



Financial Conduct Authority and
Prudential Regulation Authority

By email

22 May 2023

Dear Sir/Madam,

Practitioner Panel response to DP23/3: Review of the Senior Managers & Certification Regime (SM&CR)

The Panel welcomes the opportunity to respond to this joint discussion paper.

Our key observation is that no significant changes are needed to the SM&CR at this time. The objectives of SM&CR remain relevant, the regime supports UK competitiveness, and is critical to the safety and credibility of UK financial services. However, the operation of the regime has resulted in challenges for firms and there is an opportunity to improve efficiency and proportionality whilst maintaining the core objectives. Within this context we have identified below some areas for potential improvement that might be considered:

- The senior manager regime is embedded and has improved clarity of accountabilities. However, the regime would benefit from: streamlined application timelines, processes and systems; increased engagement with firms; improved consistency of guidance, for example, in respect of SMF7; and refined elements of the regulation such as the 12-week rule.
- With respect to the certification regime, there is further opportunity to: review and refine the certified functions; remove overlap with other regulation; and understand the value of the information contained in the Financial Services Register to customers and professionals.
- The conduct rules have been useful in supporting minimum standards of behaviour across the industry; to ensure consistency of application, further guidance and examples of breaches would be welcomed, particularly in respect of non-financial misconduct.

The panel also suggests that at a high level it would be good practice, and in accordance with the principles of the Consumer Duty, to re-affirm the expected outcomes of SM&CR and what has been achieved to date. In addition, from a cost benefit analysis perspective, it would be helpful to provide data to demonstrate the aggregate cost to industry against the identified benefits.

We would be happy to discuss any of these points further.

Yours faithfully,

[signed]

Matt Hammerstein
Deputy Chair, FCA Practitioner Panel