

Senior managers and certification regime: Introduction and classification

## Chapter 23

# Senior managers and certification regime: Introduction and classification



## 23.3 Overview of the senior managers and certification regime

**23.3.1** **G** There are three main elements to the regime:

- (1) the senior managers regime;
- (2) the certification regime; and
- (3) conduct rules that apply directly to a *firm's* workforce.

**23.3.2** **G** The table in ■ SYSC 23.3.3G gives more details about each of those three elements. The first two columns of the table apply to all *firms*. The third column only covers *firms* that are not regulated by the *PRA*.

**23.3.3** **G** Table: Summary of the senior managers and certification regime

(1) Description of component of the regime	(2) Handbook provisions	(3) Application to solo-regulated firms
The senior managers regime: Parts that apply to all firms		
Pre-approval by the <i>FCA</i> of senior management (the <i>FCA Handbook</i> calls senior management subject to pre-approval <i>SMF managers</i> )	SUP 10C	Applies to all solo-regulated <i>firms</i>
<i>Firm</i> to be satisfied that a person is fit and proper before applying for them to be approved as an <i>SMF manager</i> by the <i>FCA</i> or <i>PRA</i>	This requirement is in section 60A of the <i>Act</i> . There is <i>guidance</i> on it in SUP 10C.10.14G (Vetting of candidates by the firm).	Applies to all solo-regulated <i>firms</i>
Annual assessment of fitness and propriety by the <i>SMF managers' firms</i>	This requirement is in section 63(2A) of the <i>Act</i> . There is <i>guidance</i> and related notification obligations in SUP 10C.14.18R to SUP 10C.14.25G (Notifications about fitness, disciplinary action and breaches of COCON).	Applies to all solo-regulated <i>firms</i>

(1) Description of component of the regime	(2) Handbook provisions	(3) Application to solo-regulated firms
A firm should carry out criminal records checks before applying for someone to be approved as an SMF manager	SUP 10C.10.16R (Criminal records checks and verifying fitness and properness)	Applies to all solo-regulated firms except for a sole trader without employees
A firm should ask for a regulatory reference before appointing someone to be an SMF manager, or to certain other senior management positions, and give one if asked to by another firm doing so	SYSC 22 (Regulatory references)	Obligation to give a reference applies to all solo-regulated firms.  Obligation to ask for one applies to all solo-regulated firms except for a sole trader without employees.
Statements of responsibilities	SUP 10C.11 (Statements of responsibilities).	Applies to all solo-regulated firms
This is a document that sets out the responsibilities that an SMF manager performs as part of their designated senior management function. It is prepared as part of the firm's application to the FCA or (if the firm is a PRA-authorised person) PRA for them to be approved as an SMF manager. It should be updated after approval when there has been any significant change in the responsibilities of the SMF manager	Many of the requirements are in the Act itself but they are summarised in SUP 10C.11.  SUP 10C.11 also adds some further requirements, particularly about there being one statement of responsibilities per SMF manager per firm.	
Duty of responsibility  This applies to SMF managers in all types of firm.	This is dealt with in section 66A(5) of the Act.  There is guidance on this in DEPP 6.2.9-AG to DEPP 6.2.9-FG.	Applies to all solo-regulated firms
The senior managers regime: Parts that apply to many firms		
A firm should allocate certain specified management responsibilities among its SMF managers	SYSC 24 (Senior managers and certification regime: Allocation of prescribed responsibilities)	Does not apply to a limited scope SMCR firm.  Applies to a core SMCR firm and an enhanced scope SMCR firm.
The FCA Handbook calls them FCA-prescribed senior management responsibilities		

(1) Description of component of the regime	(2) Handbook provisions	(3) Application to solo-regulated firms
<p>A <i>firm</i> solo-regulated by the <i>FCA</i> should carry out criminal records checks before appointing a <i>board director</i> who is not an <i>SMF manager</i></p> <p>The senior managers regime: Parts that only apply to a limited range of firms</p>	<p>SYSC 23.4 (Criminal record checks for non-executive directors)</p>	<p>Does not apply to a <i>limited scope SMCR firm</i>.</p> <p>Applies to a <i>core SMCR firm</i> and an <i>enhanced scope SMCR firm</i>.</p>
<p>A <i>firm</i> should maintain a comprehensive and up-to-date <i>document</i> (called the <i>management responsibilities map</i>) that describes its management and governance arrangements</p>	<p>SYSC 25 (Senior managers and certification regime: Management responsibilities maps and handover procedures and material)</p>	<p>Does not apply to a <i>limited scope SMCR firm</i> or a <i>core SMCR firm</i>.</p> <p>Applies to an <i>enhanced scope SMCR firm</i>.</p>
<p>A <i>firm</i> should ensure that, at all times, one or more of its <i>SMF managers</i> have overall responsibility for each of the activities, business areas and functions of the <i>firm</i>.</p>	<p>SYSC 26 (Senior managers and certification regime: Overall and local responsibility)</p>	<p>Does not apply to a <i>limited scope SMCR firm</i> or a <i>core SMCR firm</i>.</p> <p>Applies to an <i>enhanced scope SMCR firm</i>.</p>
<p>A <i>firm</i> should ensure that a person becoming an <i>SMF manager</i> has all the information and material that they could reasonably expect to have to perform their responsibilities</p>	<p>SYSC 25.9 (Handover procedures and material)</p>	<p>Does not apply to a <i>limited scope SMCR firm</i> or a <i>core SMCR firm</i>.</p> <p>Applies to an <i>enhanced scope SMCR firm</i>.</p>
<p>A retail intermediary <i>firm</i> should check whether it meets the financial criteria for being an <i>enhanced scope SMCR firm</i> and report to the <i>FCA</i> when it meets those criteria for the first time or ceases to meet them.</p>	<p>SUP 15.15 (Notification by retail intermediaries of qualifying as an enhanced scope SMCR firm)</p>	<p>Only applies to certain <i>UK</i> retail intermediaries. The full details of who this covers are in SUP 15.15.</p>
<p><i>Firms</i> should report changes to their <i>management body</i> when members who are not <i>SMF managers</i> leave or join it.</p>	<p>SUP 15.16 (Notification of changes in the management body)</p>	<p>Only applies to a <i>MiFID investment firm</i> or a <i>MiFID optional exemption firm</i>.</p>
<p>A <i>firm</i> is required to maintain a clear and appropriate apportionment of significant responsibilities among</p>	<p>SYSC 4.4 (Apportionment of responsibilities)</p>	<p>Applies to a <i>limited scope SMCR firm</i>, except for a <i>limited scope SMCR benchmark firm</i></p>

