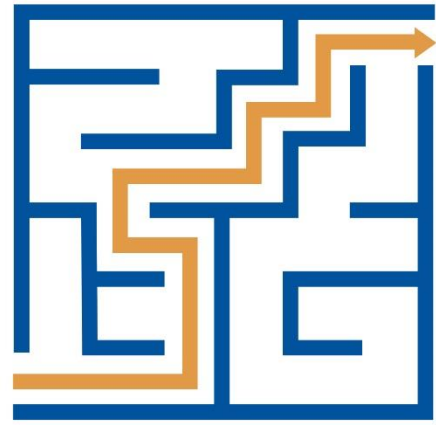


# The Senior Managers & Certification Regime



**For 'Core' general insurance intermediary firms**



# Compliance Management Services

*Insurance compliance. Intelligent solutions.*

Presenters: Norman Hughes, ACII  
David Allison, ACII

# What we are covering today

- Background to SMCR
- What is a 'Core' SMCR firm?
- Senior Managers' Regime
- Certification Regime
- New 'Public Directory'
- Conduct Rules
- SMCR and Appointed Representatives
- Actions you need to take

AGENDA.





MYTHBUSTERS

A photograph of Adam Carlin and Grant Imahara, the hosts of the television show Mythbusters. Adam Carlin, on the left, is wearing a black shirt and glasses, smiling. Grant Imahara, on the right, is wearing a white shirt, a black flat cap, and glasses, with a serious expression. They are both holding a large, rectangular, rusted metal sign that has the word "MYTHBUSTERS" embossed in white, blocky letters. The background is a workshop or garage filled with various tools and equipment.

# Why is the SMCR being introduced?

To reduce harm to consumers and strengthen market integrity by creating a system that enables firms and regulators to **hold individuals to account**. It replaces the Approved Persons Regime ('APR').

## Specific aims:

- encouraging staff to take personal responsibility for their actions
- **improving conduct** at all levels
- ensuring firms and staff clearly understand and can show who does what

# What is an SMCR 'Core' firm?

Regulated business revenue  
(3 year rolling average) less  
than **£35 million**

Where insurance distribution is  
the principal business activity







“SMCR is difficult and complicated, and will cost us lots of money to implement.”

# The three strands of the SMCR





# The Senior Managers Regime (SMR)



FCA focuses on  
what you DO, not  
what you're CALLED





# Fitness for the SM role



# Criminal Records Checks

Must be done by the firm, not the candidate

Register with umbrella organisation that provides such checks?

Equivalent checks to be made if candidate has worked abroad





# Regulatory References

- Prescribed format
- Preceding 6 years
- Must be updated if new information comes to light



# Senior Management Functions







**SMF1** Chief Executive

**SMF3** Executive Director

**SMF27** Partner

**SMF9** Chair of the Board



MYTH

“SMCR forces us to change our governance structure and/or hire new people to fill specific roles.”



# RESPONSIBILITY



## Prescribed Responsibility No 1:

Responsibility for the firm's performance of its obligations under the **Senior Managers Regime**, including implementation and oversight

# RESPONSIBILITY



## **Prescribed Responsibility No 2:**

Responsibility for the firm's performance of its obligations under the **Certification Regime**

# RESPONSIBILITY

A hand holding a red marker is shown underlining the word 'RESPONSIBILITY' which is written in a bold, black, hand-drawn font. The hand is positioned on the right side of the image, with the thumb and index finger gripping the marker. The red line is drawn horizontally across the word.

