

SMCR: the countdown has started

Now that the FCA has published its policy statement on the extension of the senior managers and certification regime (SMCR), firms should mobilise their project teams, complete the regulatory analysis and start engaging key stakeholders within the firm to ensure effective buy-in



Key Implementation challenges

Based on our previous experiences, the implementation of SMCR isn't as straightforward as it seems and firms implementing the new regime will need to be carefully considering the below items

Senior Managers Regime

- **Regulatory interpretation:** Establish internal standards for the "Fit & Proper" and "Reasonable Steps" frameworks
- **Governance:** Assess to what extent the existing governance frameworks are fit to meet the new SMCR requirements
- **Statement of responsibilities:** Determine the relevant SMFs, agree statement of responsibilities and manage relating sensitivities

Certification Regime

- "Significant harm" functions identification: Define the scope of individuals performing those functions across the firm and whether limited to client facing functions or not
- **Geographical implications:** Assess the practical implications of the regime in relation to in-scope employees based overseas (e.g. reporting lines outside of UK legal entities)
- **Impacted staff:** Identify who is in scope of the Certification Regime and how to make sure non-certified staff are not inadvertently performing certified functions
- **Certification process:** Determine who should be responsible for coordinating the process and how impacted staff will be certified annually

Conduct Rules

- **Conduct Risk:** understand and assess accurately what conduct means in the context of each firm
- **Tailored training:** Define a tailored scenario-based training content suitable to each category of new impacted staff and to be rolled out on annual basis



Upfront practical considerations

In order to avoid pitfalls, and based on lessons learnt from banks, we have outlined a number of key upfront considerations and decisions which should frame the shape and direction of any SMCR programme

The SMCR Programme needs to achieve three key outcomes



Upfront Considerations and Decisions

Regulatory interpretation of requirements
e.g. significant harm, reasonable steps, Fit & Proper test

Organisational governance implications
Suitability of decision-making process and governance

Principles on changes to IT and HR systems
Changes are necessary but are not 'silver bullets'

How to embed SMCR behaviours
What employees need to "know", "think", "feel" and "do"

Early / ongoing stakeholder engagement
Buy-in and successful engagement from key business stakeholders is a key success factor

Managing sensitivities
Senior roles delineation, "loss of power" and risk exposure

Looking ahead to what ifs?
Early consideration of "unhappy paths" e.g. failed fit and proper



Our proposed approach

Our approach to support firms brings the collective expertise of subject matter experts in both Legal interpretation / advice, and Regulatory change

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- Validate the regulatory analysis and scoping performed
- Provide legal counsel/advise on specific regulatory points

Project mobilisation and impact assessment

- Mobilise internal project teams, establish project governance and ensure project is run on a coordinated basis between key stakeholder functions
- Bring structured and flexible approach leveraging pre-defined tools and templates to quickly interpret new regulations and assess the impact of these clients' businesses and operating models

- Advise on governance frameworks and standards to be applied
- Support / deliver bespoke training to firms
- Support with contractual HR implications

Regulatory Solution Design

- Embed appropriate governance and design authority control processes to ensure effective stakeholder engagement and design of solutions to be implemented
- Support with the design and delivery of tailored scenario-based training

- Supporting with potential implementation concerns / sensitivities with Senior Managers, e.g. indemnity insurance, contractual implications, reviewing statement of responsibilities

Regulatory Change Delivery

- Provide specialist regulatory knowledge and change delivery skills to manage and deliver key requirements including business requirements analysis, functional design and business readiness activities including testing, communications and training
- Bring a people change methodology to manage HR implications and sensitivities relating to Senior Managers' roles and responsibilities



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