

# SENIOR MANAGERS AND CERTIFICATION REGIME (SMCR)

## POST-IMPLEMENTATION CONSIDERATIONS

### Points to Note

- This document is not intended as an exhaustive list of all possible scenarios, but rather as an indication of possible relevant triggers
- Who, within the firm, "owns" each of the potential considerations / actions contained in this document will be a choice to be made internally, depending on the firm's internal structure and the allocation of responsibilities between, for example, HR, Legal and Compliance
- The specific event that will prompt each of the triggers set out above will be an internal decision, for example, the "staff changes" trigger in respect of a new joiner may be triggered at different stages of the recruitment process (e.g. acceptance of offer or confirmation of start date)
- The actions to consider will not necessarily be relevant in all circumstances; nor do they constitute an exhaustive list

### Trigger 1 : Structural and Strategic Change (not involving Staff Changes – see Trigger 2)

- Firm or group re-organisation
- Change in governance structure / governance framework / management / reporting lines
- Acquisition / disposal / merger
- Change to markets in which the firm operates (by product or geography)
- Change in target market / client base
- Change in distribution strategy
- New business lines / products / offerings
- Change to regulatory permissions

#### Actions to consider

Senior Managers: A, D, E

### Trigger 2 : Staff Changes / Absences

#### Joiners

- New joiners
- Secondees / interns
- Staff who are TUPE'd over following an acquisition of another business

#### Movers

- Relocation of staff internally
- Change in accountabilities / job structure
- Promotions
- Commencement of job-share arrangements
- Relocation of staff to another entity within the same group
- Role rotations

#### Leavers

- Resignations (including those placed immediately on garden leave)
- Redundancies
- Dismissal

#### Temporary absences

- Maternity / paternity leave
- Long-term sickness absence
- Other long term absence
- Temporary suspension
- Interim cover - due to any sort of absence

#### Actions to consider

#### Joiners

Senior Managers: A, B, D, E, F, G, H, I, J, K  
 Certified Persons: B, F, G, H, K (optional), L  
 Other Conduct Rules staff: F, H

#### Movers

Senior Managers: A, D, E, F, H (if changing Senior Management Functions also consider B, I and J)  
 Certified Persons: F, H (if changing Certification function also consider B and L)  
 Other Conduct Rules staff: F, H

#### Leavers

Senior Managers: A, B, C, D, E, G, H, I, J  
 Certified Persons: C, G, H, L  
 Other Conduct Rules staff: C, H

#### Temporary absences (if long-term cover required, consider the additional actions under 'Joiners')

Senior Managers: A, D, E, H  
 Certified Persons: H  
 Other Conduct Rules staff: H

### Trigger 3 : Disciplinary

*(This assumes only that an investigation is commenced – if this results in Staff Changes see also Trigger 2)*

- Disciplinary of a Senior Manager
- Disciplinary of Certified Person
- Disciplinary of other Conduct Rules staff

Point to consider: some action may need to be taken as soon as an investigation is commenced

#### Actions to consider

Senior Managers: B, C, F, H  
 Certified Persons: B, C, F, H  
 Other Conduct Rules staff: C, F, H

### Trigger 4 : Systems and Controls / Technical Changes

- Changes to IT systems
- Changes to operational systems and controls
- Change in administrative or HR processes / procedures
- Change in systems & controls, policies & procedures

#### Actions to consider

F, H

### Trigger 5 : Regulatory Change

- Changes to the SMCR (or related guidance)
- Changes to legislation / codes of conduct / accepted market practice(s)
- FCA investigation
- FCA supervisory / thematic feedback requiring material change(s)
- Firm changes SMCR category (e.g. move from Core to Enhanced)

#### Actions to consider

Senior Managers: A, D, E, F, H  
 Certified Persons: F, H  
 Other Conduct Rules staff: F, H

### Trigger 6 : Historic misconduct

- Historic misconduct comes to light in relation to an individual in respect of whom the firm has previously provided a regulatory reference

#### Actions to consider

Senior Managers: G, H  
 Certified Persons: G, H

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## Periodic Considerations

## Management Information

- Check all Senior Managers are receiving appropriate MI

## Training

- Is there a training programme in place covering conduct and culture?
- Is training content refreshed periodically? Is there a process for doing this on a regular basis?
- Is there a system or process to monitor persistent failure / non completion of training?
- Has training / guidance been given to those who will be involved with certification? Is this refreshed periodically?

