

## Senior Managers and Certification Regime (SM&CR) video transcript, July 2018

**David Blunt, Head of Conduct Specialists:** Today we've published an update which gives further details about the [SM&CR](#) which will apply to pretty much every firm we authorise.

What people should focus on is getting clarity of responsibilities within the firms and driving high and consistent standards of behaviour across all staff who do financial services.

Clarity of responsibility is really important because it is only with that that individuals are clear what they're accountable for. This has come about because we've seen significant conduct failings and, going forwards, we want much better clarity of responsibility and higher standards of conduct in financial services firms.

The SM&CR replaces the Approved Persons Regime and this represents a shift in our focus increasingly to look at individuals as well as firms.

If people want help with this, they should start by looking at the [guide that we've published today](#) which explains in clear language what the regime is there to do. If people want more help, they can get in touch with the [Contact Centre](#).

**Anisha Acharya, Customer Contact Centre:** The steps you'll need to take to prepare for the extension of SM&CR will vary by firm. It's affected by the size and complexity of your business, as well as how clear your reporting lines, accountability and governance structure is now. For example, if you already know who has responsibility for key business areas within your firm, preparing should be relatively straightforward. The same will go if you are a smaller firm with only a few people involved.

We will help you understand how you and your firm are affected in the lead-up to commencement.

So, the support actually starts now. The next few minutes of this video will be covering the key components of the regime, the:

- Conduct Rules
- Senior Managers Regime
- Certification Regime

**Richard Fox, Head of Policy department responsible for SM&CR:** These are about making clear what we expect individuals to do in terms of their conduct and their competence. So, do they know enough to do their job and do they behave in the way we expect them to? Now, that runs from the most junior people dealing with customers, working with clients, up to the most senior people running the firm. We need to know who's doing what so we know how to supervise and regulate effectively.

## **Conduct Rules**

Firstly, around the Conduct Rules – the new set of rules that will apply to lots of individuals for the first time.

The concepts aren't new. The Conduct Rules are 5 basic rules that set out commonsense standards of behaviour that we expect. They cover important things like acting with integrity and thinking about your customers' needs. Now, what's new is for the first time, they will apply to nearly everybody in financial services.

So, there's 2 key things they'll need to prepare. First, they'll need to explain them to their staff and explain them in context. So, what do they mean for their jobs? And then secondly, they'll need to make sure that their staff are following them.

## **Certification Regime**

Secondly, what we call the 'Certification Regime'. What we have done is set out in rules, roles that we think are really important because, if done badly, they could cause real harm either to customers, to the firm itself or to the markets it operates in, and because these roles are so important, what we want is an annual check that the people doing them meet a formal test in our rules, called 'Fit and Proper'.

What does 'Fit and Proper' mean? Well, in practice, it's 2 things: competence and conduct. So, competence – do they know what they need to know to do their jobs properly. And conduct – do they behave in the way that we would expect them to?

Now, for firms that have been regulated by us for a long time, this is quite a big change. At the moment, these people have to apply to us for our approval. That's changing, so the responsibility is shifting from us to firms because firms know these people better, they're closer to their staff and they are going to be the better guardians of whether people are competent and behaving well.

## **Senior Managers Regime**

And finally, the most senior people, the senior managers, will be caught by our new 'Senior Managers Regime'.

This is about a small number of the very most senior people running these firms. They'll have the final say on important decisions, they'll likely sit on a management committee or an executive committee, they might be on the board.

Now, what's happening here, we already approve these people at the moment, so what's changing? Well, firstly we're going to focus on these people in greater detail than we did in the past. Importantly, they'll each need a new document that simply sets out what they're responsible for and what they're not, so a Statement of Responsibilities. Now, this makes very clear to them and to us who's doing what and makes sure that things don't fall between the cracks.

Finally, these people will be asked to take 'reasonable steps'. Now, this test stems from the underlying law that we're implementing and it simply means that senior managers need to take reasonable steps, so the steps that you and I would expect, to make sure that their firm doesn't break the rules and, if they do break the rules, to do something about it.

The new regime will apply to all firms that we fully authorise. Now, this is a large number of firms, more than 50,000, but also a very diverse mix of firms. It will range from the largest asset manager to the smallest consumer credit firm.

### **What's next for insurers?**

**Anisha Acharya:** For insurers, the commencement date is 10 December 2018. We'll be in touch over the next few weeks with information about how we plan to support you between now and commencement.

### **What's next for solo regulated firms?**

For solo regulated firms, the commencement date is 9 December 2019. You won't be hearing from us just yet but that isn't because we've forgotten you, we'll be in contact to let you know exactly what you need to be doing to be ready for commencement.

So, you can keep up to date by looking at the [SM&CR pages](#) on our website. You can also sign up for monthly updates by [Regulation Round-up](#) and you can

also keep up to date on what we've published each week [via [weekly news and publications alerts](#)].