

## **Transcript - banking leaders' experiences of adopting the Senior Managers and Certification Regime**

### **Jonathan Davidson, Executive Director of Supervision – Retail and Authorisations, FCA:**

SMCR is very simple but its effects are radical, they're going to shift the culture of financial services. I think there are two main outcomes that I'm seeking to achieve from this. One is that every individual in financial services that interacts with a customer, does work that could affect customer outcomes really holds themselves to a standard for their behaviour which is not just tick boxing of "I'm complying with some process" or something else, they're actually saying "There is a standard here of my behaviour and my skills and my due diligence that I need to reach." So that's one outcome. A second outcome I think is that leaders say: "I'm not just accountable and take responsibility for my own actions, I'll take responsibility for leading".

### **What does the Senior Managers and Certification Regime mean to you?**

**Jon Symonds, Deputy Group Chairman, HSBC:** It's a clear framework that is relatively simply defined on pretty much one page per person that really defines how the organisation knits together.

**Liz Nolan, Chief Executive Officer of EMEA, State Street:** I think it's helped us to drive better individual accountability through transparency, clarity and support.

**Vis Raghavan, Chief Executive Officer of EMEA, JP Morgan:** It is really around reinforcing what we stand for. It is reinforcing the culture, the conduct, it is the how we do business principles.

**Dame Jayne-Anne Gadhia, Former Chief Executive Officer, Virgin Money:** The Senior Managers Regime codifies and professionalises what it means to be a senior person in an important industry.

### **What was your experience of the new Senior Managers and Certification Regime?**

**Jon Symonds:** Prior to the Senior Managers Regime, we were constantly asking questions of: "So who's accountable? How is this project going to get delivered, by when and by whom? And who are the teams?" And so the Senior Managers Regime came into an environment where actually we were looking for more clarity and, to be honest, the stimulus it gave us in its implementation was exactly what we needed.

**Jayne-Anne Gadhia:** I think when the Regime first was mooted and first talked about across the City, everybody was a bit concerned that this was going to be another hurdle and more sort of regulatory intervention that was going to cause more

bureaucracy etc and people were quite concerned about it, and I remember actually speaking with Andrew Bailey about it a while back and he said: "I really don't understand what all the fuss is about because actually this should be what people are doing already". And it was one of those moments, you know, when people say something really straightforward and sensible and you go: "Yes, of course, that's exactly right", this is effectively sort of structuring the way in which boards and senior managers should have been behaving all along, and I think that enabled us to think about: "Well, actually we're not just complying with a rulebook, we're trying to do our jobs properly".

### **How has the Senior Managers and Certification Regime changed your organisation?**

**Jayne-Anne Gadhia:** The real change, I guess, was being absolutely clear about objectives and accountabilities and I think before the Regime came in, we thought we were clear but when you start to then put it against a required template, you realise that there are some areas that are a bit fuzzy and some areas of decision-making that weren't really clear enough. And so I think it really sharpened up our ability to talk to people about their objectives and accountabilities, really sharpened up where decision making sat between the board and the executive, for example, and it enabled us of course to document that in a thorough way and then hold people accountable for delivering against it.

**Liz Nolan:** So we relooked at governance, we looked at MI that was available to senior managers to ensure that the MI was as comprehensive as we and they wanted and needed it to be. We looked at, as a global company in particular, how is the decision right and what we do in the UK impacting how we operate globally.

**Vis Raghavan:** What you now have is a heightened focus on escalation so the chain right from junior management, middle management, all the way to the top, this whole concept, culture of escalate, feel free to speak up, is really now embedded in the system.

**Jon Symonds:** But I think like all new regimes, it takes a while to adapt. I think at the beginning, it was turned into a project in its own right and one with enormous complexity. That's all settled down now and in actual fact you don't hear much discussion about the Senior Managers Regime as it is, you just hear about: "How do we manage the business and who's responsible and who's accountable for doing what?"

### **What is your advice to organisations introducing the Senior Managers and Certification Regime?**

**Jon Symonds:** Try not to look at it from a fearful perspective. I mean, clearly it does give the regulators a much easier hook to put people on when things go wrong and clearly that is, you know, that's one of the things that was uppermost in people's mind at the beginning. But having said that, if people are clear about their roles, responsibilities and their accountability, even in a complex matrix organisation, it

actually improves the quality of the interaction, the discussions and the quality of the control over the business that actually is overall beneficial.

**Jayne-Anne Gadhia:** And I think it's really important to understand the essence of the Senior Managers Regime, which isn't trying to trip us up, it isn't trying to end up with everybody in prison – it's actually to make sure that everybody does understand what's asked of them, does understand the job that they're supposed to do and can deliver on it to the best of their ability and, you know, in my experience, most people, that's exactly what they want to do.

**Vis Raghavan:** The first point I'd make is it's a journey, it takes a lot of planning. It also demands a lot with regard to intensity, resources, thought that goes into the whole process and I would say the one key piece which I would kind of absolutely leave with somebody else who is adopting it is - this has got to be owned and led by the business, so you cannot delegate it to HR or compliance or any other kind of function within the building.

**Liz Nolan:** You have to ensure that it's a business initiative. It's not a compliance initiative. It's one of the things that we felt resolutely through this. Compliance as a second line function are there to help and to guide but the business has to own and embrace it. The business has to be the one that really is understanding and driving how to implement and that's how you'll embed it.