

The Senior Managers and Certification Regime: Guide for FCA solo-regulated firms

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prints document

When you see these icons

A Enhanced firm

B Core firm

C Limited Scope firm

 Things to consider

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1 Introduction

How this guide will help you

This guide is a summary of our rules and guidance on the Senior Managers & Certification Regime (SM&CR). It provides an overview of how the SM&CR works and what firms need to do under the new regime. For firms that are currently subject to the Approved Persons Regime (APR)¹, it also explains how we will move firms and individuals from the APR to the new SM&CR.

The guide explains the rules and guidance we consulted on in [Consultation Paper \(CP\) 17/25](#), [CP17/40](#), [CP18/26](#) and [CP19/4](#) with the changes that we made in response to feedback, as set out in [PS18/14](#), [PS19/9](#) and [PS19/20](#).

It isn't a substitute for reading the relevant Handbook requirements, but we have provided cross-references to where you can find further information wherever possible.

There are also questions and things for you to consider when applying the SM&CR. These shouldn't be treated as a tick box exercise and we expect you to consider how applying these requirements in your firm will support the aims of the SM&CR.

If there are differences between this guide and our Handbook rules and guidance, the rules and guidance take precedence. References in this Guide to rules and guidance in our Handbook are based on the near-final rules published in [PS18/14](#), [PS19/9](#) and [PS19/20](#).

Who the guide is for

The SM&CR will apply to all FCA solo-regulated firms authorised under Financial Services and Markets Act 2000 (FSMA), as well as EEA and third-country branches. Insurers are also in scope but we have provided a separate guide and Policy Statement (PS) for these firms. Firms that are not authorised under FSMA (for example Payment Services firms) won't be covered by the SM&CR.

The SM&CR won't apply to Appointed Representatives. They will continue to be subject to the Approved Persons Regime.

FSMA

FSMA is the Financial Services and Markets Act 2000, which is an Act of the Parliament of the United Kingdom.

1 www.fca.org.uk/firms/approved-persons

Context

The SM&CR introduces changes to how we regulate people working in financial services. It will replace the APR.

The SM&CR aims to reduce harm to consumers and strengthen market integrity by creating a system that enables firms and regulators to hold people to account. As part of this, the SM&CR aims to:

- encourage staff to take personal responsibility for their actions
- improve conduct at all levels
- make sure firms and staff clearly understand and can show who does what

In March 2016, we replaced the APR with the SM&CR for banking firms. The original legislation didn't cover solo-regulated firms. In May 2016, the Bank of England and Financial Services Act 2016 made changes to the FSMA that required us to extend the SM&CR to all firms authorised by us to provide regulated services. This includes claims management companies (CMCs).

What this guide covers

Part 1 of this guide explains:

- the different types of firms under the SM&CR
- the Senior Managers Regime, including Senior Management Functions, Prescribed Responsibilities, and what firms and Senior Managers need to do
- how the Senior Managers Regime applies to different types of firms
- the Certification Regime, fitness and propriety and Conduct Rules

Part 2 of the guide explains:

- how firms that are currently subject to the APR will move their Approved Persons into new SMFs
- implementation timescales and parts of the regime that will be implemented gradually

How to use this guide

You can use this guide to:

- work out what type of SM&CR firm you are (Section 2)
- familiarise yourself with the terms and tools under the SM&CR (Part 1)
- find out how the SM&CR applies to your firm type and what you need to do

You may want to read this guide alongside PS18/14, which answers the specific feedback and questions that we got to our consultation papers on the SM&CR.

2 Working out your SM&CR firm type

What you are required to do under the SM&CR depends on whether your firm is classified as Limited Scope, Core or Enhanced.

This section helps you to work out your firm type, including the criteria for being a Limited Scope, Core or Enhanced firm.

[Section 12](#) has more detail about the different firm types, including what happens if you become an Enhanced firm or want to opt up into a different tier of the regime.

Working out your firm's type

You can use the tool below to work out your SM&CR firm type. Each type is explained in further detail in the table below and our Handbook in SYSC 23 Annex 1. If you are not an SM&CR firm, the regime and this guide do not apply to you.

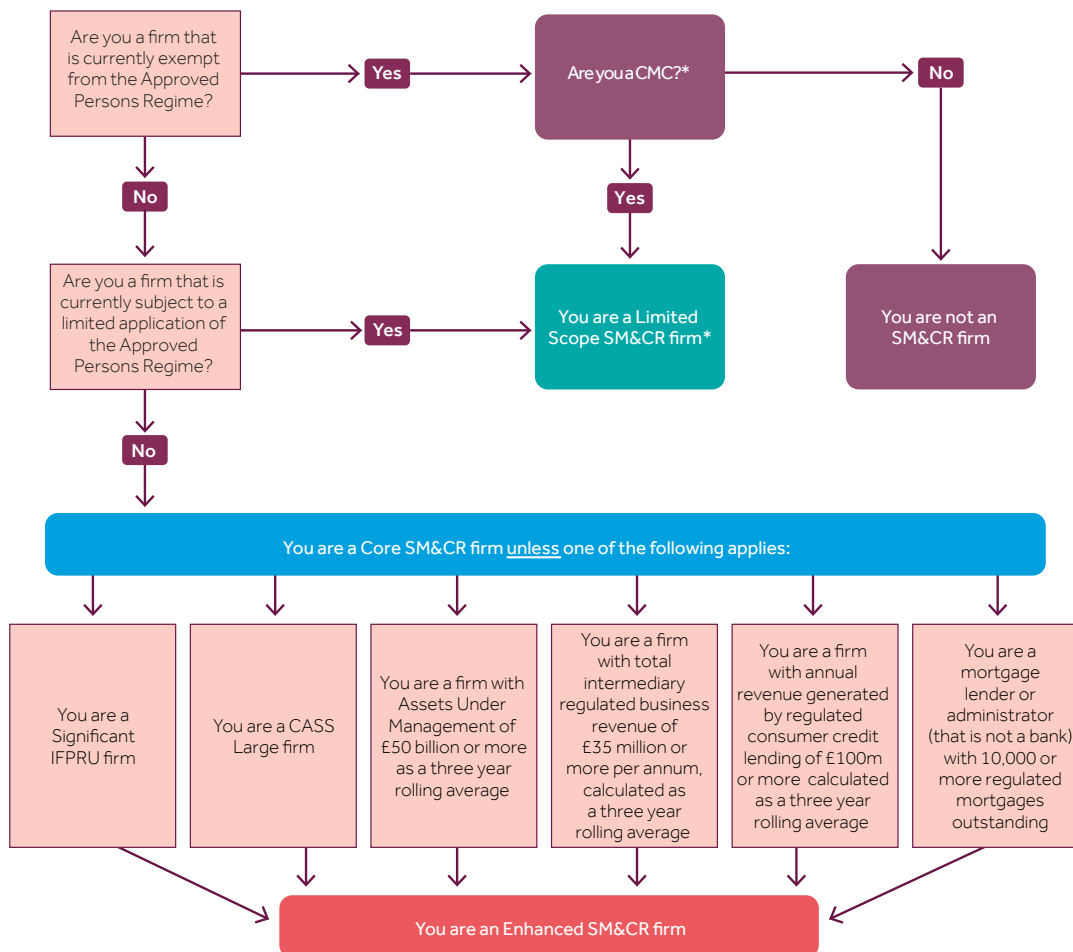


Table of Firm Types

Firm type	Description
Limited Scope Firm	<p>Firms that will be subject to fewer requirements than Core firms. This covers all firms that currently have a limited application of the APR, including:</p> <ul style="list-style-type: none"> • limited permission consumer credit firms • claims management companies (CMCs) that do not carry on any other type of FCA-regulated activity Claims Management Companies that are also insurance intermediaries (and may also advise on P2P agreements but nothing else) • claims management companies that are also limited permission consumer credit firms • all sole traders • authorised professional firms whose only regulated activities are non-mainstream regulated activities • oil market participants and energy market participants whose principal purpose is to carry on activities other than regulated activities and are not MiFID investment firms • service companies • subsidiaries of local authorities or registered social landlords • insurance intermediaries whose principal business is not insurance intermediation and who only have permission to carry on insurance distribution activity for non-investment insurance contracts • authorised internally managed Alternative Investment Funds (AIFs)
Core Firm	Firms that will have a baseline of SM&CR requirements applied.
Enhanced Firm	<p>A small proportion of solo-regulated firms that will have to apply extra rules. If a firm meets one or more of 6 criteria below, they will be an Enhanced firm:</p> <p>Definitional criteria</p> <ul style="list-style-type: none"> • a firm that is a Significant IFPRU firm • a firm that is a Client Assets Sourcebook (CASS) Large firm <p>Criteria calculated on a rolling average</p> <ul style="list-style-type: none"> • firms with Assets Under Management of £50 billion or more as a 3 year rolling average • firms with current total intermediary regulated business revenue of £35 million or more per annum calculated as a 3 year rolling average • firms with annual revenue generated by regulated consumer credit lending of £100m or more calculated as a 3 year rolling average. <p>Criteria calculated as a point in time</p> <ul style="list-style-type: none"> • mortgage lenders and administrators (that are not banks) with 10,000 or more regulated mortgages outstanding at the latest reporting date.

If you're a Limited Scope firm, sections [4](#), [6](#), [9](#), [10](#), [11](#), [13](#) and [14](#) will be relevant to you.

If you're a Core firms, sections [4](#), [5](#), [9](#), [10](#), [11](#), [12](#), [13](#) and [14](#) will be relevant to you.

If you're an Enhanced firm, sections [4](#), [7](#), [9](#), [10](#), [11](#), [12](#), [13](#) and [15](#) will be relevant to you.

If you're a Branch, sections [4](#), [8](#), [9](#), [10](#), [11](#), [13](#) and [14](#) will be relevant to you.

Applying the SM&CR to groups

FSMA requires the SM&CR to be applied at a legal entity level. This means that there will be groups which will contain firms in different tiers of the new regime.

Some groups may choose to apply the highest tier of the regime to all entities in their group – for example, to make all entities Enhanced firms. There is no expectation or requirement for firms to do this. If a group chooses to apply the Enhanced regime to some firms, then they will need to submit a Form O for every affected entity.

Example firms

Throughout this guide, our 3 example firms show how each of the elements might apply to different types of firm. These examples are non-exhaustive and purely illustrative - you will need to consider how the rules apply to your circumstances.

A

Firm A

Firm A is an Enhanced firm within a global banking group. It employs 3000 staff, performing a variety of roles for the UK entity, some of whom hold roles in scope of the Certification Regime. Two of the firm's 5 Non-Executive Directors are Senior Managers of other group entities.

B

Firm B

Firm B is a medium-sized IFA and mortgage broking firm incorporated as a limited company. The firm falls within the Core tier and has 40 staff. This includes 2 Executive Directors and 30 advisers, all of whom give investment or mortgage advice. Six of the remaining staff do not advise but perform various functions connected to financial services. Two of the remaining staff are not involved in financial services activities at all. The firm has a governing body with three Non-Executive Directors, one of whom acts as the firm's Chair.

C

Firm C

Firm C is a dental practice incorporated as a limited company. It is a Limited Permission Consumer Credit firm and is therefore a Limited Scope firm.

3 Terms used in this guide

Term	Description
Ancillary Staff	Employees who are not covered by the Conduct Rules, such as cleaners, receptionists, catering staff and security staff.
Certification Function	A function performed by employees who could pose a risk of significant harm to the firm or its customers. The Certification Functions are defined in our Handbook but we do not approve people for these functions.
Certification Regime	The part of the regime that covers Certification Functions.
Criminal Records Checks	A requirement on firms to conduct criminal records checks for Senior Managers and Non-Executive Directors (where a fitness requirement applies) as part of checking that they are fit and proper.
Duty of Responsibility	Every Senior Manager will have a Duty of Responsibility as a result of FSMA. This means that if a firm breaches one of our requirements, the Senior Manager responsible for that area could be held accountable if they did not take reasonable steps to prevent or stop the breach.
Employee	'Employee' is defined in FSMA 63E as a person who: <ul style="list-style-type: none"> a. personally provides, or is under an obligation personally to provide, services to A under an arrangement made between A and the person providing the services or another person, and b. is subject to (or to the right of) supervision, direction or control by A as to the manner in which those services are provided.
Fit and Proper Requirements	Firms must make sure all Senior Managers and people performing Certification Functions (i.e. people under the Certification Regime) are fit and proper to perform their role. This must be done on appointment and at least once a year.
Handover Procedures	A firm must take all reasonable steps to make sure a new Senior Manager has all the information and materials they need to do their job.
Individual Conduct Rules	These are basic standards of behaviour that apply to all individuals performing financial services activities in firms. Firms need to train their staff on the Conduct Rules and how they apply to them. Firms will need to report breaches of Conduct Rules resulting in disciplinary action to us every year, and within 7 days if the person is a Senior Manager.
Other Overall Responsibility Function	An SMF that applies where a senior executive is the most senior person responsible for an area of the firm's business but they don't perform any other SMF.
Overall Responsibility	A requirement for every area, activity and management function of the firm to have a Senior Manager with overall responsibility for it.
Prescribed Responsibilities (PRs)	FCA-defined responsibilities that must be allocated to an appropriate Senior Manager.
Regulatory References	Information that firms need to share with each other when an employee or director moves from one firm to another (for candidates of Senior Managers Functions, Non-Executive Directors and Certification Functions).
Responsibilities Maps	A document setting out a firm's governance and management arrangements, and how responsibilities are allocated to individuals within the firm.
Senior Management Functions (SMFs)	The roles where the people doing them need to be approved by the FCA. These are defined in our Handbook.
Senior Manager Conduct Rules (SMR)	These are additional Conduct Rules that apply to all Senior Managers. Firms need to train Senior Managers so they understand what the Conduct Rules are and how they apply to them. Firms will need to report breaches of all Individual and Senior Manager Conduct Rules by Senior Managers resulting in disciplinary action to us within 7 days.

Senior Managers	The people who perform a SMF. These people need FCA approval to do their jobs.
Senior Managers Regime	The part of the regime for Senior Managers. This includes SMF, SoRs, Duty of Responsibility, Fit and Proper, PRs, Regulatory References and criminal records checks. For Enhanced Firms, it also includes Responsibilities Maps, Handover Procedures and Overall Responsibility.
Statement of Responsibilities (SoRs)	A document that every Senior Manager needs to have that sets out what they are responsible and accountable for. This needs to be submitted to us when a Senior Manager is being approved and when there is a significant change, and be kept up to date.

Part One: How the SM&CR applies

4 The Senior Managers Regime – overview for all firms

This section explains how the Senior Managers Regime (SMR) applies. It covers:

- what Senior Management Functions are
- what all firms and Senior Managers need to do under the SMR
- what Prescribed Responsibilities are
- the extra requirements that Enhanced firms need to apply under the SMR

The following sections then explain how these SMR requirements apply to different types of SM&CR firms.

