

SM&CR Case Study Series

SM&CR CHECKLIST

ISSUE 10 • DECEMBER 2019

This is the last issue in our SM&CR case study series, designed to help you prepare for the implementation of the FCA's Senior Managers and Certification Regime (SM&CR). This issue will provide you with a summary of the steps a core firm should be taking to implement the SM&CR incorporating the key dates laid down by the Financial Conduct Authority.

Further details have already been supplied throughout our case study series in which we followed fictitious firm Smith & Cromer Limited's project to implement the SM&CR.

Before you read on, have you Watched our one-minute explainer video - SM&CR in a Nutshell?

If you are up to date, read on...

SM&CR Preparation Timeline

Are we where we should be? **MAR 2019**

Senior managers, certification staff or conduct staff? **APR 2019**

SM&CR documentation updates **MAY 2019**

Fitness and propriety of senior managers **JUN 2019**

Training for senior managers **JUL 2019**

Fitness and propriety of certification staff **AUG 2019**

Training for certification staff **SEP 2019**

Setting up systems & controls to support SM&CR **OCT 2019**

Training for conduct staff **NOV 2019**

SM&CR checklist **DEC 2019**

SM&CR CHECKLIST AND SUMMARY STEPS

STEPS	To be done by
1 Board of directors briefed on the regime and high level impact assessment undertaken to produce a project plan.	9 Dec 2019
2 Determine the allocation of the Senior Management Functions (SMFs) to individuals - these are the Senior Managers.	9 Dec 2019
3 Determine which SMF holders will hold which of the (in the case of a core firm) 4 prescribed responsibilities.	9 Dec 2019
4 Prepare individual Statements of Responsibilities for each of the Senior Managers that incorporate their responsibilities and include the prescribed responsibilities within the new regime. Although not required for core firms, consider whether the preparation of a 'Responsibilities Map' is a worthwhile addition.	9 Dec 2019
5 Ensure each of the SMF holders understand the Duty of Responsibility as it applies to the discharge of their areas of responsibility and how they will demonstrate the taking of reasonable steps to prevent and to rectify regulatory misconduct in their areas of responsibility.	9 Dec 2019

continued overleaf 

SM&CR checklist

6	Identify and record those individuals that will be performing one or more of the Certification Functions and who will need to be certified as fit and proper.	9 Dec 2019
7	Train the Senior Managers on the new regime, particularly the new conduct rules and how misconduct might arise in the context of their roles and the business. Consider whether to include any non-executive directors in this training session too.	9 Dec 2019
8	Obtain acceptance from each SMF holder of their Statements of Responsibilities and consider gathering self-certification from each individual that they understand and accept what they are taking on.	9 Dec 2019
9	Update policies and procedures for the SM&CR: a) Update the firm's Code of Conduct to include the new conduct rules. b) Review and update where necessary human resources processes (specifically regarding criminal records checks and regulatory references, fit and proper assessments and the impact on appraisals (see also 11 below), and the need for certificates for Certified Persons). c) Introduce procedures for conduct breach reporting including a conduct breach register. d) Add conduct breaches as a regular item to the Board meeting agenda.	9 Dec 2019
10	Train the Certified Persons on the new regime, particularly the new conduct rules and how misconduct might arise in the context of their roles and the business.	9 Dec 2019
11	Update the annual appraisal processes (particularly for Senior Managers and Certified Persons) to adequately cover the three areas of fitness and propriety – honesty, integrity and reputation; competence and capability; financial soundness. Consider introducing a continuing professional development requirement for Senior Managers and Certified Persons.	9 Dec 2019
12	Carry out fitness & propriety assessments on each of the SMF holders to determine that they are fit & proper to carry out each of their Senior Management Functions.	9 Dec 2019
13	Carry out fitness & propriety assessments on each of the Certification Employees to determine that they are fit & proper for each of the Certification Functions they are carrying out. Issue their certificates and submit the relevant information to the FCA for inclusion in the Directory.	9 Dec 2019
14	Identify any staff that are considered ancillary and train all of the remaining “conduct-only” staff on the new regime, particularly the five new conduct rules that will apply to them from 9th December 2020.	9 Dec 2019

ADDITIONAL NOTES

- 1 From ‘commencement day’ (9 December 2019) the new conduct rules apply to Senior Managers and Certified Persons, so the firm must have identified all existing staff that will require certification by commencement day and trained this population on the rules.
- 2 In the year that follows from commencement day (the year to 9 December 2020) the firm must complete the initial certification of the Certified Persons and train all other staff on the new conduct rules.
- 3 From 9 December 2020 the new conduct rules apply to all staff other than those performing “ancillary” roles.
- 4 Firms must undertake at least annual assessments of fitness & propriety of each of their SMF holders and Certification Employees.



TRAINING

Extensive experience in training senior managers and other staff who are subject to the SM&CR.

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