

Senior Managers and Certification Regime

Overview

The UK senior managers and certification regime (SMCR) is part of a major overhaul of the accountability regime for individuals working in financial services firms. The regime came into force for banks, building societies and large investment firms on 7 March 2016; for insurers on 9 December 2018; and for all FCA solo-regulated firms on 9 December 2019.

The changes ultimately derive from post-financial crisis recommendations from the Parliamentary Commission on Banking Standards (PCBS) which were adopted via amendments to the Financial Services and Markets Act 2000 and the regulators' rulebooks. The PCBS identified weaknesses in the approved persons regime which had been discredited following several high-profile governance failures of major financial institutions during and following the crisis. There was also significant public frustration at the apparent inability of the regulators to hold well-paid senior individuals to account for major scandals such as Libor fixing. There were also concerns that a lack of formal requirements to disclose poor conduct in references meant that so-called "bad apples" were able to roll from one job to another without their poor conduct record following them. SMCR seeks to address these concerns.

The FCA is establishing a "directory" of individuals at SMCR firms who will no longer be shown on the Financial Services Register. This will be published in March 2020 with details of individuals at banks and insurers, with details of individuals at all other firms appearing in December 2020.

The extension of the SMCR to FCA solo-regulated firms is intended to be proportionate. Most of the changes apply to all firms – the so-called "core regime" (see diagram below for details). Additional requirements (the "enhanced regime") apply to the largest and most complex firms with a lighter touch regime for firms who are "limited scope". Elements of the regime apply to UK branches of overseas firms.



The main additional requirements for enhanced firms are:

- Additional senior manager functions and prescribed responsibilities apply.
- Responsibilities Maps must be provided to the regulator, detailing the management and governance arrangements of the firm, and these must be kept up to date.
- Firms have to establish handover procedures, under which an incoming senior manager receives all the information and material they need.
- The “no gaps” principle applies. This means responsibility for the firm’s key business areas, activities and functions must be allocated to senior managers.

Solo-regulated firms should have identified and trained senior managers and certified staff by 9 December 2019, but have until 9 December 2020 to complete their initial certification process and train all other staff.

How we can help

- Our team includes ex-FCA staff and we continue to have close contacts with the regulator. Celyn Armstrong, one of our partners, was closely involved in creating the regime when he was at the FCA. This means we have a good sense of the likely attitude of the FCA to different approaches to compliance.
- HR and employment issues are key to successful SMCR compliance; for this reason our multidisciplinary team is made up of both regulatory and employment lawyers.
- We have extensive experience in assisting with SMCR implementation projects and assessing compliance after implementation, having advised many banks, insurers and solo-regulated firms on their projects. Clients we have advised range from boutique operations to the largest global banks, so we understand the need for a proportionate approach according to the size and complexity of the firm. We are also well placed to advise on market practice in this area.

Our Ongoing SMCR Compliance Support

Implementation is only the beginning of firms' obligations under SMCR. We can assess the state of your compliance with key areas of the regime, identify any gaps and make risk-based recommendations on enhancing your SMCR framework. For our menu and price list for these and other SMCR services please [click here](#).

Our SMCR Toolkit

As well as offering bespoke advice and support, our specialist team has also drawn on its experience to develop an SMCR Toolkit to help firms comply with SMCR in a practical, cost-effective way. The toolkit includes checklists and template documents such as revisions to employment contracts and internal policies. It has been designed so firms only pay for the particular document(s) they want, with each item priced separately. Please [click here](#) to download the Toolkit menu and price list.

Our SMCR Guide

In addition we have prepared a detailed practical guide to implementing and complying with SMCR including lessons learnt from the experience in banks, HR/employment issues and answers to frequently asked questions. To request a copy please [click here](#).

Your Key Contacts

Global



Celyn Armstrong

Partner, London
D+44 20 7246 7174
M+44 7917 751622
celyn.armstrong@dentons.com



Katharine Harle

Partner, London
D+44 20 7320 6573
M+44 7795 618213
katharine.harle@dentons.com



Craig Neilson

Partner, London
D+44 33 0222 1912
M+44 7795 618213
craig.neilson@dentons.com