Senior Management Functions (SMFs)

A Senior Management Function (SMF) is a new type of controlled function under FSMA. We have prescribed a number of SMFs in our Handbook. These functions apply to UK-authorized firms and EEA Branches. Which ones apply to you will depend on what SM&CR firm type you are. They are explained in sections [5](#), [6](#), [7](#) and [8](#).

We call the people who hold these functions Senior Managers. They are the most senior people in a firm with the greatest potential to cause harm or impact upon market integrity.

We make particular functions SMFs so that we know who a firm's most senior decision makers are, and to make sure firms clearly allocate responsibilities to those key individuals.

Anyone who performs an SMF needs to be approved by us before they can start their role.

Statements of Responsibilities (SoRs)

A SoR is a single document that every Senior Manager will need to have, clearly setting out their role and responsibilities. This is required under FSMA.

SoRs need to set out what Senior Managers are responsible and accountable for, rather than how they carry out those responsibilities. A SoR needs to be self-contained and not refer to other documents. SoRs should be succinct and clear without unnecessary detail. [SYSC 10C.11](#) has more rules and guidance about what needs to be included in a SoR.

If a Senior Manager holds multiple SMFs at the same firm they will only need one SoR, but this must clearly describe all of their responsibilities. If a Senior Manager holds multiple SMFs across different firms within a group, they will need one SoR per firm.

You will need to submit a SoR to us when applying for a Senior Manager to be approved (please use Form A). You will also need to keep the SoR up to date, and resubmit it to us whenever there's a significant change to a Senior Manager's responsibilities. These are requirements under FSMA.

We have guidance in [SUP10C](#) of our Handbook setting out examples of what might be a significant change. This includes where a Senior Manager has a Prescribed Responsibility (PR) added or removed from their responsibilities, or where there is a change to how responsibilities are shared between Senior Managers.

The Duty of Responsibility

Every Senior Manager will have a Duty of Responsibility under FSMA. This means that if a firm breaches one of our requirements, the Senior Manager responsible for that area could be held accountable if they didn't take reasonable steps to prevent or stop the breach.

The burden of proof lies with the FCA to show that the Senior Manager didn't take the steps a person in their position could reasonably be expected to take to avoid the firm's breach occurring.

When deciding whether to take action against someone based on the Duty of Responsibility, we will look at all the circumstances of the case. This includes the seriousness of the breach, the person's position, responsibilities, and the need to use enforcement powers effectively and proportionately. These criteria are published in the [Decision Procedure and Penalties Manual \(DEPP\)](#).

Sometimes it will be appropriate to take action against a Senior Manager, sometimes against a firm, and sometimes against both. These decisions will be made on a case by case basis, applying the criteria set out in DEPP.

We have published final guidance on enforcing the Duty of Responsibility in solo-regulated firms and insurers in [PS18/16](#). This includes information on factors we will consider when assessing whether a Senior Manager has taken reasonable steps.

Fit and proper requirements

Senior Managers must be fit and proper to do their jobs. We set out what firms need to do for fitness and propriety in [Section 10](#) of this guide and the [FIT Sourcebook](#) in our Handbook.

Impact on firm governance and structure

The SM&CR doesn't require firms to change their governance structure or hire new people to fill specific roles.

The ultimate decision-making body of most firms is their governing body, acting collectively. Individual accountability under the SM&CR doesn't cut across or undermine this. However, individual Senior Managers have an important part to play in establishing and embedding the right culture and governance within firms, to improve the standard of conduct at all levels.

The SMFs only apply if you have someone doing these jobs or the SMF is a 'Required Function'. For example, if you don't have a Chair or are not required to have a money laundering reporting officer (MLRO), you don't need to appoint someone as a result of the SM&CR.

'Required Functions' are functions that some firms are required to have by our Handbook. For example, some types of firms must have a Compliance Oversight Function. If your firm isn't required to have people in these roles, then the SM&CR doesn't change this.

Holding more than one SMF

It is possible to hold more than one SMF. For example, an SMF3 – Executive Director may also hold the SMF17 – Money Laundering Reporting Officer function. The need for this will be determined by the governance structure of the firm.

Where this is the case, the person will need to apply for approval from us for each function (this can be done at the same time and using the same form for all functions). They will only need one SoR but this must clearly describe all of their responsibilities.

Overseas Senior Managers

There is no territorial limitation on the Senior Managers Regime. This means that it will apply to anyone who performs a Senior Manager role, whether they are based in the UK or overseas.

The 12-week rule

The Senior Managers Regime allows someone to cover for a Senior Manager without being approved, where the absence is temporary or reasonably unforeseen, and the appointment is for less than 12 consecutive weeks. Read [SUP 10C.3.13R](#) in our Handbook for more information.

Outsourcing under the SMR

If your firm relies on a third party for the operational functions of the firm, your firm is still fully responsible for carrying out all of its regulatory obligations. While you may outsource the function, you can't outsource accountability for this function.

Applying conditions when approving Senior Managers

FSMA granted the FCA new powers to apply conditions and time limits when approving Senior Managers. We can use these powers where necessary to take action and to do so will advance our statutory objectives.

FSMA also requires us to publish a statement of our policy for these new powers, which is set out in [SUP10C](#) of our Handbook.

Under the extension of the SM&CR we are able to:

- approve a Senior Manager, but make this subject to conditions
- approve a Senior Manager for a limited time only
- change existing approvals, including imposing, changing or removing conditions or time limits

An example of where time-limited approval may apply might be where a firm needs to appoint a candidate on an interim basis while seeking a permanent candidate for a particular function.

Circumstances where the FCA may consider imposing, changing or removing conditions might include examples where approval is linked to required remedial actions to be undertaken by the firm.

Prescribed Responsibilities (PRs)

PRs are specific responsibilities defined in SYSC 24 of our Handbook that a firm must give to a Senior Manager. They are in addition to the inherent responsibilities that are an essential part of a Senior Manager's role. We prescribe these responsibilities to make sure a Senior Manager is accountable for key conduct and prudential risks.

Limited Scope Firms and EEA branches won't need to apply the PRs, but they will apply to all other firms.

Who the PRs should be given to

Your firm will need to consider carefully which Senior Manager is the best person to hold each of these PRs.

Each PR should be given to the Senior Manager who is the most senior person responsible for that activity or area. They will need to have sufficient authority and an appropriate level of knowledge and competence to carry out the responsibility properly.

When allocating PRs firms should think about who in practice is the most senior person for an issue. For example, if the person performing the MLRO SMF is not responsible for all aspects of financial crime and/or reports to a more senior individual with responsibility for financial crime matters, the PR for financial crime should be allocated to this person and not the MLRO.

Giving a Senior Manager a PR won't require re-approval by the FCA, but when a firm moves a PR from one Senior Manager to another, the relevant SoRs must be updated to reflect these changes and submitted to us using Form J. Firms must also make sure that individuals have the necessary skills and capability to carry out the role.

Dividing and sharing a PR

Each PR should normally be held by only 1 person. Firms can only divide or share a PR in limited circumstances, where they can show that this is appropriate and justifiable.

If a firm divides or shares a PR, it will need to show why this is justified and confirm that this doesn't leave a gap. For example, it could be justified to share a function or responsibility:

- as part of a job share
- where departing and incoming Senior Managers work together temporarily as part of a handover
- where a particular area of a firm is run by 2 Senior Managers

Where responsibilities are shared or divided, this must be clearly explained in the relevant SoRs (and Responsibilities Map, for Enhanced firms). In general, where responsibilities are shared, each Senior Manager will be jointly accountable for those responsibilities.

Partnerships under the Senior Managers Regime

Where a partner performs a Senior Management Function, their responsibilities will need to be clearly set out in their SoR. However, we recognise that responsibilities within partnerships could be allocated in different ways. For example, a responsibility or function might be shared between several partners, or a more senior partner or executive-type partners could have more responsibilities than a junior partner. Firms should explain how this works in their firm in each of the Partner's SoRs.

Partnerships will also need to assign the applicable PRs among their Senior Managers. Unless there is a strong justification, we would not normally expect the PRs to be divided or shared between these partners.

5 How the Senior Managers Regime applies to Core firms

Core SMFs

There are 6 SMFs within the Core SMR, and these are set out in the table below.

SMFs for Core firms

Function Name	Description
Governing Functions	
SMF1 – Chief Executive	This is the person(s) with responsibility, under the immediate authority of the governing body, for the conduct of the whole of the business (or relevant activities). Note: Although the Chief Executive is the most senior member of an executive team, it does not mean that a firm's governing body cannot allocate specific responsibilities to other Senior Managers.
SMF3 – Executive Director	A director of a firm, other than a Non-Executive Director.
SMF27 - Partner	A partner in a firm, other than a limited partner in a partnership registered under the Limited Partnership Act 1907.
SMF9 - Chair	The person with responsibility for chairing, and overseeing the performance of the role of, the governing body of the firm.
Required Functions²	
SMF16 – Compliance Oversight	This is the person responsible for the compliance function in the firm and reporting to the governing body on this.
SMF17 – Money Laundering Reporting Officer	This is the person who has responsibility for overseeing the firm's compliance with the FCA's rules on systems and controls against money laundering.

The SMF9 – Chair is the only approved function that can be held by a Non-Executive Director (NED). Other NEDs currently approved to hold the CF2 function under the APR will no longer need to be approved by us, and their existing approval will lapse at the start of the new regime.

These NEDs will, however, still be subject to our Conduct Rules, fit and proper requirements and regulatory reference rules, as set out in [Section 11](#).

Core Prescribed Responsibilities

We are implementing 5 Prescribed Responsibilities that must be given to Senior Managers and an additional responsibility for Authorised Fund Managers (AFMs) that is described in [PS18/08](#).

² Required Functions are those which apply to firms because of specific Handbook rules. The SM&CR does not change the existing application of these functions and firms are not required to hire individuals to fill these roles if the Handbook does not require them.

Prescribed Responsibilities

Description Handbook PR Ref.	Description
(a)	Performance by the firm of its obligations under the SMR, including implementation and oversight
(b)	Performance by the firm of its obligations under the Certification Regime
(b-1)	Performance by the firm of its obligations in respect of notifications and training of the Conduct Rules
(d)	Responsibility for the firm's policies and procedures for countering the risk that the firm might be used to further financial crime
(z)	Responsibility for the firm's compliance with CASS (if applicable)
Authorised Fund Managers	
(za)	Responsibility for an AFM's assessments of value, independent director representation and acting in investors' best interests. This PR only applies to AFMs. For more details, see CP17/18 , MS15/2.3 and PS18/08 - Asset Management Market Study remedies and changes to the handbook - Feedback and final rules to CP17/18 .



Things to consider

- Does my firm have individuals who will perform relevant Senior Management Functions (SMFs)?
- Which PRs apply to my firm?
- Which Senior Manager should be allocated each PR?
- Is the PR clearly included in their SoR?

Example: How the SMR might apply to Firm B

B

Firm B

Firm B falls within the Core tier. As a limited company, this means that the Partner function (SMF27) will not apply. The firm's 2 Executive Directors will need to be approved under the Executive Director function (SMF3) and, if one acts as CEO, that individual will also hold the CEO function (SMF1).

The Chair will need to hold the Chair function (SMF9). The other 2 Non-Executive Directors will not be approved by the FCA.

In addition, the firm will need to allocate the following 'required' functions to one or more individuals who will be approved as Senior Managers (this can include the Executive Directors), as it is required to do so by the Handbook:

- Compliance Oversight (SMF16)
- MLRO (SMF17)

In Firm B, these are held by the same person.

Firm B also needs to allocate the 5 Core tier Prescribed Responsibilities among its Senior Managers and maintain Statements of Responsibilities for all of its Senior Managers.

6 How the Senior Managers Regime applies to Limited Scope firms

Limited Scope SMFs

There are 3 SMFs within the Limited Scope tier, and these are set out in the table below.

SMFs for Limited Scope firms

Function Name	Description
Required Functions	
SMF29 – Limited Scope Function	This was called the Apportionment and Oversight Function (CF8) under the APR. It is the person who deals with the apportionment of responsibilities under SYSC 4.4.3 R and oversees the establishment and maintenance of controls under SYSC 4.1.1 R.
SMF16 – Compliance Oversight	This is the person responsible for the compliance function in the firm and reporting to the governing body on this.
SMF17 – Money Laundering Reporting Officer	This is the person who has responsibility for overseeing the firm's compliance with the FCA's rules on systems and controls against money laundering.

The number of functions that a Limited Scope firm needs will depend on specific permissions and activities. Firms will need to read about these in our Handbook. We have summarised the application of the Limited Scope SMR to a number of common firm types below.

Senior Management Functions for Limited Scope Firms

Firm type	Senior Management Functions
Limited Permission Consumer Credit firms that have a CF8 under the Approved Persons Regime	SMF29 - Limited Scope Function (this is the same as the Apportionment and Oversight Function under the APR)
Claims management companies that do not carry on any other type of FCA-regulated activity	SMF29 - Limited Scope Function SMF16 - Compliance Oversight (Class 1 firms only) ³
Claims management companies that are also insurance intermediaries (and may also advise on P2P agreements but nothing else)	
Claims management companies that are also limited permission consumer credit firms	

3 CMCs with annual total income of £1 million or above are defined as a 'Class 1' CMC

Sole traders with no employees	<p>SMF16 - Compliance Oversight</p> <p>In practice, a sole trader with no employees is only required to have an SMF16 where required by relevant rules, for example if it is a Class 1 CMC.</p> <p>Core tier Senior Management Functions may apply where a sole trader with employees has a governance body comprising of individuals who perform relevant roles. We believe that this will be rare in practice.</p>
Authorised professional firms whose only regulated activities are non-mainstream regulated activities	<p>SMF16 - Compliance Oversight</p> <p>SMF17 - Money Laundering Reporting Officer</p> <p>SMF29 - Limited Scope Function</p>
Oil market participants and energy market participants whose principal purpose is to carry on activities other than regulated activities and are not MiFID investment firms, service companies, subsidiaries of local authorities and registered social landlords	<p>SMF16 - Compliance Oversight</p> <p>SMF17 - Money Laundering Reporting Officer</p> <p>SMF29 - Limited Scope Function</p>
Insurance intermediaries whose principal business is not insurance intermediation and who only have permission to carry on insurance mediation activity in relation to non-investment insurance contracts	<p>SMF29 - Limited Scope Function</p>

Limited Scope Prescribed Responsibilities

No PRs apply to Limited Scope firms.



Things to consider

- What SMFs apply to my type of firm?
- Does my firm have individuals who will perform relevant Senior Management Functions?

Example: How the SMR might apply to Firm C



Firm C

Firm C is a Limited Scope firm. It will have an SMF29 – Limited Scope Function. In Firm C, one of the directors will hold this function. The other directors do not need to be approved. The firm will not need to have an SMF16 – Compliance Oversight function, or SMF17 – MLRO.

