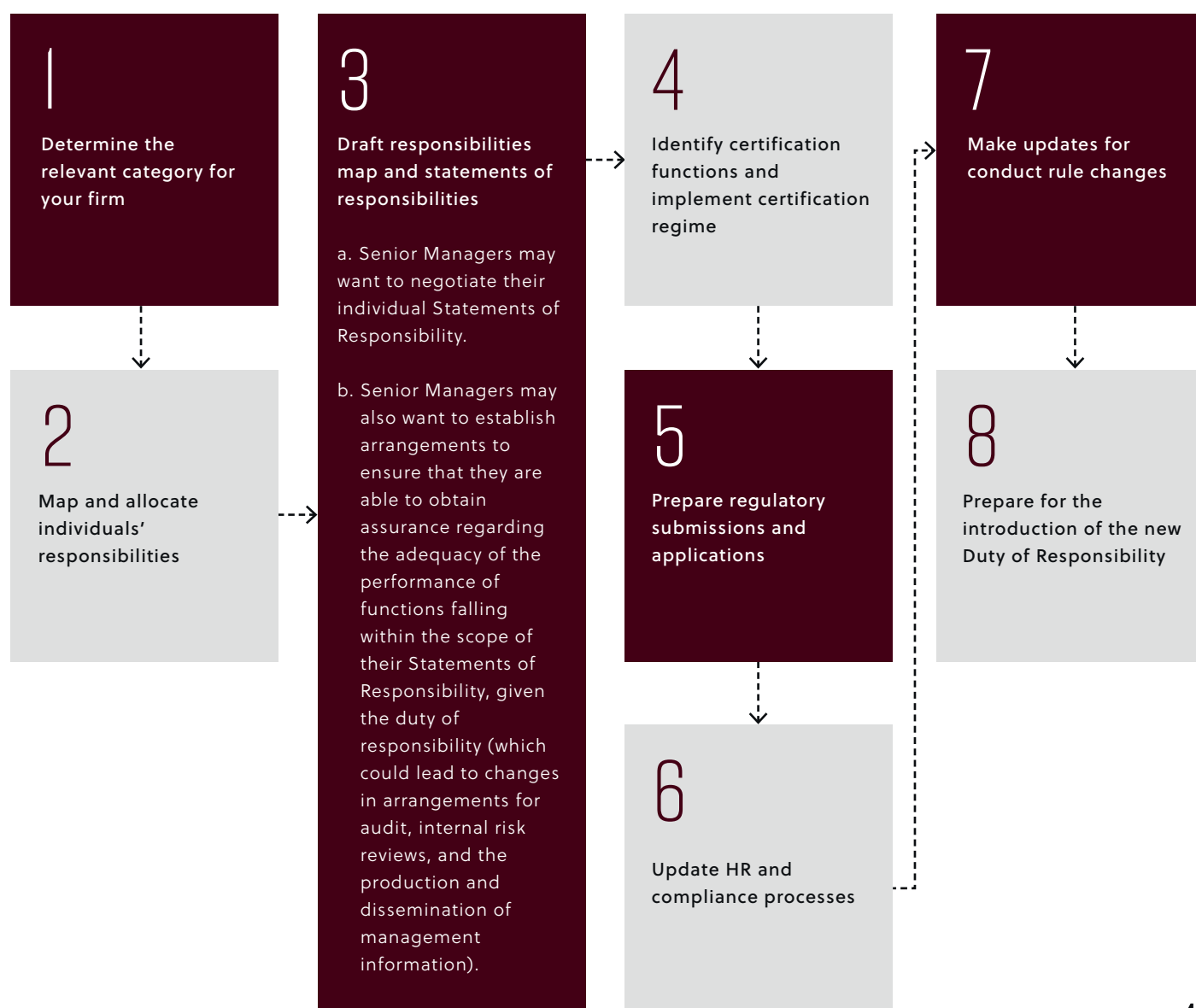
Nigel Brahams, Partner

EXTENSION OF THE **SENIOR MANAGERS AND CERTIFICATION REGIME****RULES APPLYING TO CATEGORIES OF FIRM**

	'LIMITED SCOPE'	'CORE'	'ENHANCED'
TYPE OF FIRM	<p>'Limited Scope' firms are those that are subject to a limited application of the current Approved Persons regime.</p> <p>These firms will be subject to the fewest requirements.</p>	<p>It is expected that the majority of FCA regulated firms will fall into this category, namely firms who: (1) are not currently exempt from the Approved Persons Regime; and (2) are not subject to a limited application of the Approved Persons Regime.</p>	<p>It is expected that fewer than 1% of firms will fall into the 'Enhanced' category. Enhanced firms will generally be larger in size or have more complex structures where weakness in accountability or governance could cause greater harm to customers or impact market integrity.</p>
SMCR REQUIREMENTS	<p>'Limited Scope' firms are subject only to a small number of the core SMCR requirements:</p> <ul style="list-style-type: none"> • Senior Managers Regime • Certification Regime • Conduct Rules 	<p>'Core' firms are subject to the following SMCR requirements:</p> <ul style="list-style-type: none"> • Senior Managers Regime • Certification Regime • Conduct Rules • Prescribed Responsibilities 	<p>'Enhanced' firms are subject to the following expanded 'core' SMCR requirements:</p> <ul style="list-style-type: none"> • Senior Managers Regime • Certification Regime • Conduct Rules • Prescribed Responsibilities • Responsibility Map • Handover Procedures • Overall Responsibility Requirement

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WHAT FCA AUTHORISED SOLO-REGULATED FIRMS NEED TO DO NOW



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HOW COLLYER BRISTOW CAN HELP

Our SMCR team can help firms prepare for implementation in a number of ways:

- Advising on optimisation of existing governance structures
- Helping map current roles into the SMCR
- Identifying key action points for implementation teams
- Advising on interpreting and applying the new rules and guidance
- Assisting in practical use of the transitional provisions and identify any necessary applications
- Reviewing existing policies to identify potential gaps
- Where appropriate, providing template documentation
- Delivering bespoke training at our office or in-situ
- Assisting in creating specialist in-house training programme suitable for each audience
- Advising on the employment implications and consequential drafting
- Drafting handbooks for affected staff
- Assessing ongoing compliance

The SMCR extension will take effect on 9 December 2019, though certain other requirements may not come into effect a year after this date. **For more information on SMCR compliance please visit collyerbristow.com or email SMCR@collyerbristow.com**



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