## **Prescribed Responsibility No 3:**

Responsibility for the firm's performance of its obligations in respect of notifications and training of the **Conduct Rules**



# RESPONSIBILITY



## **Prescribed Responsibility No 4:**

Responsibility for the firm's policies and procedures for countering the risk that the firm might be used to further **financial crime**



# RESPONSIBILITY



## **Prescribed Responsibility No 5:**

Responsibility for the firm's compliance  
with **CASS**

# Can Prescribed Responsibilities be shared?





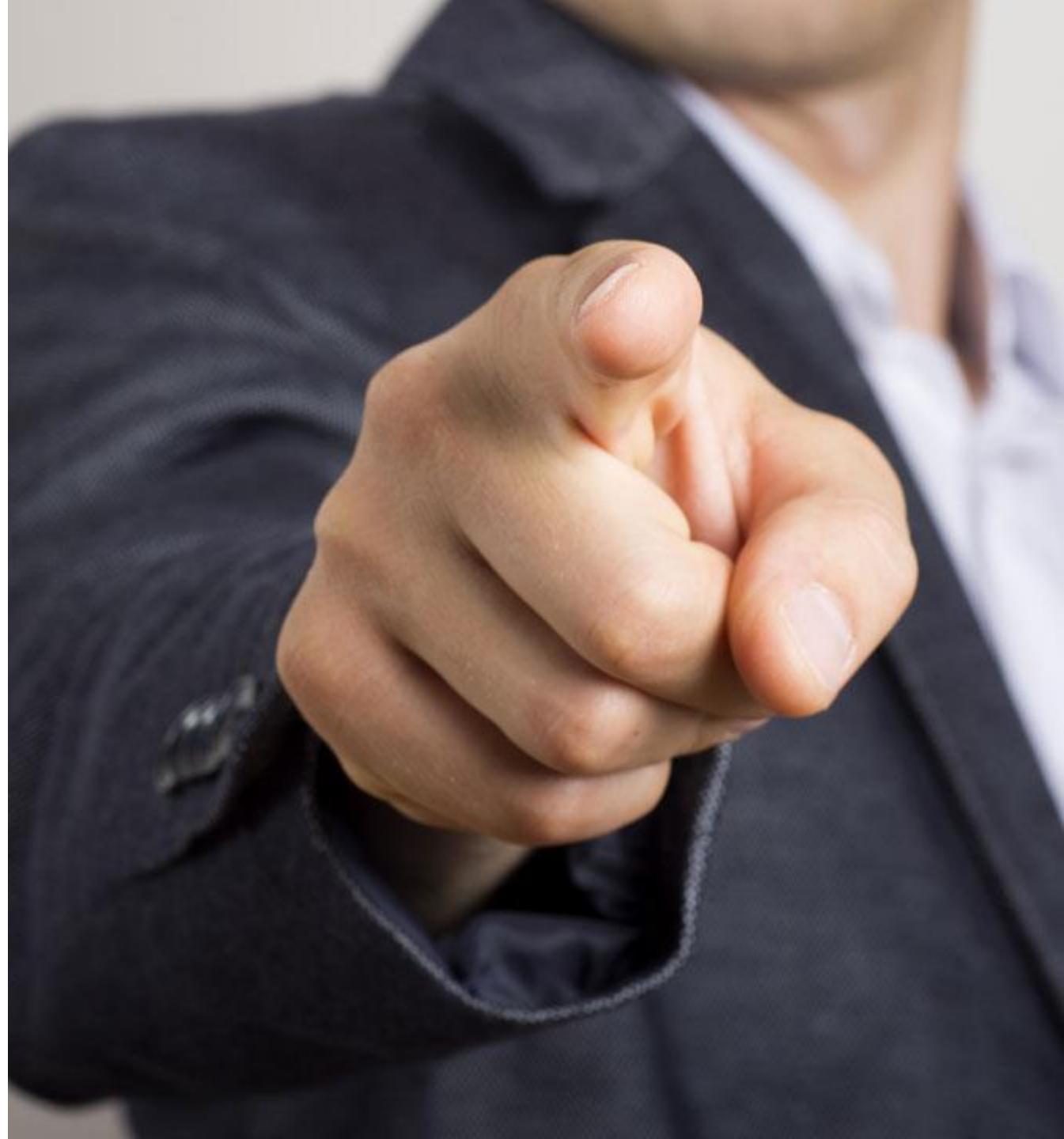
MYTH

“SMCR requires us to draw up a Responsibilities Map.”