The firm does not need to assign any Prescribed Responsibilities.

7 How the Senior Managers Regime applies to Enhanced firms

Enhanced SMFs

There are 17 SMFs that apply to Enhanced firms, and these are set out in the table below.

SMFs for Enhanced firms

Function Name	Description
Governing Functions	
SMF1 – Chief Executive	This is the person(s) with responsibility, under the immediate authority of the governing body, for the conduct of the whole of the business (or relevant activities). Note: Although the Chief Executive is the most senior member of an executive team, it does not mean that a firm's governing body can't allocate specific responsibilities to other Senior Managers.
SMF3 – Executive Director	A director of a firm, other than a Non-Executive Director (NED).
SMF7 - Group Entity Senior Manager	This is someone with significant influence on the management or conduct of the affairs of the UK-regulated entity and is employed by, or is an officer of, another member of its group.
SMF9 - Chair	The person with responsibility for chairing, and overseeing the performance of the role of, the governing body of the firm.
SMF10 - Chair of the Risk Committee	The person with responsibility for chairing, and overseeing the performance of, any committee responsible for the oversight of the risk management systems, policies and procedures of the firm.
SMF11 - Chair of the Audit Committee	The person with responsibility for chairing, and overseeing the performance of, any committee responsible for the oversight of the internal audit system of the firm.
SMF12 - Chair of the Remuneration Committee	The person with responsibility for chairing, and overseeing the performance of, any committee responsible for the oversight of the design and the implementation of the remuneration policies of a firm.
SMF13 - Chair of the Nominations Committee	If a firm has a nomination committee, this person is the person who chairs that committee.
SMF14 - Senior Independent Director	The person with particular responsibility for leading the assessment of the Chair's performance.
SMF27 - Partner	A partner in a firm, other than a limited partner in a partnership registered under the Limited Partnership Act 1907.
Required Functions⁴	
SMF16 – Compliance Oversight	This is the person responsible for the compliance function in the firm and reporting to the governing body on this.

⁴ Required Functions are those that apply to firms because of specific Handbook rules. The SM&CR does not change the existing application of these functions and firms are not required to hire individuals to fill these roles if the Handbook does not require them.

SMF17 – Money Laundering Reporting Officer	This is the person who has responsibility for overseeing the firm's compliance with the FCA's rules on systems and controls against money laundering.
SMF18 - Other Overall Responsibility	This function applies where a senior executive is the most senior person responsible for an area of the firm's business but they don't perform any other SMF. Many firms won't need this function as the people ultimately responsible for everything the business does will already be captured by other SMFs. However, it gives flexibility and recognises the diversity of business structures in different types of firms. This is discussed in more detail below in the section on 'Overall Responsibility'.
Systems & Controls Functions⁵	
SMF2 - Chief Finance Function	The person responsible for managing the financial resources of the firm, including reporting to the governing body on the firm's financial affairs.
SMF4 - Chief Risk Function	The person with overall responsibility for managing the firm's risk controls.
SMF5 - Head of Internal Audit	The person responsible for managing the internal audit function of a firm and reporting to the governing body on this.
SMF24 - Chief Operations Function	The most senior person responsible for managing the internal operations (including HR), systems and technology of a firm.

Only those NEDs who hold a Chair role (including Chairs of Committees) or the Senior Independent Director (SID), will be approved by us under the SM&CR.

Non-approved NEDs will, however, still be subject to our Conduct Rules, fit and proper requirements and regulatory reference rules set out in [Section 10](#).

The Head of Legal is excluded from the requirement to be approved as a Senior Manager. This is because so much of their work relates to legal advice, the laws of legal privilege may restrict us, in practice, from using our powers over Senior Managers and carrying out our usual supervisory processes relating to Senior Managers, even in relation to the management parts of their job. The Head of Legal is included in the Certification Regime and subject to our Conduct Rules. We consulted on this exclusion in [Discussion Paper 16/4: Overall responsibility and the legal function](#) and [CP 19/4](#) and published our final rules on this in [PS 19/20](#).

Enhanced firm Prescribed Responsibilities

We are implementing 12 Prescribed Responsibilities that must be given to Senior Managers at Enhanced firms and an additional responsibility for Authorised Fund Managers (AFMs).

Handbook PR Ref.	Description
(a)	Performance by the firm of its obligations under the SMR, including implementation and oversight
(b)	Performance by the firm of its obligations under the Certification Regime

⁵ The systems and controls functions cover the individuals with responsibility for reporting to the governing body of a firm, or the audit committee (or its equivalent) in relation to financial affairs, risk exposures or internal systems and controls.

(b-1)	Performance by the firm of its obligations in respect of notifications and training of the Conduct Rules.
(d)	Responsibility for the firm's policies and procedures for countering the risk that the firm might be used to further financial crime
(z)	Responsibility for the firm's compliance with CASS (if applicable)
(c)	Compliance with the rules relating to the firm's Responsibilities Map
(j)	Safeguarding and overseeing the independence and performance of the internal audit function (in accordance with SYSC 6.2)
(k)	Safeguarding and overseeing the independence and performance of the compliance function (in accordance with SYSC 6.1)
(l)	Safeguarding and overseeing the independence and performance of the risk function (in accordance with SYSC 7.1.21R and SYSC 7.1.22R)
(j-3)	If the firm outsources its internal audit function, taking reasonable steps to ensure that every person involved in the performance of the service is independent from the persons who perform external audit, including: <ul style="list-style-type: none"> • supervision and management of the work of outsourced internal auditors • management of potential conflicts of interest between the provision of external audit and internal audit services
(t)	Developing and maintaining the firm's business model
(s)	Managing the firm's internal stress-tests and ensuring the accuracy and timeliness of information provided to the FCA for the purposes of stress-testing
Authorised Fund Managers	
(za)	Responsibility for an AFM's assessments of value, independent director representation and acting in investors' best interests. This PR only applies to AFMs. For more details, see CP17/18 , MS15/2.3 and PS18/08 - Asset Management Market Study remedies and changes to the handbook - Feedback and final rules to CP17/18.

We expect that a firm will normally allocate the PRs to an executive, with the exception of responsibilities (j), (k) and (l), which should be allocated, where possible, to a Senior Manager who is a NED of the firm or a partner who does not have management responsibilities. However, as not all firms have NEDs, this may not always be possible. In this case, the PR must be allocated to another appropriate Senior Manager.

The PRs can't be allocated to someone performing the Other Overall Responsibility SMF. The exception to this is the PR for CASS compliance.

Extra requirements for Enhanced firms

There are some extra requirements under the SMR that only Enhanced firms will need to apply. These are explained below.

Overall Responsibility

The Overall Responsibility requirement means that an Enhanced firm will need to make sure that every activity, business area and management function has a Senior Manager with overall responsibility for it. This is to prevent unclear allocation of responsibilities and issues falling between the cracks.

Overall Responsibility means a Senior Manager:

- has ultimate responsibility for managing or supervising a function
- briefs and reports to the governing body about their area of responsibility
- puts matters for decision about their area of responsibility to the governing body

Having overall responsibility doesn't mean that the person needs to have day-to-day management control of that function. They need to be the most senior person responsible for managing the area overall and be sufficiently senior and credible, and with sufficient resources and authority, to be able to exercise their management and oversight responsibilities effectively.

The requirement's aim isn't to overlap with the inherent responsibilities of the person(s) responsible, under the immediate authority of the firm's governing body, for the conduct of the whole of a firm's business. This may be the Chief Executive(s), Executive Director(s) or Partner(s) (as applicable). The intention is to make sure that it is clear who the governing body of a firm has delegated responsibility to for each area of the firm's business. This could be to the Chief Executive or a member of the executive team. The allocation of responsibilities will differ from one firm to another.

Activities the Overall Responsibility rule applies to

The scope of the Overall Responsibility rule is the same as the scope of the Conduct Rules. This means it applies to a firm's regulated and unregulated financial services activities.

Under the Overall Responsibility rule, firms must allocate responsibility to a Senior Manager for each of the firm's activities, business areas and management functions of the whole firm, including those carried out from a branch overseas. This includes all transactions that take place overseas (whether in full or in part).

Dividing or sharing Overall Responsibility

An Overall Responsibility can't be divided because they are specific to a firm's structure and the roles of the people running it. You just need to make sure that each Senior Manager's SoR sets out what they're responsible for in a clear and accurate way.

Giving Overall Responsibility for the same area or activity to 2 or more Senior Managers is permitted (sharing), where it is appropriate.

Responsibilities Maps

Enhanced firms must prepare and maintain a Responsibilities Map, as set out in SYSC 25 of our Handbook. This is a single document that sets out the firm's management and governance arrangements. This includes, for example, how the PRs have been

allocated, details on who has overall responsibility for the firm's activities, business areas and management functions, details of individuals' and committees' reporting lines, and how any responsibilities are shared or divided between different people.

Responsibilities Maps are designed to give a collective view of the allocation of responsibilities across a firm, and to make sure that aren't any gaps in the Senior Managers' SoRs. They also help us to identify who to speak to about particular issues and who is accountable if something goes wrong.

SYSC 25 Annex 1 may help large and complex firms think about how their business is organised, but this isn't mandatory or exhaustive. Firms should explain, in the Responsibilities Map, how their governance arrangements fit with, or incorporate the group (where applicable). Detail on this can be found in SYSC 25.2.3R.

Handover procedures

We require Enhanced firms to take all reasonable steps to make sure that a person taking a Senior Manager role has all the information and materials they could reasonably expect to have to do their job effectively. One way of doing this could be for the predecessor to prepare a handover note. SYSC 25.9 provides more information on Handover procedures.

Your firm must have a policy which explains how it complies with this requirement, and maintain adequate records of the steps it has taken.



Things to consider

- Does my firm have individuals who will perform relevant Senior Management Functions?
- Which PRs, if any, apply to my firm?
- Which Senior Manager should be allocated each PR?
- Is the PR clearly included in their SoR?
- What are my firm's activities, business area and management functions?
- Has every activity, business area and management function been allocated to a Senior Manager under the Overall Responsibility requirement?
- Do I need any individuals to be approved under the SMF18 – Other Overall Responsibility Function, if they have Overall Responsibility for an area but aren't already a Senior Manager?
- Are Overall Responsibilities clearly included in Senior Managers' SoRs?
- Does my firm have in place the appropriate Handover Procedures?

Example: How the SMR might apply to Firm A

A

Firm A

Firm A needs to apply the Enhanced SMFs. This means that, in addition to the SMFs in the Core tier, the firm will need individuals performing the following roles to be approved, if the roles exist in the firm:

- Chief Finance function (SMF2)
- Chief Risk function (SMF4)
- Chief Operations function (SMF24)
- Head of Internal Audit (SMF5)
- Chair of the Risk Committee (SMF10)
- Chair of the Audit Committee (SMF11)
- Chair of the Remuneration Committee (SMF12)
- Chair of the Nomination Committee (SMF13)
- Senior Independent Director (SMF14)
- Group Entity Senior Manager (SMF7)

Firm A does not have a Senior Independent Director, so it does not need anyone to be approved for the SMF14 function. The Chair is also the Chair of the Nominations Committee, so she will hold both the SMF9 and the SMF13 functions. The 2 Non-Executive Directors who are Senior Managers of other group entities are judged to exercise a significant influence on the firm, so should be approved as Group Entity Senior Managers (SMF7).

The firm has 3 individuals who are accountable to ("report to") the CEO or Board for a significant business unit of the firm but do not perform one of the role-based Senior Management Functions. They will need to be approved under the Other Overall Responsibility function (SMF18).

The firm will need to maintain Statements of Responsibilities for all of its Senior Managers.

As an Enhanced firm, Firm A will need to allocate all 12 Prescribed Responsibilities required by the Enhanced tier to Senior Managers. As the firm holds client assets, it allocates the CASS Prescribed Responsibility to one of its Senior Managers.

It will also need to meet the following requirements as part of the Enhanced regime:

- apply the Overall Responsibility requirement and ensure that a Senior Manager is responsible for every area of its business
- prepare and maintain a Responsibilities Map illustrating the division of responsibilities for its Senior Managers and outlining the management and governance structure of the firm
- maintain Handover Procedures for when one Senior Manager is replaced by another

8 How the Senior Managers Regime applies to Branches

Branch SMFs

This section explains how the SMR applies to EEA and Third Country branches

SMFs for EEA and Third Country branches

Function Name	Description
EEA Branches	
SMF21 – EEA Branch Senior Manager	This is the person or persons responsible for the management and conduct of the business of the incoming branch.
SMF17 – Money Laundering Reporting Officer	This is the person who has responsibility for overseeing the firm's compliance with the FCA's rules on systems and controls against money laundering.
Third Country Branches	
SMF19 – Head of Third Country Branch	This is the person or persons responsible for the conduct of all activities of the UK branch of a third country firm.
SMF3 – Executive Director	A director of a firm, other than a Non-Executive Director.
SMF16 – Compliance Oversight	This is the person responsible for the compliance function in the firm and reporting to the governing body on this.
SMF17 – Money Laundering Reporting Officer	This is the person who has responsibility for overseeing the firm's compliance with the FCA's rules on systems and controls against money laundering.

Branch Prescribed Responsibilities

No PRs apply to EEA branches.

For Third Country branches, we are implementing 8 specific responsibilities that must be given to Senior Managers and an additional responsibility for Authorised Fund Managers (AFMs).

Handbook PR Ref.	Description
All Third Country branches	
(a)	Performance by the firm of its obligations under the SMR, including implementation and oversight
(b)	Performance by the firm of its obligations under the Certification Regime
(b-1)	Performance by the firm of its obligations in respect of notifications and training of the Conduct Rules.
(d)	Responsibility for the firm's policies and procedures for countering the risk that the firm might be used to further financial crime
(z)	Responsibility for the firm's compliance with CASS (if applicable)
(aa)	Responsibility for management of the firm's risk management processes in the UK
(ff)	Responsibility for the firm's compliance with the UK regulatory system applicable to the firm
(ee)	Responsibility for the escalation of correspondence from the PRA, FCA and other regulators in respect of the firm to the governing body and/or the management body of the firm or, where appropriate, of the parent undertaking or holding company of the firm's group
Authorised Fund Managers (including Third Country branches)	
(za)	Responsibility for an AFM's assessments of value, independent director representation and acting in investors' best interests. This PR only applies to AFMs. For more details, see CP17/18, MS15/2.3 and PS18/08 - Asset Management Market Study remedies and changes to the handbook - Feedback and final rules to CP17/18.

Things to consider



- Does my firm have individuals who will perform relevant Senior Management Functions?
- Which PRs apply to my firm?
- Which Senior Manager should be allocated each PR?
- Is the PR clearly included in their SoR?

