

Senior Managers & Certification Regime (SMCR)

SMCR for comes into force on 9th December 2019 and will affect around 50,000 FCA authorised firms, making it one of the largest regulatory change initiatives in the modern history of financial services regulation

SMCR's predecessor SMR has been in force for banks, building societies, credit unions and PRA- designated investment firms (relevant Authorised Persons) since March 2016. This current roll out will cover the remainder of the financial services sector, being all FCA only regulated firms such as investment managers.

This new regime brings accountability for all decision of consequence with those decisions clearly identifiable back to the decision maker. This new accountability is intended to drive a cultural change within firms that ultimately is designed to filter right through the organisation to the most junior and newest members of staff.

Firms need to:

- Identify Senior Managers who are personally responsible for the areas of business that they manage
- Identify employees undertaking Certification Functions, which includes those employees who interact with clients, are material risk takers, are proprietary or algorithmic traders or who perform a significant management or supervisory role
- Implement a formal fitness and propriety assessment that requires a number of due diligence checks on an initial and ongoing basis for both Senior Managers and Certified Function holders
- Introduce new Conduct Rules, which are similar to the previous FCA Statements of Principle for Approved Persons, that apply directly to most (if not all) employees within a firm
- Develop and apply a more formal training programme
- Ensure timely reporting to the FCA for Senior Manager appointments and any conduct rule breaches by employees
- Ensure accurate and timely information is posted on the new FCA Directory

Key Objectives of SMCR

Accountability

Roles and responsibility are clearly understood, and staff are aware of determining accountability in a particular scenario

Understanding

All staff understand the SMCR and how it affects them

Sustainability

New employees understand and maintain the requirements of the SMCR

Alignment

SMCR lines up with business objectives

Governance

Necessary actions are carried out appropriately at the right level and issues must be addressed, assessed and resolved accordingly

Rory Gage has worked in the investment management industry for the last 30 years with the last 15 in management consultancy. He has an in-depth knowledge across the whole of an investment manager's business to provide practical and efficient solutions that take into account upstream and downstream effects from the back through to the front office. He has a detailed knowledge of all aspects of operations, including trade flows, processes and regulation. Rory is an expert in controls frameworks and has extensive experience of carrying out assurance reviews across most aspects of SMCR. He can bring practical experience on how to evidence control and oversight by senior managers and has developed a significant number of tools to assist with this, particularly in the oversight and control of outsource arrangements.

For more information contact Rory on **Mbl: 07766 113081** or by **Email: rory.gage@commsolassoc.com**