# Statement of Responsibilities

- One for each SM:
  - Senior Management Functions
  - Prescribed Responsibilities
  - Other responsibilities
- Self-contained
- Not to be unnecessarily detailed
- FCA to be notified of changes







It depends

“We will have to re-write job descriptions.”



New Duty of Responsibility



# Non-Executive Directors

Not part of SMR unless Chair of the Board

No Prescribed Responsibilities

No Statement of Responsibilities

Fitness and propriety requirements apply





# APR – SMR conversion

## Automatic:

<b>CF1</b> (Director)	→	<b>SMF3</b> (Executive Director)
<b>CF2</b> (NED)	→	N/A
<b>CF3</b> (Chief Executive)	→	<b>SMF1</b> (Chief Executive)
<b>CF4</b> (Partner)	→	<b>SMF27</b> (Partner)



# APR – SMR conversion

## Manual:

If **SMF9** (Chair) required:-

### NED Chair

- Submit Form K – no SoR required (as a NED won't have any PRs)

### Executive Chair

- Submit Short Form A covering **SMF9** with a SoR covering both functions (SMF3 & SMF9)







**CERTIFIED**

# The Certification Regime



***“The Certification Regime covers people who aren’t Senior Managers, but whose jobs mean they can have a significant impact on customers, the firm or market integrity. We won’t approve these individuals, but firms will need to check and confirm (‘certify’) at least once a year that these people are suitable to do their job.”***

# The Certification Regime

For Core firms there will be eight Certification Functions:

1. Significant Management Function (current CF29)
2. Proprietary traders
3. CASS Oversight Function (current CF10a)
4. Functions subject to qualification requirements
5. The client dealing function
6. Anyone who supervises or manages a Certified Function (directly or indirectly), but who isn't a Senior Manager
7. Material Risk Takers
8. Algorithmic trading

# The Certification Regime

For Core firms there will be eight Certification Functions:

1. Significant Management Function (current CF29)??
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5. ~~The client dealing function~~
6. ~~Anyone who supervises or manages a Certified Function (directly or indirectly), but  
who isn't a Senior Manager~~
7. ~~Material Risk Takers~~
8. ~~Algorithmic trading~~



# Factors to consider include:

- The size and significance of the firm's business in the UK
- The risk profile of the unit
- The unit's contribution to the firm's capital requirements and P&L account
- The number of employees, Certification Functions or Senior Managers in the unit
- The number of customers served by the unit



MYTH

“Most general insurance intermediaries will have staff who need to be certified.”