9 Certification Regime

This section is relevant to all firms with applicable roles. It explains:

- which functions will be included under the Certification Regime
- what firms need to do under the Certification Regime

Overview

Certification covers specific functions that aren't Senior Management Functions, but can have a significant impact on customers, the firm and/or market integrity. We won't 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. The Certification Regime is a requirement under FSMA and is set out in SYSC 27 of our Handbook.

We set out the functions in our Handbook. If a role meets the definition of a Certification Function, a firm needs to make sure that anyone doing that role has been certified. This means the firm must check and confirm that the person is fit and proper to do the job, and issue them with a certificate. This certification must be done at least once a year, and firms should take into account whether the individual:

- has obtained a qualification
- has undergone, or is undergoing, training
- possesses a level of competence

Certificates issued by firms should:

- state that the authorised person is satisfied that the person is a fit and proper person to perform the Certification Function
- set out the aspects of the firm's business in which the individual will be involved

Some of the staff in scope of the Certification Regime may have been previously approved by us. We won't approve these people any more, as one objective of the Certification Regime is to reinforce that firms, rather than the regulator, are responsible for making sure their staff are fit and proper.

The whole SM&CR applies on a legal entity basis and firms will need to consider their Certification staff on this basis.

Individuals performing Certification Functions will appear on a central Directory. Read [PS19/7](#) for more information.

Certification Functions

Certification Functions apply where the firm has individuals performing relevant roles. This means it is possible that in very small firms there will be no one in the Certification Regime if there are only a handful of senior individuals (who will be Senior Managers) supported by administrative staff. If a sole trader has no employees, then the Certification Regime won't apply to them.

The Certification Regime only applies to employees of firms. This definition covers individuals seconded to the firm and contractors but doesn't apply to Non-Executive Directors, for example.

The definition in FSMA of an employee includes anyone who personally provides, or is under an obligation to provide, services to the firm in question under an arrangement made between the firm and person providing the services or another person, and is subject to (or to the right of) supervision, direction or control by the firm as to the manner in which those services are provided. This may include, for example, advisers employed by a firm on a contract basis.

The following functions will be Certification Functions under the SM&CR:

Certification Functions

Certification Function	Overview
Significant Management Function (current CF29)	This includes individuals with significant responsibility for a business unit. More detail in SYSC 27.7.
Proprietary traders	These important roles can seriously impact the way the firm conducts its business and are not limited to revenue-generating business areas.
CASS Operational Oversight Function (current CF10a)	All proprietary traders are covered by the Certification Regime. The CASS Operational Oversight Certification Function covers oversight of the operational effectiveness of a firm's systems and controls for client money and assets.
Functions subject to qualification requirements	This includes, for example, mortgage advisers, retail investment advisers and pension transfer specialists. The full list is set out in our Training and Competence Sourcebook .

<p>The client dealing function</p>	<p>This function will be expanded from the current CF30 function to apply to any person dealing in or arranging investments with clients, including retail and professional clients and eligible counterparties.</p> <p>This will include:</p> <ul style="list-style-type: none"> • financial advisers • people who are involved in corporate finance business • people who are involved in dealing or arranging deals in investments • investment managers <p>This does not include individuals who have no scope to choose, decide or reach a judgement on what should be done in a given situation, and whose tasks do not require them to exercise significant skill.</p>
<p>Anyone who supervises or manages a Certified Function (directly or indirectly), but isn't a Senior Manager</p>	<p>This will make sure that people who supervise certified employees are held to the same standard of accountability. It also makes sure a clear chain of accountability between junior certified employees and the Senior Manager ultimately responsible for that area. For example, if a firm employs a customer-facing financial adviser, every manager above them in the same chain of responsibility will have to be certified (until the Senior Manager approved under the SMR is reached).</p>
<p>Material Risk Takers</p>	<p>The concept of Material Risk Takers (also known as Remuneration Code staff) already exists for firms under our remuneration rules (SYSC 19).</p> <p>They are a category of staff that all firms under AIFMD, UCITS, IFPRU and BIPRU are already required to identify under our remuneration regime.</p> <p>These firms need to consider all types of risk when identifying their Material Risk Takers, including those of a prudential, operational, conduct and reputational nature. All of these Material Risk Takers will be covered by this certification function.</p>
<p>Algorithmic trading</p>	<p>This function includes people with responsibility for:</p> <ul style="list-style-type: none"> • approving the deployment of a trading algorithm or a material part of one • approving the deployment of a material amendment to a trading algorithm or a material part of one, or the combination of trading algorithms • monitoring or deciding whether the use or deployment of a trading algorithm is or remains compliant with the firm's obligations

Not all of the functions in this table will apply to all firms and firms are only required to apply those that are relevant.

If these roles don't apply to your firm then you won't have any Certified Staff. You don't need to apply the Certification Regime.

Performing more than one Certification Function

If someone performs more than one Certification Function, a firm must certify that the person is fit and proper to carry out each function. For example, someone might carry out a function requiring a qualification and also carry out the Significant Management Function. There might be different competencies required for the different functions, so firms must assess that the person is fit and proper to do each role (but this could be done as part of a single assessment process).

Senior Managers and the Certification Function

If a Senior Manager is performing a Certification Function that is very different to what they are doing as a Senior Manager, they must also be certified. We expect that this will be uncommon in larger firms in practice.

One example where this may happen is in a financial advice firm. A Senior Manager performing the SMF3 – Executive Director function, who also meets the definition of the Client Dealing Function or a function requiring qualifications, would need to be certified for these Certification Functions. In this situation, firms may choose to undertake a combined fitness and propriety assessment for both the Senior Management Function and the Certification Function.

Partnerships and the Certification Regime

Under FSMA, the Certification Regime can only apply to employees. If a partner does not hold an SMF and does not meet the definition of 'employee' in FSMA 63E(9), the Certification Regime will not apply. The definition can cover secondees and contractors, who must be certified if they are performing a Certification function.

Under our Handbook rules, an LLP is not defined as a partnership. Given the flexibility that an LLP has in designing its internal structure, we would expect the Certification Regime to apply in many cases to members of an LLP who are not Senior Managers. It could also be the case that members in an LLP would not be in scope of the Certification Regime.

Significant Management Certification Function

The Significant Management Certification Function applies to people below Senior Managers who are responsible for business units that, because of their size, nature or impact, are considered significant by the firm.

The intention of the Significant Management Certification Function is to provide broad coverage of a firm's main activities below the Senior Manager layer. Firms will need to decide whether a business unit is significant. We have set out factors in our Handbook for firms to consider, including:

- 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
- its contribution to the profit and loss account
- the number of employees, Certification Functions or Senior Managers in the unit
- the number of customers served by the unit

A business unit isn't limited to one that carries on commercial activities with customers and third parties or that generates revenue. A business unit can also be an internal support department (for example, human resources, operations or information technology).

We have set out some further guidance in SYSC 27.7 of our Handbook on the factors that firms should consider, as well as some examples of business units that may be significant. However, the examples are only guidance to prompt firms to think about how the function applies to their activities, and we don't require firms to organise themselves in this way. Additionally, some of the examples may not apply to all firms.

In some circumstances, the Significant Management Function can be converted into a SMF. This direct conversion is only possible for Enhanced firms and EEA branches. Read Sections [7](#) and [8](#) respectively, for more details.

In all other circumstances, an individual holding CF29 under the APR will become a Certification Function under the SM&CR. If a Senior Manager also performs a Certification Function that is closely linked to their role as a Senior Manager, then they won't need to be certified under the Certification Regime. However, if they are performing a Certification Function that is very different to what they are doing as a Senior Manager, they must also be certified (e.g. where an SMF3 – Executive Director also acts as a Retail Investment Adviser).

Systems & Controls Function

The APR Systems & Controls Function (CF28) ends for all firms except Enhanced firms. Some existing CF28s will become Certified, for example if they meet the definition of a Significant Management Function, or a Material Risk Taker under European legislation. Read [Section 7](#) for more information on the SMFs that CF28s at Enhanced firms can be converted to.

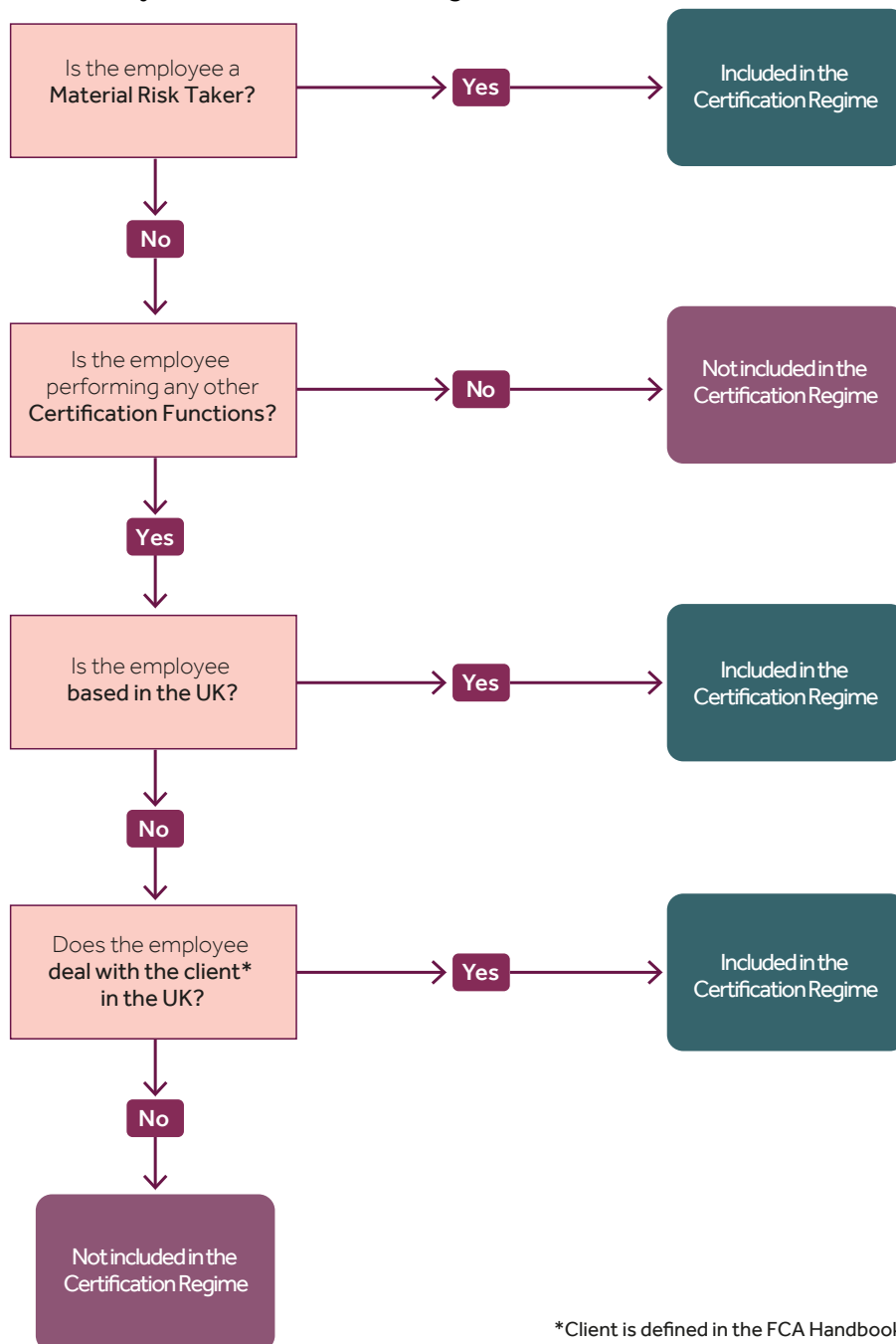
Territoriality and overseas employees

For UK firms, the Certification Regime is limited to people performing a Certification Function who are either based in the UK or, if based outside the UK, are dealing (ie have contact with) with UK clients. We call this the general territorial limitation.

This means that if a person based overseas doesn't deal with UK clients, but would otherwise have been carrying out one of the functions listed in the table of Certification Functions, the Certification Regime won't apply to them.

The exception to this is where an individual is a Material Risk Taker under one of our Remuneration Codes. For these individuals, there is no territorial limitation. This means that if an individual is a Material Risk Taker, the Certification Regime will apply even if they are based overseas and do not deal with a UK client. The diagrams below explain how territoriality applies to UK firms and branches in the context of the Certification Regime.

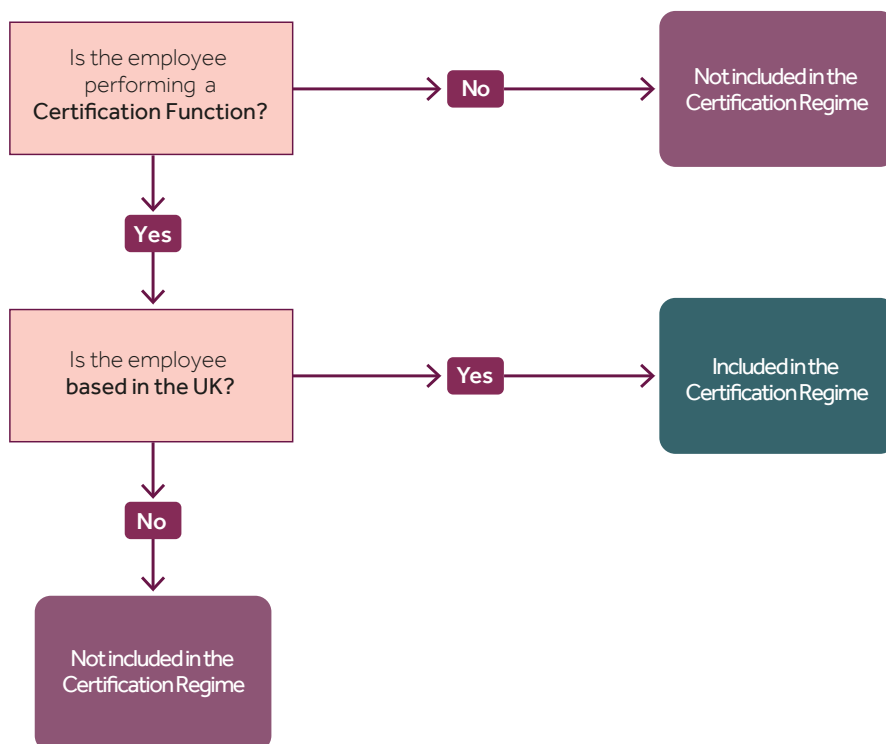
Territoriality and the Certification Regime for UK firms



Territoriality and the Certification Regime for overseas firms

The general territorial limitation for a UK branch of an overseas firm is different. Certification in this circumstance only applies when it is performed by a person from the UK branch.

The SM&CR does not apply to an overseas firm without a UK branch. This means that the Certification Regime does not apply to a person working for such a firm, even if the person deals with a UK customer.