## HR Process

- Process to ensure consistency between any Compromise Agreement, Form C, Notifications and Regulatory References

## Compliance monitoring

- Check compliance monitoring processes and procedures appropriately cover SMCR compliance
- Is there a feedback loop system or process for taking action in light of material findings?
- Does the firm have a system or process for notifying the FCA of disciplinary action taken in relation to a breach of the Conduct Rules within the prescribed timeframes? (Note: the timeframe for notification of breaches by Senior Managers is much shorter than for Certified Persons)
- Does the firm have a system in place to review (and, if necessary, refresh) SORs and RMs? How frequently and who conducts the review?

## Regulatory references

- Does the firm have an appropriate process for providing regulatory references upon request?
- Does the firm have a process for updating regulatory references as may be required?
- Does the firm maintain a list of all past Senior Managers (as well as current ones)?
- Does the firm have an appropriate process for the consideration of regulatory references received?
- Where a regulatory reference is received, does the firm have appropriate systems in place to escalate issues identified, as necessary?
- How does the firm ensure that disciplinary or other conduct issues are fed into regulatory references, as appropriate?

## Internal audit

- Is there a feedback loop system or process for taking action in light of material findings?
- Annual certification exercise / F&P assessment
- Does the firm have appropriate processes and procedures in place for the annual certification exercise / F&P assessment?
- Are issues that arise during the course of the year picked up in case they mean that certification needs to be withdrawn immediately or F&P needs to be reassessed? How robust is this process or system?
- Is there a process in place to ensure periodic refresher F&P checks on a more regular basis if required?
- Does the firm have a system to ensure that the result of disciplinary / other conduct issues feeds in to the assessment of F&P as appropriate, or prompts a re-assessment of F&P?

## ACTION A: Review of Prescribed Responsibilities (PRs)

- Are all of the relevant PRs still allocated appropriately; are they reconcilable with the post-development position? Are there any gaps?
- Is the person who currently holds the PR still the best / right person to hold it?
- If relevant, is it still (or will it be) "appropriate and justifiable" to share or divide a PR?

Matters that might prompt particular consideration: job shares, managers working together temporarily as part of a handover process, a particular business line being run by two Senior Managers.

## ACTION B: Consideration of Fitness and Propriety (F&amp;P)

- Does the trigger prompt any F&P considerations / feeding of information into F&P considerations?
- **Joiners** – has F&P been assessed?

## ACTION C: FCA Notifications

- Consider whether notification needs to be made to the FCA under Principle 11
- Consider whether notification for breach of the Conduct Rules needs to be made (note the timeframe for making a notification in relation to a breach by a Senior Manager is much shorter than for other individuals)

## ACTION D: Review Statements of Responsibilities (SoRs)

- Do any SoRs need updating?
- Has the SoR been discussed with the Senior Manager concerned?
- Is there any overlap between SoRs, or consequential impact on other SoRs as a result of another having been updated?

## ACTION E: Review Responsibilities Map

- Review and update the firm's Responsibilities Map accordingly

## ACTION F: Training

- **Joiners** – induction training, bespoke training on the SMCR, and (for Senior Managers and Certified Persons) on F&P
- Has [refresher] training been considered and/or provided?
- Follow up and escalation relating to persistent failure / non-completion of training

## ACTION G: Provide or Request Regulatory Reference

- **Joiners** – request regulatory reference and criminal records check (Senior Managers and Certified Persons only)
- **Leavers** – provide regulatory reference upon request
- Ensure historic references are updated, if appropriate

## ACTION H: Record-keeping

- Ensure that appropriate records are stored
- Update existing records, as necessary
- Certified Persons – ensure they have a job description on file

## ACTION I: Handover Procedures

- **Joiners** – ensure handover materials have been received
- **Leavers** – ensure handover materials have been prepared and provided

## ACTION J: Submission of FCA Form

- Submission of appropriate FCA form (e.g. Form A, Form C), as appropriate
- Ensure consistency between FCA form and other documents, notifications, and regulatory reference

## ACTION K: Criminal records check

- Required for Senior Managers
- Optional for Certified Persons and Other Conduct Rules staff

## ACTION L: Certification

- Issuance or withdrawal of certificate