# If you DO need any certified staff...

**Identify** by 9/12/2019

**Assess** fitness and propriety

**Issue** Certificate by 9/12/2020

**Add** to 'The Directory' by 9/12/2020

**Review** annually





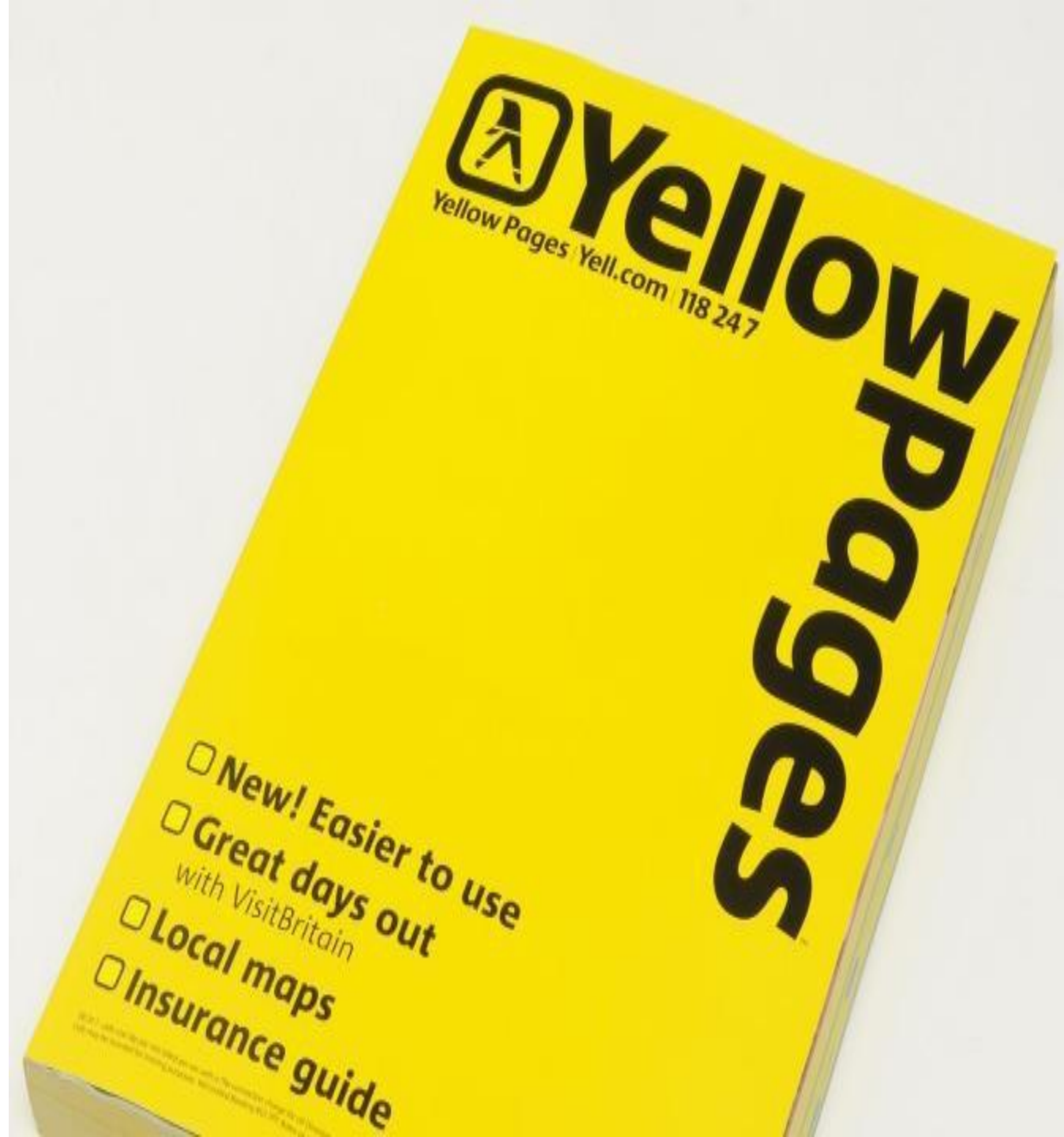
# The Directory

New online public directory of  
Certified individuals and non-  
SMF Directors

Sits alongside the Financial  
Services Register

Directly populated by firms via  
'Connect'