Territoriality and Claims Management Companies

For claims management activities, our regulatory remit is Great Britain (i.e. England, Wales and Scotland), rather than the UK. An employee would not need to be certified if:

- the customer is not resident in England, Wales or Scotland
- the firm is not constituted in England, Wales or Scotland (or, in the case of sole traders, resident there)

The claims management territorial limitation is in addition to the general territorial limitation. That means:

- if a function is excluded from the certification regime by the general territorial limitation, the certification regime does not apply even if the activity is not excluded by the special claims management limitation. For example, if the employer is set up in England, Wales or Scotland but the employee is based outside the UK and deals

with customers who are also based outside the UK, the firm does not need to certify the employee

- if a function is excluded from the certification regime by the special claims management territorial limitation, the certification regime does not apply even if the activity is within the general territorial scope of certification. For example, if the employer is set up in Northern Ireland and the employee only deals with customers there, the firm does not need to certify the employee

If a firm has permission for regulated activities in addition to claims management activities, the claims management territorial limitation only applies to its claims management activities.

How the CASS Oversight Certification Function interacts with the CASS PR

Firms holding client money or client assets are subject to specific requirements (set out in the [CASS chapter](#) of our Handbook) and owe particular duties to their clients. The SM&CR reflects and reinforces these requirements.

Generally, a Senior Manager must be responsible and accountable for all elements of CASS compliance under the CASS PR. You should allocate this PR to the Senior Manager who is the most senior person responsible for this area.

Once the PR has been allocated, it might be the case that this Senior Manager also performs the CASS Oversight Function, which is a Certification Function. In this situation, the person will be a Senior Manager, and there is no need for the firm to also apply the Certification Function to them.

However, as the CASS Oversight Function is often operationally focused, the person performing it might not always, in practice, be a Senior Manager. In this case, the person with the CASS Oversight Function will fall under the Certification Regime. They won't need to be approved by us and must be certified by the firm.

We have taken this approach to give firms flexibility in allocating the CASS responsibilities, recognising that in practice the person who performs the operational CASS Oversight Function (which focuses on detailed aspects of complying with our rules) might not always also be the most senior individual with ultimate responsibility for this activity within a firm – particularly in larger firms.

Limited Permission Not for Profit Debt Advice Bodies that are CASS Large Debt Management Firms won't have any Senior Managers and cannot therefore allocate the CASS PR. The individual(s) at these firms responsible for CASS must still be allocated the CASS Oversight Function under the Certification Regime.



Things to consider:

- Which of the Certification Functions defined below apply to my firm?
- Can I identify the individuals within my firm that need to be certified?

Example: How the Certification Regime applies to our example firms

A**Firm A**

Firm A has individuals performing a wide range of Certification Functions including:

- CASS Oversight
- the Client Dealing Function
- Significant Management Function
- managers of individuals performing Certification Functions
- Material Risk Takers

The Senior Manager allocated the Certification PR will need to make sure that a process is in place to assess these individuals as fit and proper, at least annually.

B**Firm B**

Firm B has individuals advising on investments and mortgages.

These individuals will need to be certified as they are undertaking a function that requires qualifications and so meet the one of the defined Certification Functions. Their managers will also need to be certified (except those who are Senior Managers). The firm does not have any employees meeting any of the other Certification definitions but the Senior Manager holding the Certification prescribed responsibility is responsible for ensuring that, if this changes, the relevant employees are certified.

As the Executive Directors of the firm also advise on mortgages and investments, they will need to be certified. This is because this Certification function is substantially different from their roles as managers. However, this can be done as part of a process combined with the fit and proper assessment for their Senior Management Function(s).

C**Firm C**

Firm C doesn't have any individuals performing Certification Functions.

The Certification Regime PR doesn't apply to Limited Scope firms.

10 Fitness and propriety

This section applies to all firms. It explains how your firm should assess whether the following staff are fit and proper to do their job:

- Senior Managers
- Non-Executive Directors (NEDs)
- Certification staff

In particular, it summarises:

- the fit and proper test
- the evidence we expect firms to gather when making their assessment

Limited Scope firms should note the points under the heading 'Limited Scope firms and the fit and proper requirements'.

Overview

A key feature of the SM&CR is to reinforce that firms need to take responsibility for their staff being fit and proper to do their jobs. Our Handbook requires firms to make sure anyone performing a SMF or a Certification Function is fit and proper for their role. This requirement also applies to NEDs who are not Senior Managers, except in Limited Scope firms.

Once someone is in such a role, firms must assess them on an ongoing basis, and at least once a year.

The Fit & Proper test

As part of the extension of the SM&CR, we extended the application of the fit and proper guidance in the FIT part of our Handbook to cover Certification staff, as well as Senior Managers and non-approved NEDs (except at Limited Scope firms).

FIT sets out detailed guidance about the types of things firms should consider as part of assessing a person's fitness and propriety. This includes:

- honesty, integrity and reputation
- competence and capability, including whether the person satisfies any relevant FCA training and competence requirements
- financial soundness

Evidence requirements

Under the SM&CR, firms must collect extra evidence when assessing candidates for Senior Manager positions, Certification Functions or NED roles (even if they're not a Senior Manager). These requirements are explained below.

Criminal records checks for Senior Managers

Firms and candidates for SMFs need to declare if a candidate has a criminal record (to the maximum extent allowed by law).

Firms must also undertake a criminal records check as part of each Senior Manager application for approval. This will make sure the information the candidate has given to the firm is accurate and complete. This requirement also applies to NEDs who are not Senior Managers.

This means that firms will have to register with the Disclosure and Barring Service (DBS), and the equivalent agencies in Scotland and Northern Ireland, who run the checks. Smaller firms may need to use an umbrella organisation as an intermediary.

Where a candidate has spent a considerable amount of time working or living outside the UK, firms should consider undertaking an equivalent check with the appropriate overseas regulatory body where available.

Criminal records checks won't be mandatory for Certification Functions, but firms may choose to conduct these checks for other staff where they are legally allowed to do so – this is for firms to decide.

Regulatory references

In line with the recommendations of the Fair and Effective Markets Review (FEMR), firms must request a reference from Senior Manager and Certification Function candidates' past employers – known as regulatory references. This will also apply to NEDs who aren't Senior Managers.

These references will help firms make better-informed decisions about candidates. The requirements build on existing obligations on firms to provide all information relevant to the fit and proper assessment of the hiring firm.

The regulatory reference rules require firms to:

- Request a reference from all previous employers in the past 6 years for people applying for Senior Manager, Certification and non-approved NED roles.
- Share information between firms in a standard template.
- Disclose certain information going back 6 years. This includes details of any disciplinary action taken due to breaches of the Conduct Rules and any findings that the person was not fit and proper.
- Disclose any other information relevant to assessing whether a candidate is fit and proper (eg, the number of upheld complaints), covering the previous 6 years (unless it relates to serious misconduct, in which case there is no time limit). Firms will need to use their judgement when considering what is relevant, on a case-by-case basis.
- Retain records of disciplinary and fit and proper findings going back 6 years.
- Not enter into arrangements that conflict with their disclosure obligations (eg non-disclosure agreements).

Firms will also need to update regulatory references where new, significant information comes to light.

A Senior Manager will be accountable for the firm's regulatory reference obligations, as this is part of PRs a) and b).

The new referencing requirements won't change when and how a firm decides to take disciplinary action – this is a matter for firms to decide on. The SM&CR doesn't impose a duty on firms to investigate alleged misconduct by an employee or ex-employee. Firms will only need to include disciplinary actions that relate to Conduct Rule breaches that occur after the start of the SM&CR.

Your firm's compliance with the regulatory referencing requirements will need to be consistent with firms' common law duties and other relevant legislation, such as those relating to the rehabilitation of offenders and spent convictions.

Summary of fitness and propriety requirements

	New hire	Internal hire (including intra-group hires)	Annual assessment
Senior Manager			
Regulatory reference	✓	✗	✗
F&P assessment	✓	✓	✓
FCA approval before commencing role	✓	✓	✗
Criminal record check	✓	✓	✗
Certification Function			
Regulatory reference	✓	✗	✗
F&P assessment	✓	✓	✓
Certificate for function	✓	✓	✓

Limited Scope firms and the fit and proper requirements

The application of the fit and proper requirements to Limited Scope firms is slightly different in some areas:



- Sole traders are not required to seek regulatory references or criminal records checks for themselves, even where they also hold a SMF.
- Sole traders with employees should consider whether any of these individuals meet the definition of a Senior Manager or perform one of the Certification Functions. If so, the fit and proper requirements apply.
- Non-approved board directors (both executive and non-executive) at Limited Scope firms are not subject to the fit and proper requirements, including regulatory references and criminal records checks.

Things to consider

- How might the annual fit and proper checks fit into my firm's existing HR processes?
- How do the new criminal records checks and regulatory reference requirements fit into my firm's existing recruitment processes?

11 Conduct Rules

The Conduct Rules apply to all firms, including branches. This section sets out:

- a summary of the Conduct Rules, and who they apply to
- the training and notification requirements linked to the Conduct Rules

Overview

FSMA gave the FCA new powers to write Conduct Rules and apply them to all employees within a firm – not just approved individuals. These are a new set of enforceable rules that set basic standards of good personal conduct, against which we can hold people to account. They can be found in the COCON chapter of our Handbook.

As the Conduct Rules apply to staff directly, they will help shape the culture, standards and policies of firms as a whole and promote positive behaviours that reduce harm.

The Conduct Rules are intended to improve standards of individual behaviour in financial services from the top down and the bottom up. They represent a meaningful change in the standards of conduct we expect from those working in the industry. By applying the Conduct Rules to a broad range of staff we aim to improve individual accountability and awareness of conduct issues across firms.

Things to consider

- Can I identify my ancillary staff (ie those to whom the Conduct Rules don't apply)?
- Do I understand the Conduct Rules training and notification requirements?

Two tiers of the Conduct Rules

Two tiers of Conduct Rules apply to all firms.

The first is a general set of rules that applies to most employees and directors in a firm (see below for more detail on who these rules apply to). The second tier consists of rules that only apply to Senior Managers. There is also one Senior Manager rule, SC4, that applies to all non-executive and executive directors.

First Tier – Individual Conduct Rules	
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 FCA, the PRA and other 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
Second Tier – Senior Manager Conduct Rules	
SC1.	You must take reasonable steps to ensure that the business of the firm for which you are responsible is controlled effectively
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
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
SC4.	You must disclose appropriately any information of which the FCA or PRA would reasonably expect notice

Activities the Conduct Rules apply to

The Conduct Rules apply to a firm's regulated and unregulated financial services activities (including any related ancillary activities - ie an activity carried on in connection with a regulated activity).

Who the Conduct Rules apply to

The Conduct Rules apply to:

- all Senior Managers
- all Certified Functions
- all Non-Executive Directors who are not Senior Managers
- all other employees, except ancillary staff (ie people who don't perform a role specific to financial services, who are listed below)

The list of roles that we consider ancillary and therefore out of scope of the Conduct Rules are set out below:

Ancillary Staff List
Receptionists
Switchboard Operators
Postroom Staff
Reprographics/Printroom Staff
Property/Facilities Management
Events Management
Security Guards
Invoice Processing

Audio-Visual Technicians
Vending Machine Staff
Medical Staff
Archive Records Management
Drivers
Corporate Social Responsibility Staff
Data Controllers and Processors under the Data Protection Act
Cleaners
Catering Staff
Personal Assistants and Secretaries
Information Technology Support (ie Helpdesk)
Human Resources Administrators/Processors

The Conduct Rules apply to the majority of employees working in firms, because a broad range of staff have the potential to cause harm.

Existing legal and regulatory provisions continue to apply to ancillary staff where they do already (eg insider dealing rules).

Territoriality and overseas employees

For UK firms, the Conduct Rules apply in two situations. They apply to activities carried out from the UK. They also apply to activities carried out from outside the UK, but only if the activity involves dealing (ie having contact with) with UK clients. We call this the general territorial limitation.

This means that if a person based overseas doesn't deal with UK clients, the Conduct Rules won't apply to them.

The general territorial limitation for a UK branch of an overseas firm is different. The Conduct Rules only apply to conduct to the extent that it is performed by a person from the UK branch.

The Conduct Rules apply on a worldwide basis to certain senior individuals, including:

- Material Risk Takers under our Remuneration Codes
- SMF holders
- non-executive directors and executive directors

The Conduct Rules do not apply to staff of an overseas firm without a UK branch even if the individual deals with a UK customer.

Territoriality and Claims Management Companies

There is an additional territorial limitation that applies to claims management activities. The Conduct Rules do not apply to claims management activities unless the activity is classed as "GB claims management activities", because:

- the customer is resident in England, Wales or Scotland
- the firm is set up in England, Wales or Scotland or (where the firm is a sole trader, the firm is resident there)

The claims management territorial limitation is in addition to the general territorial limitation. That means:

- if the activity is excluded from the Conduct Rules by the general territorial limitation, the Conduct Rules do not apply even if the activity is not excluded by the special claims management territorial limitation. For example, if the employer is set up in England, Wales or Scotland, but the employee is based outside the UK and deals with customers who are also based outside the UK, the Conduct Rules do not apply
- if the activity is excluded from the Conduct Rules by the special claims management territorial limitation, the Conduct Rules do not apply even if the activity is within the general territorial scope of the Conduct Rules. For example, if the employer is set up in Northern Ireland and the employee only deals with customers there, the Conduct Rules do not apply
- the special claims management territorial limitation applies to senior individuals as well as other staff members. For example, if the employer is set up in Northern Ireland, the Conduct Rules do not apply to one of the firm's SMF managers who deals with customers who are based in Northern Ireland or who are based outside the UK

Even though the Conduct Rules do not apply to non-GB claims management activities in most cases, there are some limited cases where the Conduct Rules may apply because of the seriousness of the conduct breach, such as where conduct is likely to have a negative effect on:

- the integrity of the UK financial system
- the firm's ability to meet the fit and proper test in the suitability threshold condition, or
- the firm's ability to meet the financial resources requirements under the Act and the Handbook

The Conduct Rules also apply to non-GB claims management activities if they are linked to GB claims management activities or to other regulated activities. Non-GB claims management activities are linked to other activities in this way if they are:

- carried out in connection with that activity; or
- held out as being for the purposes of that activity

In these cases, the Conduct Rules will apply to non-GB activities unless the general territorial limitation applies.

If a firm has permission for regulated activities in addition to claims management activities, the claims management territorial limitation only applies to its claims management activities.

Training requirements

Firms are required, by FSMA 64B, to train relevant staff on how our Conduct Rules apply to their role and a Senior Manager is required to be allocated the PR for this.

Senior Managers and Certification Staff will need to have been trained, and abide by the Conduct Rules from the start of the new regime. Firms will have 12 months to put in place processes to comply with the training and reporting requirements, and train their other staff on the Conduct Rules.

