

# **The Senior Managers and Certification Regime: FCA solo regulated investment firms**

## SM&CR: are you confident you've got it right?

Below are 10 key issues you should now have implemented.

### Senior Managers

**1. Are you sure your current structure assigns the right responsibilities to the right people?**

Be sure you've factored in skills, knowledge, experience, and authority - and that there is a clear rationale for your approach to decision-making and recording here.

**2. Is your Financial Services Register listing correct and up to date?**

The FCA used the information on the Financial Services Register to drive the transition from Approved Persons to Senior Managers. If what was on the register was incorrect, you need to update it as soon as possible.

**3. Who holds which Prescribed Responsibilities and why?**

Make sure you've allocated Prescribed Responsibilities to individuals with appropriate skills, knowledge and authority.

Remember, sharing of Prescribed Responsibilities is only allowed in very specific circumstances, e.g. where formal job-share arrangements exist.

**4. If you haven't already done so, think about drawing up Statements of Responsibilities to see how well these fit together and whether there are any gaps.**

A Senior Manager's Statement of Responsibilities should cover all their key responsibilities. Your Statements should fit together to demonstrate there are no gaps in your firm's control structure.

Be sure you've covered everything and secured proper buy-in from your Senior Managers. If you suspect you may have made deadline-driven decisions in the run-up to SM&CR that you're no longer fully confident about, make sure you fix these before issues arise.

**Certification Regime****5. Are you confident you've correctly assessed which roles are captured by the certification regime?**

It is well worth double-checking you've got it right when determining which roles would be certified, particularly in term of:

- The size of your firm and which aspects individuals have responsibility for
- The degree of autonomy and decision-making authority individuals have (Do they have significant decision-making authority, or do they refer decisions to Senior Managers?)
- The potential impact individuals could have on your customers and your firm

**6. Have you correctly recorded your rationale for deciding which roles you did and did not deem certificated?**

There are no prescribed certified roles for consumer credit firms. So, it's up to individual firms to determine which roles require certification.

Responsibility for the certification regime is a Prescribed Responsibility and it's important you can evidence sound decision-making.

**7. Make sure you've been clear about who is responsible for managing the assessment of individuals' suitability for certified roles - and what processes apply.**

Be sure also that you can call on detailed evidence to support your initial assessment and all subsequent annual assessments of individuals' suitability for certified roles.

Are you happy with the certificate format you've adopted (given that there is no prescribed format or template) and with the mechanics you've put in place for preparing, signing off and issuing them?

**Conduct Rules****8. Are you sure your current structure assigns the right responsibilities to the right people?**

Be sure you've factored in skills, knowledge, experience, and authority - and that there is a clear rationale for your approach to decision-making and recording here.

**Conduct Rules (cont.)****9. Are you confident you have fully trained your Senior Managers and Certification staff in the COCON rules?**

The requirement is that staff should have been trained on how the Conduct Rules apply specifically to their role. Generic online training might not be deemed sufficient. So be sure the training you've put in place is truly fit for purpose.

Remember that one of your Senior Managers has a Prescribed Responsibility for meeting your firm's training (and breach notification) requirements.

**10. Consider what arrangements you've put in place for meeting the COCON rules' breach notification requirements.**

The requirement to record and report breaches of the COCON rules that result in disciplinary action has applied for Senior Managers and Certification staff since 9 December 2019.

Are you confident you have a clear view on what your firm deems a breach, the rationale for this, and that you have a robust process in place for recording breaches and meeting your notification requirements?

There are, of course, many other aspects of SM&CR on which you need to be confident you've made the right preparations for.

Obvious examples would include regulatory references (what these entail and to whom they apply), non-executive directors, the fit and proper requirements (including DBR checks), what details your Statements of Responsibilities record, and what information is included on the Directory.

In every case, as with all the points above, it's far better you identify areas for improvement yourself – rather than have them come to light when subjected to regulatory scrutiny.

**Get in touch**

We've already supported hundreds of firms to understand and prepare for the new regime, and we continue to assist those with work still to do – or who simply want to verify they've got it right.