Changes to be notified within 7  
business days

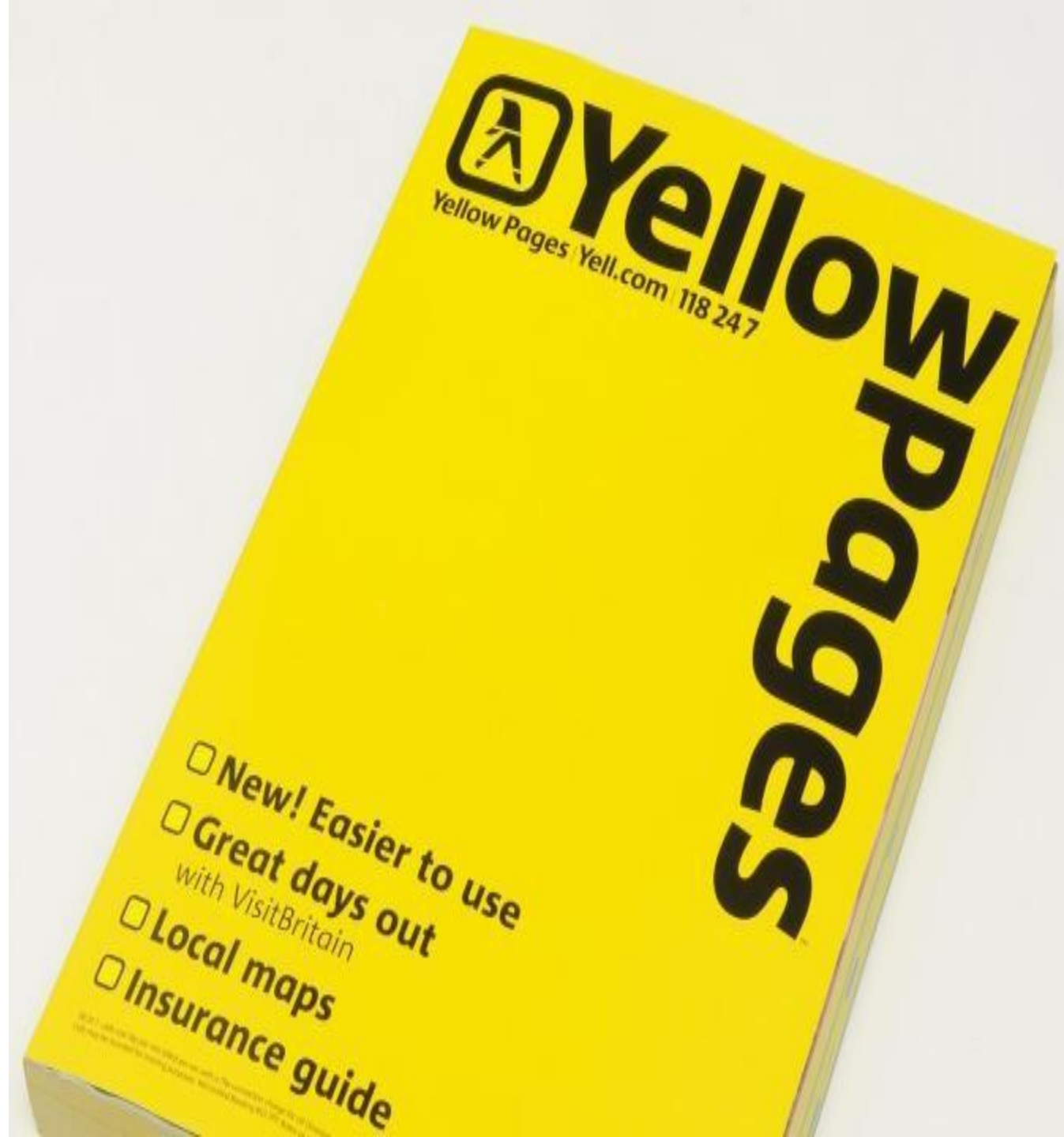


# Content:

- Name, DOB, IRN (if applicable)
- Relevant role(s) held
- Start/end date of each role

Certain information on firms  
also accessible via links

FCA may look to merge it with  
the Financial Services Register  
at a later date





MYTH

“The SMCR only applies to the firm’s senior employees; the rest of our staff don’t need to worry about it.”



# Conduct Rules



# Conduct Rules

- Apply to **all employees** except ancillary staff
- Additional Conduct Rules for Senior Managers and NEDs



# Tier 1 – all staff

1. You must act with **integrity**
2. You must act with **due care, skill and diligence**
3. You must be open and **cooperative with the regulators**
4. You must pay due regard to the **interests of customers** and treat them fairly
5. You must observe **proper standards of market conduct**





# Tier 2 Conduct Rules (Senior Managers only)

SC1 - You must take reasonable steps to ensure that the business of the firm for which you are responsible is **controlled effectively**.



# Tier 2 Conduct Rules (Senior Managers only)

SC2 - You must take reasonable steps to ensure that the business of the firm for which you are responsible **complies with the relevant requirements and standards of the regulatory system.**





# Tier 2 Conduct Rules (Senior Managers only)

SC3 – You must take reasonable steps to ensure that any **delegation of your responsibilities is to an appropriate person** and that you **oversee** the discharge of the delegated responsibility effectively.