Conduct Rule breach reporting

FSMA 64C requires firms to notify us when disciplinary action has been taken against a person for a Conduct Rules breach. Notification of disciplinary action is only required if that action was because of Conduct Rule breaches.

The timing for Conduct Rule breaches is:

- For Senior Managers, we require that firms notify us within 7 business days of concluding disciplinary action using Form D (or Form C where the individual will no longer be approved).
- For other individuals, we require the notification to be made every year using REP008 on our electronic reporting system, GABRIEL. Most firms will report in October, for the reporting year 1 September to 31 August, with a due date of 2 months later. Limited Permission Consumer Credit firms will report in line with their reporting year, alongside their annual return.

A firm needs to make an annual notification about Conduct Rules even if there haven't been any breaches. This is to make sure firms correctly monitor and identify Conduct Rule breaches.

Disciplinary action means:

- issuing of a formal written warning
- suspension or dismissal of a person, or
- reduction or recovery of remuneration (clawback)

The new notification requirement doesn't change or remove firms' obligations to report concerns about an individual's conduct under existing rules and principles, such as [FCA Principle 11](#).

Example: How the Conduct Rules apply to our example firms

A

Firm A

Firm A will need to ensure that the 3000 staff performing roles that involve, or are connected to, financial services activities are trained in how the Conduct Rules apply to their roles. The firm also has employees that only perform roles on the ancillary staff list and these individuals will not need to be trained on the Conduct Rules.

The Senior Manager allocated the Conduct Rules Prescribed Responsibility (PR) is responsible for ensuring that the firm meets the requirements around training and the reporting of Conduct Rule breaches.

B

Firm B

Like Firm A, Firm B will need to ensure that all staff performing roles that involve, or are connected to, financial services activities are trained in how the Conduct Rules apply to their roles. This means that all but 7 of the firm's staff would need to be trained.

The Senior Manager allocated the Conduct Rules Prescribed Responsibility (PR) is responsible for ensuring that the firm meets the requirements around training and the reporting of Conduct Rule breaches.

C

Firm C

The Conduct Rules apply to anyone at Firm C that is in any way involved in, or supporting, financial services activities, and Firm C is required to train relevant staff in how the Conduct Rules relate to their roles.

The Conduct Rules PR does not apply to Limited Scope firms.

12 Changing SM&CR firm type

This section gives more detail on how a firm can move from one tier of the regime to another – for example, if they become an Enhanced firm because they meet a threshold, or where firms choose to opt up into a different tier.

Moving from the Core to Enhanced regime

We want to give firms stability and to make sure they are not moving between the Core and Enhanced regimes regularly if, for example, they operate near the Enhanced criteria.

After the start of the SM&CR, if your firm is in the Core tier but finds that it meets one of the Enhanced criteria set out below, your firm will have 1 year from the date it meets the criteria to comply with the Enhanced requirements.

The 1 year periods start from different points depending on the criteria that apply. The table below summarises these.

Start of 1 year period to transition from Core to Enhanced

Criteria for enhanced firms	Start of 1 year period
Definitional criteria	
A firm that is a Significant IFPRU firm	The date that the firm meets the definition of a Significant IFPRU firm (see IFPRU 1.2.6R).
A firm that is a CASS Large firm	The date that the firm notifies the FCA that it meets the criteria to become a CASS Large firm (see CASS 1A of the FCA Handbook).
Criteria calculated on a rolling average	
Firms with Assets Under Management of £50 billion or more as a 3 year rolling average	The submission date (return due date) of the first FSA038 return that takes the firm over a 3 year rolling average of £50b assets under management (AUM). ⁶
Firms with current total intermediary regulated business revenue of £35 million or more per annum calculated as a 3 year rolling average ⁷	The submission date (return due date) of the first RMA-B return that takes the firm over a 3 year rolling average of £35m intermediary revenue.

⁶ This average is calculated by averaging the values in field 1A of each FSA038 the firm submits over a 3 year period. For example, if a firm submits FSA038 on a bi-annual basis, it would calculate its average AUM after each submission, using the most recent return and the 5 preceding returns.

⁷ The consumer credit lending revenue threshold should be calculated on a 3-year rolling basis. We acknowledge that some firms will not yet have data covering 3 years. To address this, where a firm doesn't have data covering three years the average should be calculated using two years of data, or using the data for one year, where this is the case. If a firm has not reached the end of its first reporting year then it does not meet this Enhanced criterion.

Firms with annual revenue generated by regulated consumer credit lending of £100m or more calculated as a 3 year rolling average.	The submission date (return due date) of the first CCR002 return that takes the firm over a 3 year rolling average of £100m consumer credit lending revenue. ⁸
Criteria calculated as a point in time	
Mortgage lenders and administrators (that are not banks) with 10,000 or more regulated mortgages outstanding at the latest reporting date.	The submission date (return due date) of the first MLAR that shows the firm with 10,000 or more regulated mortgages.

We know that some firms to which the consumer credit lending criterion applies won't have submitted data covering 3 years by the time that the regime starts. As a result, we have applied a transitional provision that covers how these firms should decide whether they fall within the Enhanced regime.

Consumer Credit Lenders that don't have data covering 3 years must calculate whether they meet the Enhanced criteria as follows:

- where they have data covering 2 years, the revenue total should be calculated as an average of those 2 years and the firm is Enhanced if that average is £100m or above
- where they only have data covering 1 year, the firm is Enhanced if that year's figure is £100m or above
- where a firm has not reached the end of its first reporting year, it does not meet this Enhanced criterion.

If your firm moves from Core to Enhanced, there might be Senior Managers who need new, or different, approvals from us. For example, someone performing a CFO role would need to be approved for the SMF2-Chief Finance Function under the Enhanced regime. This should be done using the SM&CR Form E, where an individual is currently approved or using Form A if new approval is required.

You won't need to re-apply for new approvals if there has been no change in the person's actual function and the function is the same under the Enhanced regime, eg an SMF3 – Executive Director continuing to perform that function.

Opting up

Some firms may prefer to apply the Enhanced regime even if they don't meet one of the 6 criteria. We have a simple process that allows a firm to notify us of its decision to opt up.

Firms can opt-up from the Core to Enhanced regime, or Limited Scope firms to the Core or Enhanced regime, using Form O. Once firms have opted into the Core or Enhanced regime they will be required to comply with all of its relevant rules; failure to do so will be a breach

⁸ This average is calculated in accordance with the method that must be used to calculate the amount to be recorded in data element 4E (total regulated business revenue) in Section B (Profit and Loss account) of the RMAR. This revenue figure does not include consumer credit intermediation. The figure is calculated as a 3-year rolling average of a firm's full year RMA-B. We will separately be consulting on the application of the revenue threshold for intermediaries that do not complete RMA-B. Please read PS18/14 for more information.

of our rules – firms can't choose to apply elements of the Regime ad hoc. This is to ensure consistency and transparency across all firms in the regime.

The SM&CR is designed to be proportionate. We don't expect firms to opt into the Enhanced regime for the sake of having more SMFs and opting into the Enhanced regime must not lead to accountability at these firms becoming unclear.

If firms choose to opt into the Enhanced regime (or from Limited Scope to the Core), they must be ready to comply with all the rules of the Core or Enhanced regime three months after the date Form O is submitted. More information on opting up is in SYSC 23 Annex 1.

Part Two: Moving firms to the SM&CR

13 Overview

Next steps and implementation dates

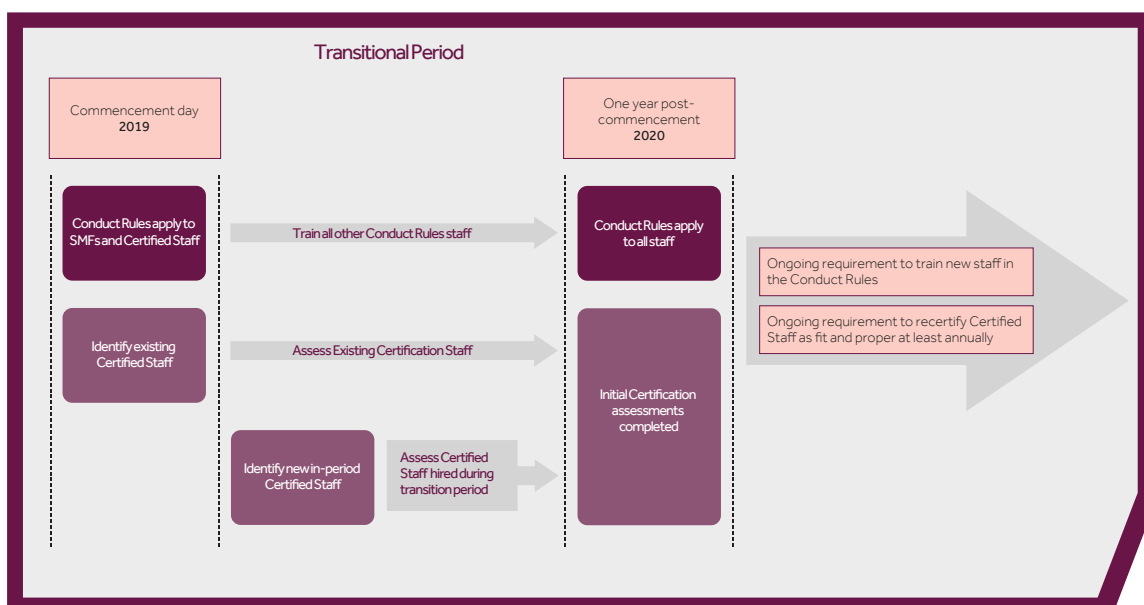
Firms affected by these changes will move to the new regime from 9 December 2019. We will contact firms ahead of the conversion window with our assessment of their status based on the information that we hold. This will help firms work out which level of the regime applies to them.

The assessment is indicative. Firms are still responsible for assessing which tier they fall into based on the rules. If firms disagree with our assessment they must tell us so that they are allocated to the correct tier. This is important to make sure that the correct forms are available for conversion – failure to do so may cause problems with a firm’s approvals.

There are also 2 transitional provisions to help firms move to the new regime:

- firms will have to identify their Certification Staff at the start of the new regime, but have 12 months from the Commencement date to complete the initial certification process (read [Section 9](#) for information on the Certification Regime)
- Senior Managers and Certification Staff will need to have been identified and trained and abide by the Conduct Rules from the start of the new regime, but firms will have 12 months to train their other staff on the Conduct Rules (read [Section 11](#) for information on the Conduct Rules)

Timelines for moving to the SM&CR



Provisions for moving to the Certification Regime

HMT will implement the rules for Certification gradually, so that firms have time to undertake the fitness and propriety assessments for relevant staff.

Firms have 12 months from the start of the new regime to certify individuals performing a Certification Function, but must identify them at Day 1.

The Treasury intends to commence the requirement for firms to certify relevant employees as fit and proper for the first time 12 months after the start of the extended SM&CR for solo-regulated firms. This means that, while the Conduct Rules will apply to these individuals from Commencement, firms must have completed their fitness and propriety assessments and certified the relevant employees by 9 December 2020 at the latest.

Firms won't be required to obtain regulatory references for existing employees who will be performing the same role after the start of the new regime.

CMC next steps and implementation dates

Claims management companies submitted the 'Annex to application for part 4A permission to carry on claims management activity during temporary permission form' (the Individual Form) as part of their application for authorisation. The information in this form is similar to that required by Form A, which is used to apply for individuals to be approved to perform an SMF. If the Individual Form for that senior manager was submitted less than 9 months before, CMCs can use the Short Form A to apply for approval.

The new SM&CR Short Form A will be available to firms from September 2019.

CMCs with temporary permissions on 9 December 2019

CMCs that have not received full authorisation by the time the SM&CR commences will not need to apply the SM&CR until they are fully authorised. Until then, neither the current Approved Persons Regime nor the SM&CR will apply to it. This only applies to CMCs that do not have any other permissions.

By the time they receive full authorisation, these CMCs must have:

- identified and trained Senior Managers and Certification Staff on the Conduct Rules
- identified anyone performing a Certification Function

They will then have a further 12 months from the date of receiving full authorisation to:

- complete fitness and propriety assessments
- train all other staff (who are not performing a Senior Management or Certification Function) in the Conduct Rules

14 Core, Limited Scope firms and branches - Converting existing approvals

Individuals at Core and Limited Scope firms will be automatically converted wherever possible, with no action required by firms.

We recommend that firms consider whether any changes to their approvals are required ahead of Commencement. This will make sure that the move to the new regime is as smooth as possible.

The forms referred to in this section should be submitted using our [Connect system](#).

This chapter is not relevant for CMCs that do not have other regulatory permissions.

Firms won't have to apply for re-approval for currently approved individuals where there is no substantive change in the individual's role before and after the commencement of the SM&CR.

No extra checks are required (for example, criminal records checks and regulatory references). Firms already have to make sure that these individuals are, and continue to be, fit and proper.

Details for the conversion of people with existing Approved Persons Regime (APR) approvals are in the table below. The first column shows existing controlled functions under the APR. The second column shows the set of new Senior Management Functions (SMFs) into which a person performing the controlled function in column 1 will be eligible to be converted (mapped functions).

If an individual currently holds more than one convertible function under the APR then all of the relevant functions will be converted in line with the approaches detailed below.

If an individual is not currently approved, or requires additional approvals, they will need to apply for each new function (if an application is for multiple functions this can be done at the same time and using the same form for those functions). Read below for more information.

Mapping APR functions to SMFs



Things to consider

- Relevant approved individuals will be automatically converted (with the Chair exception below). Does my firm have the correct individuals approved in the correct roles?
- Does my firm have a Chair? If so;
 - Executive or Non-Executive?

- Do I know what I need to do to ensure that they have the correct approvals?
- Do I need to make changes to my existing approvals, or add new ones, ahead of conversion?

Each Senior Manager is required to have a Statement of Responsibilities (SoR). Firms are not required to submit these to the FCA for converted individuals but they must be able to provide a Senior Manager’s SoR to the FCA on request.

The table below sets out the function mappings that will be used for automatic conversion.

Function mapping for Core and Limited Scope firms (including branches)

Current controlled function	Corresponding Senior Management Function(s)
CF1 – Director	SMF3 – Executive Director
CF2 – Non-Executive Director ⁹	SMF9 – Chair
CF3 – Chief Executive	SMF1 – Chief Executive
	SMF19 – Head of Third Country Branch ¹⁰
CF4 – Partner	SMF3 – Executive Director ¹¹
	SMF27 – Partner
CF5 – Director of Unincorporated Association	SMF3 – Executive Director
CF6 – Small Friendly Society Function	SMF3 – Executive Director
CF8 – Apportionment & Oversight ¹²	SMF29 – Limited Scope
CF10 – Compliance Oversight	SMF16 – Compliance Oversight
CF11 – Money Laundering Reporting Officer (MLRO)	SMF17 – Money Laundering Reporting Officer (MLRO)
CF29 – Significant Management Function ¹³	SMF21 – EEA Branch Senior Management Function

⁹ Non-Executive Directors at Core and Limited Scope firms who are not the firm’s Chair will no longer be approved by the FCA.

