

Inside FCA Podcast: The importance of implementing the Conduct Rules for SMCR

OI: Hello and welcome to the Inside FCA Podcast. I'm Ozge Ibrahim and today I'll be talking about the Senior Managers Certification Regime or SMCR with the FCA's Head of Conduct Specialist in Supervision, David Blunt. In this second podcast of a 2-part series, we'll be talking about the conduct rules for solo regulated firms converting to SMCR in December 2019.

Hi, David. The SMCR has three main components of which conduct rules are one key element. Can you please explain what the rules are and why they are a critical part of the regime?

DB: Yes, there are five conduct rules, they're about acting with integrity, with due, skill, care and diligence, and about complying with standards of market conduct. But they're also about paying due regard to the interests of customers and treating them fairly. And finally, about telling us, the regulator, things that we ought to be made aware of. Now these are really important because they set, for the very first time, a base level of conduct, a base level of behaviour which applies to everybody doing financial services work and through that base level, we hope to reinforce healthy cultures in firms by having common standards for everybody.

OI: What do firms need to consider when embedding the conduct rules and are there specific outcomes the FCA is looking for?

DB: So firms need to think about the different roles that different people have in their firms and when they're training people in the conduct rules, to make those rules relevant to those different roles. There is a training requirement, so firms have to ensure that all of their financial services staff know what the conduct rules are and how they apply to the roles that they're in and when firms do that, we are looking for the outcome to be that across the financial services sector, we have successfully embedded some common standards of good behaviour consistently across all staff.

OI: And the SMCR guide mentions training requirements for conduct rules. What does this mean for the 47,000 firms converting to SMCR?

DB: So, for firms coming into the regime in December 2019, the senior managers and those individuals who are going to be in the certification part of the regime all need to be trained in the conduct rules by Day One. For everybody else doing financial services work in the firm, firms have got twelve months in which to train those people.

So we hope that that will give firms plenty of time to think about how they can best tailor the training that they're going to have to deliver so that it's most effective for all of that varied set of employees that they've got who will be coming into scope of the conduct rules effectively in December 2020.

OI: What happens if there's misconduct?

DB: So, if any individuals breach the conduct rules and if the firm's taking disciplinary action against them for that breach, the firm has to report that to us. Now, if the individual's a senior manager, the firm has to report the misconduct within seven business days of the disciplinary action having been concluded by the firm. For all other employees, that's certification staff and anybody else to whom the conduct rules apply, the firm can report the breach as part of an annual reporting process. And the only exception to this is if the conduct or anything related to it is so significant that we ought to be told about it sooner, the firm should do just that.

OI: And finally, what key advice would you have for firms tackling the conduct rules?

DB: The most important thing for me is that firms think about how they can best tailor the training they give their staff in the conduct rules so that all staff can understand how the rules relate to them in the roles that they do.

OI: Thank you. It's been great talking with you, David, and delving into the heart of the SMCR. Thank you for listening and join us again soon for the next Inside FCA Podcast.

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