# Tier 2 Conduct Rules (Senior Managers & NEDs)

SC4 – You must **disclose appropriately** any information of which the **FCA would reasonably expect to have notice.**

**NB:** This rule also applies to NEDs



# To whom do the Conduct Rules NOT apply?





# **The Conduct Rules do not apply to staff who only perform the following functions:**

- receptionists
- switchboard operators
- post room staff
- reprographics/print room staff
- property/facilities management
- events management
- security guards
- invoice processing
- audio-visual technicians
- medical staff
- catering staff
- vending machine staff
- archive records management
- drivers
- corporate social responsibility staff
- cleaners
- personal assistants and secretaries
- IT Support (i.e. helpdesk)
- HR administrators/processors
- data controllers and processors under the DPA



# Breaches

A man in a light blue dress shirt and a dark patterned tie is shown from the chest up. He is holding a piece of white paper with both hands, tearing it apart. The word "RULES" is printed in large, bold, black serif capital letters on the paper. The paper is being torn down the middle, with the left side held by his left hand and the right side by his right hand. He is wearing a black leather watch with a silver case on his left wrist. The background is a plain, light-colored wall.

**RULES**

A middle-aged man with grey hair, wearing a light blue button-down shirt and a dark blue striped tie, is seated at a white desk. He has his hands clasped together under his chin and is looking off to the side with a thoughtful expression. In the background, there is a white shelf with some books and a red vertical object. On the desk, there is a laptop, some papers, and a pen holder with various pens.

## **Senior Managers:**

FCA to be notified within  
7 business days of the firm  
concluding disciplinary  
action (via a Form D)



# Disciplinary action means:

- issuing of a formal written warning
- suspension or dismissal of a person or
- reduction or recovery of remuneration







**Other staff:**

Via annual GABRIEL  
return.

## Content of GABRIEL return (REP008)

- Name
- DOB
- NI Number (or IRN, if applicable)
- Nationality and passport number (only if NI No/IRN is not applicable)
- Job title/position
- Department/Division
- Whether a Certified individual or a NED
- Which Conduct Rules were breached (resulting in disciplinary action)
- Full details of the breach
- Nature of disciplinary action taken (formal written warning, suspension/dismissal, reduction/recovery of remuneration) and full details
- Whether the individual is appealing against the firm's decision

**FCA will contact you before December 2019**



**To confirm your SMCR category**



# What about ARs?

The **Approved Persons Regime** will continue to apply.

A top-down view of a person's hands holding a white rectangular document against a light gray background. The person is wearing a white long-sleeved shirt. The document has the text 'AR Agreement' centered on it, enclosed in a thin blue rectangular border.

*AR Agreement*

**And what about...**



We cannot see that there will be any SMCR consequences for UK 'Core' GI intermediaries as a result of Brexit.