¹⁰ Third Country Branches only.

¹¹ CF4 – Partner to SMF3 – Executive Director is only a valid conversion for Third Country branches.

¹² Only applicable to certain Limited Scope firms.

¹³ This mapping only applies for EEA Branches. Individuals holding CF29 at other Core firms will not be converted to a Senior Management Function unless approved for a mapped controlled function before Commencement.

Existing approved roles that end at Commencement of the SM&CR

A number of existing functions at Core and Limited Scope firms won't be automatically converted at Commencement of the new regime. This is because these roles will no longer require approval by the FCA. However, some of these roles will fall into the Certification Regime. The relevant functions are:

- CF2 – Non-Executive Director (NED) (with the exception of an SMF9 – Chair).
- CF10a – CASS Oversight Function
- CF28 – Systems & Controls Function
- CF29 – Significant Management Function (though this can be converted to the new EEA Branch Manager function for EEA Branches)
- CF30 – Customer Function

Individuals performing these functions won't be converted to a new SMF unless they also hold an existing mapped function, apply for an additional mapped function using Form A, or the firm submits a Form E to transfer them to one of these functions.

What to do if your current controlled function is not listed

Conversion will only apply for the controlled functions and corresponding SMF listed in the table above. For all other controlled functions, regulatory approval will no longer be required and existing approvals will lapse when the new regime begins. These people may become part of the Certification Regime.¹⁴

Exception – individuals to perform the SMF9 – Chair role

Non-Executive Chairs

While we will automatically convert approvals according to the mapping set out in Table 3, there is one exception. We currently approve a firm's non-executive Chair under the generic CF2 – Non-Executive Director function. This means that we won't know whether an individual CF2 performs the Chair role, unless firms tell us.

Firms with a non-executive Chair will need to submit a Form K, telling us that they wish to convert an approved NED to the SMF9 – Chair function. Core firms are not required to submit this individual's SoR to us. If a Form K isn't submitted for the Chair, the individual's approval will lapse when the new regime starts. If they continue to perform the role without approval, they will be in breach of our rules.

All other NEDs at Core firms will no longer be approved by us. Non-approved NEDs are still subject to certain extra requirements on top of the Conduct Rules.

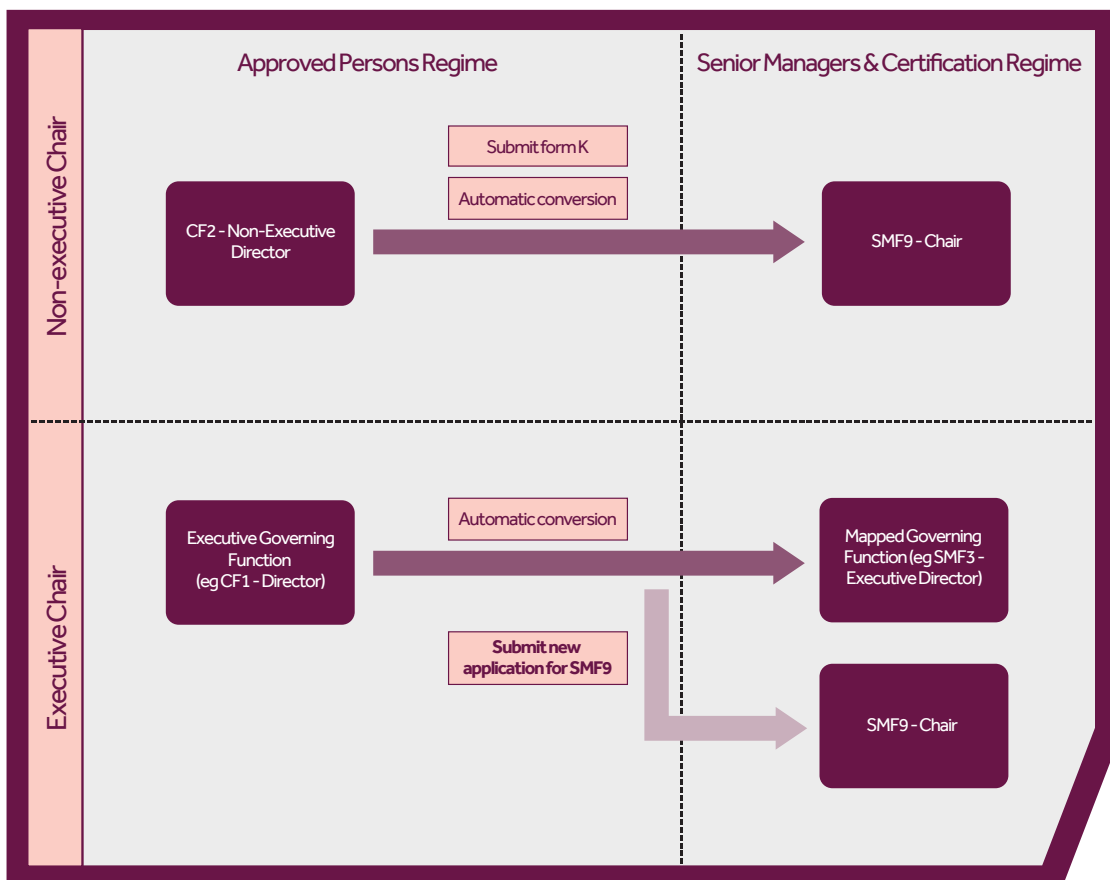
14 More details on the Certification Regime can be found in [Section 9](#).

Executive Chairs

In some sectors, there are firms with Executive Chairs in executive controlled functions, such as a CF1 – Director.

Under the SM&CR, being an Executive Chair will mean holding an additional controlled function. Where Core firms have an Executive Chair, we will automatically convert the executive controlled function (eg CF 1 – Director to SMF3 – Executive Director). Firms will be required to complete a Form A to apply for the additional SMF9 – Chair function.

Chairs in the Core tier



New and applications in progress (including transfers of existing approved individuals)

This section explains how we will deal with applications by Core and Limited Scope firms submitted near to Commencement.

Firms may wish to refer to the [summary table](#) at the end of this section.

The APR will continue to apply in full up until the start of the new regime. We will still deal with applications for these controlled functions right up until Commencement. We

explain our approach for new and applications in progress below.

Summary

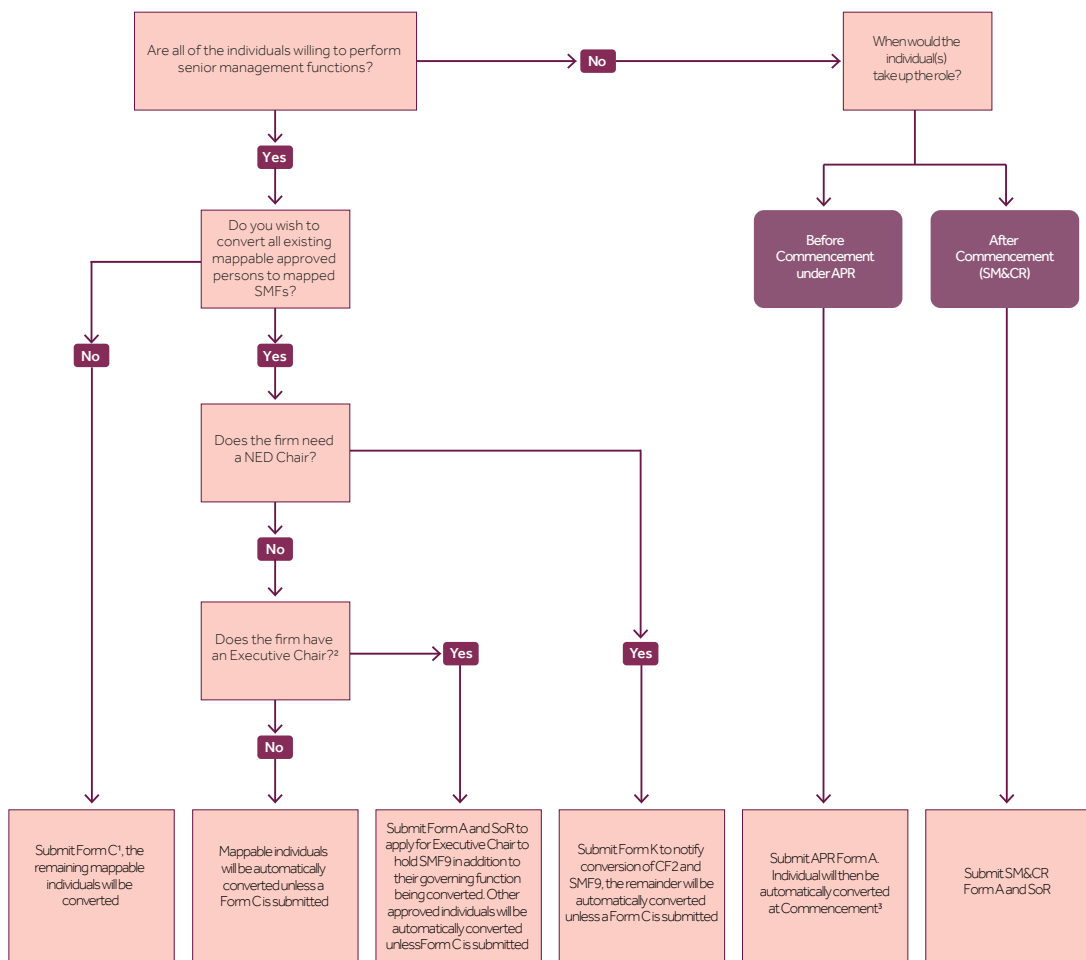
Most Core and Limited Scope firms don't need to take any action ahead of conversion but if firms wish to change their approved individuals, the following principles apply:

- the existing processes for individual applications continue to apply as usual until the start of the new regime
- the SM&CR application forms will be available for submission before Commencement but these approvals will only be effective from the start of the new regime
- an APR application submitted, but not determined before the start of the new regime, will be converted to an application for the relevant SMF at Commencement

If you don't intend to apply for any new individual approvals, or make any changes to existing ones, then you can read ahead to the examples at the end of this section.

Core and Limited Scope firms: what do I need to submit?

The diagram provides a non-exhaustive summary of the most common scenarios explained in this section.



Example:

An individual holding the CF30 – Customer Function who will hold the SMF3 - Executive Director function after Commencement, but not before.

If your firm intends the individual to retain their CF30 approval until Commencement then an SM&CR Form A is required. The individual's CF30 approval will lapse at the start of the new regime and, as long as the application is approved, the individual will hold the SMF3 function after Commencement.

New approvals to be effective before Commencement

Applications for APR functions before Commencement must be submitted using the APR version of Form A. If not approved ahead of Commencement, they will be automatically converted to an application for the relevant SMFs once the regime has started.

New approvals to be effective after Commencement

If your firm wants someone not currently approved for an equivalent role to perform a mapped SMF after Commencement, they will need to use the new SM&CR Form A. The SM&CR Form A will be available to submit from September 2019.

You should remember that applications submitted to take effect after Commencement using the SM&CR versions of the forms have to meet the majority of the SM&CR application requirements, even if submitted for approval prior to Commencement. These include conducting criminal records checks but won't include regulatory references, as the rules requiring firms to provide these will only come into force at Commencement. Firms may choose to seek regulatory references, but these are not required.

Moving an existing approved individual into a SMF that doesn't map from their APR function

Firms have 3 options in these circumstances:

- If the individual will perform the APR function until Commencement and both an equivalent SMF and a new function after Commencement, the firm should apply for the new function using the SM&CR Form A. The new function will become effective upon approval of the Form A, or at the start of the new regime, whichever is later.

- If the individual will perform the APR function until Commencement and also take up a new mapped function before Commencement under the existing APR, the firm should use the APR Form A to apply for the new function. If the individual is intended to hold only the new function after Commencement (and their existing function isn't one which lapses at the start of the new regime) then a Form C should be submitted to cancel the original approval.
- If the individual will stop performing the existing un-mapped function and start performing a new mapped function immediately upon approval, the firm should use an APR Form E to transfer the individual. The individual will then be converted to the appropriate SMF at Commencement.

Applications in progress at Commencement

We will accept applications for new approvals under the current rules right up until Commencement.

We won't have made a decision on all applications when the new rules start, so there will be a number of applications in progress.

The new criminal records checks and regulatory references requirements won't apply for applications in progress. Where the old APR forms are used, the APR rules apply.

A firm may not know whether we will have made a decision on an application will be determined by the FCA prior before Commencement. So, it won't know whether the application will be subject to automatic conversion. In these cases, we will approach the application process as follows:

- If the application isn't approved by the start of the new regime we will automatically convert the application, where possible. An APR application in progress at Commencement will be converted to be an application for the applicable SMF upon Commencement. The firm doesn't need to make a new application for the applicable SMF but will need to provide a SoR for the individual.
- We will require a Form K for CF2 – Non-Executive Director approvals for Core firms where the individual is intended to be the SMF9 – Chair under the new regime. However, even in this case there is no need to make a new application for the SMF9 role if the application is not approved before Commencement.

Interim applications for roles which won't be approved under the SM&CR

We will only approve Senior Managers, so several roles currently approved under APR – including CF29 - Significant Management Function and CF30 - Customer Function – will move into the Certification Regime.

Your firm may wish to plan its recruitment activities during the transitional period appropriately. Any application that won't require approval under the SM&CR and that

isn't approved prior to the new regime will automatically lapse at the Commencement date.

If individuals are actively performing controlled functions for a firm, then approval is required, regardless of how close we are to Commencement. A firm must take reasonable care to make sure that nobody performs a controlled function unless they have been given approval by us. If your firm allow individuals to perform controlled functions without prior approval it would be in breach of our rules.

Which forms to submit - summary table

The table below summarises the forms required in different scenarios, and will help Core and Limited Scope firms to work out which forms (if any) they need. It isn't exhaustive.

Core and Limited Scope Firms - Applicable forms in various scenarios

Summary: Individuals at Core and Limited Scope firms will be automatically converted at Commencement. Other forms may be needed for additional applications, and where the firm has a Chair. The main scenarios are outlined below.

Scenario	Action
Convert approved individuals to mapped SMFs.	No action required.
An approved individual in a mapped function is not to be converted to the corresponding SMF (eg where they have resigned)	Submit Form C for that individual.
A CF2 – Non-Executive Director is currently also acting as the Chair and wishes to continue in that role under the new regime.	Submit Form K only for the individual to become the Chair.
An approved individual is going to give up an existing controlled function that will lapse at the start of the new regime and take up a new convertible controlled function, with the intention that they will be converted to a relevant SMF. For example, an individual moving from the CF29 – SMF to the CF1 – Director function in order to hold the SMF3 – Executive Director function under the new regime.	Submit the existing APR Form E.
An approved individual is going to give up an existing controlled function that will lapse at the start of the new regime and take up a new SMF after Commencement.	Submit the new SM&CR form A. Submit a SoR.
Seeking approval for a new individual with immediate effect, so that they can be converted to a mapped SMF after Commencement.	Submit the existing APR Form A.
Seeking approval for a new individual with effect after Commencement.	Submit the SM&CR Form A. Submit a SoR.

