



Senior Manager & Certification Regime (SM&CR)

Question & Answers from Christine Newell, Paradigm's Mortgage Technical Director

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What is the Senior Manager & Certification Regime?

The Senior Manager & Certification Regime replaces the Approved Persons regime currently used by the Regulator to authorise and identify people who hold senior positions in financial services companies. These positions of authority could cause significant harm to clients or the Financial Services Industry. The SM&CR has already been implemented into Banks & Building Societies and it is now being extended to ALL FCA authorised firms.

When does the SM&CR come into force?

The new regime comes into force on 9th December 2019.

What is the reason for, and aim of the SM&CR?

After the "market crash" in 2008 the Government set up an Independent commission on Banking, led by Sir John Vickers. There were several recommendations on how banks should operate, for example separating their investment and retail arms. However, not one UK banker was prosecuted for the problems they created leading up to the banking crisis, and it was clear that new reforms were needed to make people more accountable for the actions they take, in the jobs they do. The fundamental aim of the SM&CR is to reduce harm to consumers and strengthen market integrity by making individuals more accountable for their conduct and competence.

Will I need to re-apply to the FCA to be authorised as a Senior Manager?

No, Senior Manager Functions will replace the current Control Functions and for most firms this will be an automatic migration from CF to SMF. If a new member of staff moves into a Senior Manager role then these will need to be applied for via the FCA. For further information you can read the FCA guide [here](#) or alternatively if you buy compliance services from Paradigm, then you can refer to the Paradigm Consulting website to access our guides.

What changes will I need to implement?

Under the SM&CR, you will need to establish what type of firm you are and therefore what Senior Manager Functions and responsibilities will be applied. The definition of what each firm will fall under can be found in the FCA guidance decision tree by clicking [here](#). Alternatively, if you buy compliance services from Paradigm, then you can refer to the Paradigm Consulting website to access our guides.

What is a Statement of Responsibility (SOR)?

All Senior Management Functions will need a Statement of Responsibility (SOR). A SOR is a single document which clearly sets out their role and responsibilities. SORs must:

- > Set out the responsibilities and accountabilities of Senior Managers, rather than how they go about carrying out those responsibilities
- > Be self-contained and not refer to other documents

There will also be some Prescribed Responsibilities that a Senior Manager will be required to have on their SOR details of these can be found in the FCA guide by clicking [here](#). Paradigm have prepared some templates for firms who buy compliance from us, these can be accessed by logging into the Paradigm Consulting website.

Senior Managers will also have a duty of responsibility. This means that if a firm breaches one of the FCA requirements, the Senior Manager responsible for that area could be held accountable if they didn't take reasonable steps to prevent the breach from occurring.

Will I need to change my business structure to incorporate Senior Manager Functions?

No, the SM&CR doesn't require firms to change their governance structure or hire new people to fill specific roles. The Senior Manager Functions (SMF) only apply if you have someone doing these jobs or the SMF is a required function. You can check out what SMFs might apply to your firm by reading the FCA's guide to Solo Regulated Firms by clicking [here](#). If you are a Paradigm Compliance member then you can refer to Paradigm Consulting and access our specific guides for Limited Scope and Core Firms.

What is the Certification Regime?

The certification regime covers specific functions that are not Senior Management Functions, but can have a significant impact on clients, the firm and market integrity. The FCA will not approve these people, but firms will need to check and confirm (certify) at least once a year that these people are suitable to do their job.

What roles are covered by the Certification Regime?

Mortgage, Investment & Pension Advisers along with people who act as Supervisors of these roles will be captured by the Certification Regime. Generally, these individuals need a qualification to do their role, have undergone extensive training and have been declared competent in this role.

What are the Conduct Rules?

The conduct rules are designed to improve standards of behaviour. They represent a meaningful change in the standards of conduct that the FCA expect from all those who work in the industry. The Conduct Rules apply to ALL staff directly, and will help shape the culture, standards and policies of firms and promote positive behaviours, reducing harm. You can find the FCA guide by clicking [here](#) or if you are a Paradigm Compliance Member you can access our easy guides to the SM&CR online.

Paradigm SM&CR CPD events

THE BUTTERFLY EFFECT

Chaos Theory Meets the Senior Managers and Certification Regime



Paradigm Consulting are excited to invite you to our inaugural, focussed Best Practice events.

We will be hosting a morning workshop (over 2 hours of CPD) on all things relating to the SM&CR and demonstrating how setting the correct ethos and culture in your firm can be one of the most powerful risk tools at your disposal.

This event has been specifically designed for Business Owners, Principals and Senior Managers in any regulated firm. This is being held in Stratford-upon-Avon on the 25th September.

Key objectives

At this event we will:

- > Provide the background to the SM&CR
- > Explain the rules and expectations under SM&CR
- > Demonstrate how to implement the SM&CR within your regulated firm
- > Provide you with a SM&CR action plan to take away and use within your firm
- > Discuss how the changes within your business brought about by the SM&CR can be reviewed internally and how the regulator may assess how your firm has adopted the new regime.
- > Provide you with the opportunity to question one of the UK's leading consultancy firms on all matters relating to SM&CR.

[Please click here for more information and to register](#)



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