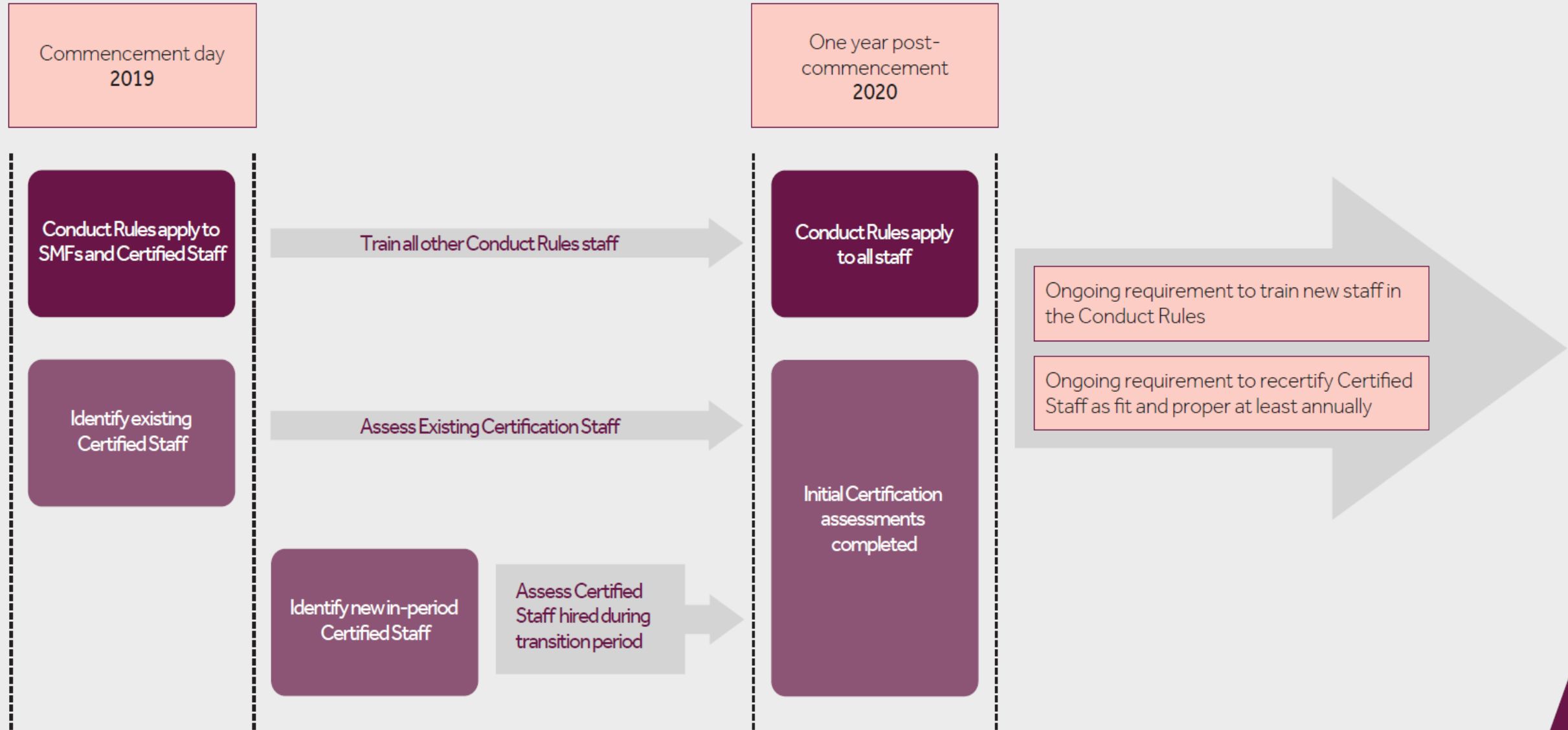


# Transitional arrangements

**Between 9 December 2019 and 8 December 2020:**

- **Train staff** in Tier 1 Conduct Rules
- Complete **Certification assessments** (if any)
- Populate 'The **Directory**' (if applicable)

## Transitional Period



**WHAT IS  
OUR PLAN?**





# Relevant FCA publications

- **PS18/14** – Near-final rules (subsequently confirmed as final)
- **PS18/16** – Final Guidance on the Duty of Responsibility
- **Guide to SMCR** for FCA solo-regulated firms
- **PS19/7** – The Directory (and **CP18/19** for example screenshots)
- **FG19/2** – Final Guidance on Statements of Responsibilities



“SMCR is difficult and complicated, and will cost us lots of money to implement.”



**Don't  
panic!  
Don't  
panic!**



A word cloud on a dark blue background. The central text reads "ANY QUESTIONS?" in large, bold, white capital letters. Surrounding this central text are various question words in different colors and sizes, including "WHEN?", "WHERE?", "WHAT?", "HOW?", "WHO?", "WHY?", and "What?". The words are arranged in a circular pattern around the center, with some appearing in larger fonts than others. The colors used for the words include white, yellow, orange, and light blue.