

SENIOR MANAGERS AND CERTIFICATION REGIME (SMCR)

OVERSEAS EMPLOYEES – APPLICATION OF CERTIFICATION REGIME

Box 1 Material Risk Takers (MRTs)

The concept of MRTs already exists under the FCA's remuneration rules (see SYSC 19) (such staff are also known as "Remuneration Code Staff").

A firm will need to consider all types of risk when identifying their material risk takers, including those of a prudential, operational, conduct and reputational nature.

An MRT is defined according to the type of firm by reference to the relevant Remuneration Code.

Box 2 Significant Harm Functions

A Significant Harm Function is defined as a function that meets the following conditions:

- it is performed in relation to the carrying on of a regulated activity by an authorised person;
- it requires the person performing it to be involved in one or more aspects of the relevant authorised person's affairs, so far as relating to the activity; and
- those aspects involve, or might involve, a risk of significant harm to the relevant authorised person or to anyone who is using, or who is or may be contemplating using, any of the services provided by the relevant authorised person.

The FCA has designated the following Significant Harm Functions (implicit in each of which is that the role / function is one which involves or may involve a risk of significant harm to the firm or its customers):

- Significant Management Function;
- Proprietary trader function;
- CASS oversight function;
- Functions requiring qualifications;
- Client dealing function ([see Box 3 opposite](#));
- Managers of certification employees (who are not Senior Managers);
- Material Risk Takers; and
- Algorithmic trading function.

The Certification Regime applies to:

1. employees (as defined below);
2. who are not Senior Managers; and
3. whose role / function requires the person performing it to be involved in aspects of the firm's business that relate to regulated activities, and those aspects involve or might involve a risk of significant harm to the firm or its customers.

The roles / functions described at (3) above are known as "Significant Harm Functions" or "Certification Functions".

Box 3 Client Dealing Function

This function is expanded from the current CF30 function.

It applies to any individual dealing with persons (most obviously, clients), or the property of such persons, in a manner substantially connected with the carrying on of regulated activities by the firm.

This function will cover those who:

- advise on investments (other than a non-investment insurance contract) and perform other related functions, such as dealing and arranging;
- deal, as principal or agent, and arrange (bring about) deals in investments;
- act in the capacity of an investment manager and all functions connected with this;
- give advice in connection with corporate finance business, or other functions related to this; and
- act as a bidder's representative.

This function is described at SYSC 27.8.18 onwards. The FCA is consulting on clarifications to the scope of this function, to help ensure that individuals performing solely administrative roles are not caught.

