



UK Senior Managers & Certification Regimes

The UK Senior Managers and Certification Regimes (SMCR) were implemented for the banking and insurance sectors in 2016 and are expected to be extended to asset managers (and all UK-regulated financial services firms) from 2019, to replace the current Approved Persons Regime.

Who is this relevant for?

All UK-regulated financial services firms are expected to be subject to the new rules from 2019 (pending confirmation of the timeframe from the Treasury), including asset managers. The regime is relevant for all levels and areas of a UK firm, with rules applying to almost all staff members.

While the rules apply directly to UK firms, non-UK staff involved in larger firms may very well be captured by the new rules for senior managers, for example, global business heads (e.g. the head of I.T.) or managers of the UK business located offshore. Likewise, staff located overseas but involved in the UK business or dealing with its clients may also be captured by the certification regime.

What does it cover?

The SMCR has three core components:

1. **Senior Managers Regime** – Establishes a list of specific responsibilities that must be allocated to an individual performing a Senior Management Function. A senior manager's appointment will be subject to FCA approval. The FCA has proposed a regime whereby larger more complex firms will need to ensure that all aspects of their business are overseen by a senior manager, whereas smaller firms will only need to appoint senior managers to core roles in the firm (and only where those roles already exist or are required by regulation).

The new rules make it easier for the FCA to hold senior managers personally responsible for failings within their remit. The rules require larger, more complex firms to map clearly in writing how responsibility for the various parts of the business is divided among the senior managers. All firms will also need to prepare and maintain written statements confirming the areas of responsibility for each senior manager.

2. **Certification Regime** – Firms will be required to self-certify, both at the time of recruitment and on an annual basis, the fitness and propriety of staff who are not senior managers but who perform a function that could cause significant harm to the firm or its customers. This includes customer-facing roles that were previously pre-approved by the FCA, pushing the onus back onto firms.
3. **Conduct rules** - The regulators have developed an enforceable two-tier Code of Conduct. The first tier applies to all individuals in the firm, including senior managers, certified persons and other employees including legal, HR and compliance, apart from those performing ancillary roles, e.g. cleaners, security guards, receptionists. The second tier applies only to senior managers. Breaches of conduct rules are to be reported to the FCA annually, other than breaches by senior managers, which must be reported within seven business days of the firm becoming aware of an actual or suspected breach.

Important future dates

The rules are expected to be extended to all UK-regulated firms from 2019. However, the exact timing and arrangements to transition to the new rules (including grandfathering arrangements) are yet to be announced. The FCA is aiming to finalise rules to extend the regime over the course of 2018.

Where can I find more information?

- [FCA Final guidance on the duty of responsibility](#)
- [HM Treasury paper on extending SMCR](#)
- [FCA consultation on the extended SMCR \(CP17/25\)](#)
- [FCA consultation on transitioning firms and individuals to the SMCR \(CP17/40\)](#)

Please contact AIMA's [markets regulation team](#) for more detail on any aspect of the new rules.