(1) Description of component of the regime	(2) Handbook provisions	(3) Application to solo-regulated firms
<p>its <i>directors</i> and <i>senior managers</i></p> <p>A <i>limited scope SMCR benchmark firm</i> is required to report to the FCA certain changes in the split of its revenue between <i>regulated activities</i> and <i>unregulated activities</i></p>	<p>SUP 15.17 (Notification of regulated income by limited scope SMCR benchmark firm)</p>	<p>Does not apply to most <i>core SMCR firms</i>.</p> <p>Does not apply to an <i>enhanced scope SMCR firm</i>.</p> <p>Only applies to a <i>limited scope SMCR benchmark firm</i>.</p> <p>Does not apply to any other <i>limited scope SMCR firm</i>.</p> <p>Does not apply to a <i>core SMCR firm</i> or an <i>enhanced scope SMCR firm</i>.</p>
<p>The senior managers regime: Parts outside the Handbook</p>		
<p>Criminal offence relating to a decision that causes a financial institution to fail.</p> <p>It applies to a <i>UK SMCR banking firm</i> but does not apply to a <i>credit union</i>.</p> <p>It does not apply to any <i>firm</i> that is not a <i>UK SMCR banking firm</i>.</p>	<p>This is contained in section 36 of the Financial Services (Banking Reform) Act 2013</p>	<p>Does not apply to any solo-regulated <i>firm</i></p>
<p>The certification regime</p>		
<p>A <i>firm</i> should not permit an <i>employee</i> to carry out certain functions (<i>certification functions</i>) unless it has issued them with a certificate.</p> <p>The certificate is only valid for a year. The <i>firm</i> will have to renew it if the <i>employee</i> is to carry on performing the function.</p> <p>A <i>firm</i> may not issue or renew a certificate unless it is satisfied that the <i>person</i> is fit and proper.</p> <p>Certification does not involve pre-approval by the FCA or PRA.</p>	<p>Most of the requirements of this regime are in sections 63E (Certification of employees by authorised persons) and 63F (Issuing of certificates) of the Act.</p> <p>SYSC 27 (Senior managers and certification regime: Certification regime) describes the regime and explains which <i>employees</i> are covered.</p>	<p>Applies to all solo-regulated <i>firms</i> except for internally managed <i>AIFs</i> and <i>pure benchmark SMCR firms</i>.</p> <p>The certification regime does not apply to <i>benchmark activities</i>.</p>

(1) Description of component of the regime	(2) Handbook provisions	(3) Application to solo-regulated firms
A <i>firm</i> should ask for a regulatory reference before appointing someone to perform an <i>FCA certification function</i> (or a <i>PRA</i> equivalent) and give one if asked to by another <i>firm</i> doing so.	SYSC 22 (Regulatory references)	Applies to all solo-regulated <i>firms</i>
A <i>firm</i> must report information to the <i>FCA</i> about its <i>Directory persons</i> , including its <i>certification employees</i> .	SUP 16.26 (Reporting of information about Directory persons)	Applies to all solo-regulated <i>firms</i> except <i>pure benchmark SMCR firms</i>
Conduct rules (applies to all firms)		
<i>Rules of conduct</i> that apply directly to a <i>firm's</i> workforce other than ancillary staff	COCON	Applies to all solo-regulated <i>firms</i>
A <i>firm</i> should report breaches of <i>COCON</i> to the <i>FCA</i>	Section 64C of the Act (Requirement for authorised persons to notify regulator of disciplinary action) and SUP 15.11 (Notification of <i>COCON</i> breaches and disciplinary action)	Applies to all solo-regulated <i>firms</i>
A <i>firm</i> should: (a) ensure that all <i>persons</i> subject to <i>COCON</i> are notified of the <i>rules</i> that apply to them; and (b) take all reasonable steps to ensure that they understand how <i>COCON</i> applies to them	These obligations are in section 64B of the Act ( <i>Rules of conduct: responsibilities of authorised persons</i> ).  There is guidance in <i>COCON</i> 2.3 ( <i>Firms: Training and breaches</i> ).	Applies to all solo-regulated <i>firms</i>

23.3.4



The *PRA* has requirements corresponding to the senior managers and certification regime that apply to *PRA-authorised persons*. The *FCA* and *PRAs'* regimes are designed to work together and complement each other. A *PRA-authorised person* will therefore need to consider the *PRA's* requirements to get a complete picture of the requirements that apply to it (and its workforce) in the area covered by the senior managers and certification regime and the requirements in the *Act* on which it is based.