<p>An existing Executive Chair is currently approved to perform the CF1 – Director function and wishes to continue as Executive Chair under the new regime.</p>	<p>Submit the SM&CR Form A for the new SMF9 – Chair function. The existing executive CF held will be automatically converted to a mapped SMF.</p> <p>Submit a SoR.</p>
<p>Applying for a new individual to become Executive Chair at the start of the new regime.</p>	<p>Submit the SM&CR Form A for the executive SMF function and SMF9 – Chair functions being applied for.</p> <p>Submit a SoR.</p>

Examples: How conversion applies to Firm B and Firm C

B

Firm B

As a Core firm, the majority of Firm B's existing approvals will be converted automatically at Commencement, if they map to SMFs. The only exception is the firm's Chair. As this individual is currently approved as a CF2 – Non-Executive Director, and it is not clear which CF2 is the Chair, if any, the firm will need to submit Form K (at latest a week before Commencement) to notify us that the individual should be converted to the new SMF9 (Chair) function.

A number of the firm's existing individual APR approvals will fall away, and the firm will need to ensure that, where relevant, the individuals are picked up by its certification processes.

The firm won't need to apply for new approval for converted individuals.

C

Firm C

Firm C has a single approved individual performing the CF8 (Apportionment & Oversight function). This function will be automatically converted to the new SMF29 – Limited Scope function at Commencement.

The firm won't need to apply for new approval of this individual but the person will need a Statement of Responsibilities.

15 Enhanced firms - Converting existing approvals

The forms referred to in this section should be submitted using our [Connect system](#)

Enhanced FCA solo-regulated firms will have to tell us who they want to assign to the new Senior Management Functions (SMFs), but they won't have to re-apply for approval if the proposed SMFs can be mapped directly from the APR.

There is no need for firms to do extra checks on these individuals when they are converted. Firms are already required to make sure that these individuals are, and continue to be, fit and proper.

Enhanced firms will need to submit, as part of a Form K submission:

- details of all of the approved persons converted to SMFs as at Commencement
- Statements of Responsibilities for all of the SMFs covered by the Form K
- a Responsibilities Map

Where firms wish to make changes to their approvals prior to Commencement, Forms A and E should also be submitted, and the details included in Form K, for new or transferred individuals respectively.

Mapping APR functions to SMFs

Function mapping for Enhanced firms¹⁵

Current controlled function	Possible corresponding Senior Management Function(s)
CF1 – Director	SMF2 – Chief Finance Officer
	SMF3 – Executive Director
	SMF4 – Chief Risk Officer
	SMF5 – Head of Internal Audit
	SMF7 – Group Entity Senior Manager
	SMF24 – Chief Operations

¹⁵ Firms should note that the CF30 – Customer Function will no longer be approved under the SM&CR and is therefore not available for conversion mapping. CF30s at Appointed Representatives will be unaffected by these proposed changes as they remain subject to the APR.

CF2 – Non-Executive Director	SMF9 – Chair
	SMF10 – Chair of the Risk Committee
	SMF11 – Chair of the Audit Committee
	SMF12 – Chair of the Remuneration Committee
	SMF13 – Chair of the Nomination Committee
	SMF14 – Senior Independent Director
CF3 – Chief Executive	SMF7 – Group Entity Senior Manager
	SMF1 – Chief Executive
	SMF2 – Chief Finance Officer
	SMF4 – Chief Risk Officer
CF4 – Partner	SMF5 – Head of Internal Audit
	SMF27 – Partner
	SMF2 – Chief Finance Officer
	SMF4 – Chief Risk Officer
CF5 – Director of Unincorporated Association	SMF5 – Head of Internal Audit
	SMF3 – Executive Director
	SMF2 – Chief Finance Officer
	SMF4 – Chief Risk Officer
CF6 – Small Friendly Society Function	SMF5 – Head of Internal Audit
	SMF3 – Executive Director
	SMF2 – Chief Finance Officer
	SMF4 – Chief Risk Officer
CF10 – Compliance Oversight	SMF5 – Head of Internal Audit
CF10a – CASS Operational Oversight Function ¹⁶	SMF3 – Executive Director
CF11 – Money Laundering Reporting Officer	SMF2 – Chief Finance Officer
CF28 – Systems and Controls Function	SMF4 – Chief Risk Officer
	SMF17 – Money Laundering Reporting Officer
	SMF5 – Head of Internal Audit
CF29 – Significant Management Function	SMF2 – Chief Finance Officer
	SMF4 – Chief Risk Officer
	SMF5 – Head of Internal Audit
	SMF18 – Other Overall Responsibility
	SMF24 – Chief Operations

What to do if your current controlled function isn't listed

Conversion only applies for the controlled functions and corresponding SMFs listed above. For all other current controlled functions (eg CF30 – Customer Function), regulatory approval won't be needed and existing approvals will lapse when the new regime begins. These roles are likely to be in scope of the Certification Regime.

Dealing with functions that roll up under the APR

Under the APR, an individual holding a governing function (CFs 1-6) can perform the CF28 – Systems and Controls or the CF29 – Significant Management functions without needing further FCA approval (the CF28 and CF29 functions 'roll up' into the governing function). This means that an individual may be performing more than one of those functions in the table above, but only be approved for the governing function.

¹⁶ If an Enhanced firm elects not to convert an individual performing a CF10a (CASS Oversight) function to SMF18 (Other Overall Responsibility) function, then this individual will be expected to be certified under the Certification Regime. The CASS prescribed responsibility should then be allocated to the Senior Manager to whom the individual reports.

Where an individual holds a governing function and performs one or more of the function mapping from that governing function, the firm should select all of those relevant convertible functions in Form K.

Firms must make sure that the correct SMFs are selected where this scenario occurs, or the individual won't have the correct approvals at Commencement.

Enhanced Firms – Executive Chairs

Some firms have Executive Chairs and these people hold an executive controlled function, usually as a CF1 – Director.

Under the SM&CR, being an Executive Chair will involve holding an additional controlled function. Firms should add this person to their Form K for the executive function (eg CF1 – Director to SMF3 – Executive Director) and submit an SM&CR Form A to apply for the additional SMF9 – Chair function.

Failure to submit a conversion notification

If an Enhanced firm doesn't submit a conversion notification (Form K) it will be in breach of regulatory requirements. APR approvals will lapse and they won't have any SMR approvals. They will have no-one approved by us and will be in breach of our rules. We will consider what further regulatory action needs to be taken, including possible enforcement action.

Firms in this situation would have to re-apply for approval of individuals through the full SM&CR application process, including mandatory criminal records checks and regulatory references.

New and applications in progress (including transfers of existing approved individuals)

This section explains how we will deal with the various scenarios that may arise with applications submitted near to Commencement.

You may wish to refer to the summary diagram below and the summary table at the end of this section.

The APR will continue to apply in full up until Commencement and we will deal with applications for the APR right up until Commencement. We set out our approach for new and in progress applications below. The diagram below shows different scenarios that Enhanced firms may encounter, depending on how their business model fits to the new regime.

Summary

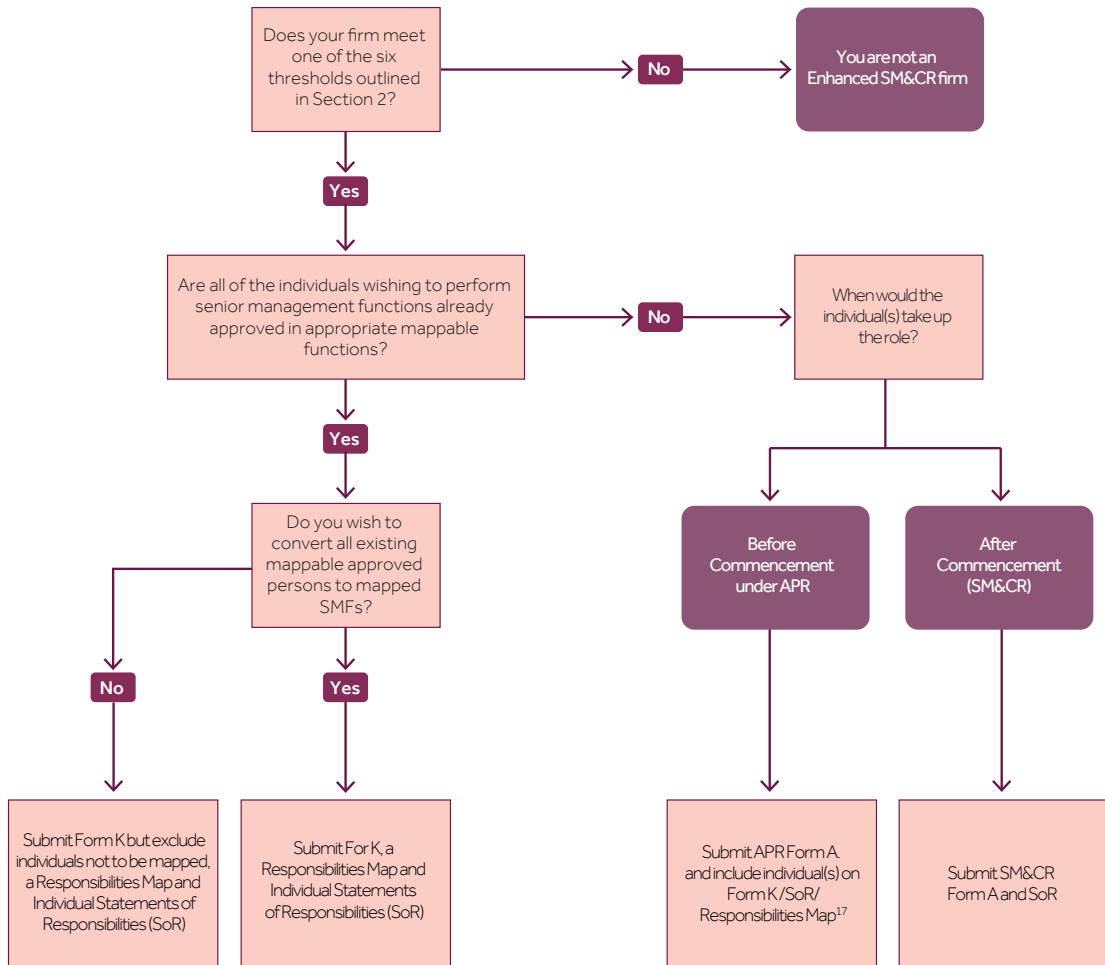
Where Enhanced firms wish to change their approved individuals the following principles apply:

- The existing processes for individual applications continue to apply as usual until the start of the new regime. Individuals approved under the APR should be included on the firm’s Form K if they are to be converted.
- The SM&CR application forms will be available for submission before Commencement but these approvals will only be effective from the start of the new regime.
- An APR application submitted, but not determined before the start of the new regime, will be converted to an application for the relevant SMF at Commencement as long as it is included on the firm’s Form K.

If you don’t intend to apply for any new individual approvals, or make any changes to existing ones, then you can read ahead to the examples at the end of this section.

Enhanced firms: what you need to submit

The diagram provides a non-exhaustive summary of the most common scenarios explained in this section.



17 If an individual is giving up an existing controlled function under the APR in order to take up a new APR function, a firm may use Form E to apply for this transfer. Read below for the scenarios in which this may be appropriate.

This decision tree should be used with the CF to SMF mapping table above. It shows which forms are required.

Executive Chairs are not covered in this diagram. Please refer above for what you need to do here.

Approval for a new function to be effective after Commencement

If your firm wants someone to perform a SMF after Commencement (but not before) and they don't hold a mapped APR function, they will need to submit the new SM&CR Form A.

You should note that applications submitted to take effect on or after Commencement (using the SM&CR versions of the forms) come under the majority of the SM&CR application requirements, even if submitted before the start of the new regime. This includes criminal records checks but won't include regulatory references, as the rules requiring firms to provide these will only come into force at Commencement. This means that firms will not be required to provide regulatory references until that point. Firms may choose to seek regulatory references, but these are not required.

Seeking approval for a new function to be effective before Commencement

If your firm applies for an individual to take up a function under the APR, before Commencement, and this function is intended to be converted to a new SMF, this needs to be submitted using the APR version of Form A and the individual should be included in the firm's Form K. If not approved ahead of Commencement, the application for approval will be converted to an application for the mapped SMF upon Commencement.

Moving an existing approved individual into a SMF that does not map from their APR function

If an individual is proposed to give up an existing function that can't be mapped appropriately according to the table above and take up a new mapped function before the start of the new regime, firms must submit a transfer application using the APR Form E and add the individual to their Form K. We will reject applications to map an individual to a non-mapped SMF using Form K alone.

If the individual will continue to hold their existing APR function until Commencement and also take up the new mapped function prior to Commencement, then Form A should be used instead of Form E.

Form E submissions will be processed as follows:

- We will try to determine these applications before the new regime starts. Form E applications submitted alongside Form K before the cut-off date should be submitted using the existing APR version of the form.
- If a Form E application isn't approved by Commencement, it will be converted into an application for the new SMF at the start of the new regime.

Moving a lapsing approved individual into a SMF role that starts after Commencement

Where an approved individual holding a function that lapses at Commencement will perform a SMF after Commencement, the firm has 2 options:

- If the individual will perform the existing function until Commencement and a new function after Commencement, the firm should apply for the new role using the SM&CR Form A and submit a SoR. The existing function will lapse at Commencement and the new function become effective upon approval of the new Form A.
- If the individual will perform the existing function until Commencement and also take up a new mappable function before Commencement, the firm should use the APR Form A and include the individual on the submitted Form K.

The next section sets out our approach to applications which have not been approved by Commencement.

Applications in progress at Commencement

We will accept applications for new approvals under the current rules right up until Commencement.

We won't have made a decision on all applications when the new rules commence, so there will be a number of applications in progress.

The new criminal records checks and regulatory references requirements won't apply for applications in progress - where the old APR forms are used, the APR rules apply.

Firms might not know if we will have made a decision on applications before the new regime starts. So, you may not know if the application will be subject to conversion. If you have applied under the APR for a convertible function you should include details of that application and intended conversion in its Form K.

If the application isn't approved before the start of the new regime, we will convert the application, where possible, into an application for the corresponding SMF in accordance with the firm's Form K. In this scenario there is no need for your firm to make a new application for the relevant SMF but you will need to provide a SoR for the individual.

For example, if your firm applies for approval for someone to perform the CF1 – Director function, that application would be converted to an application for the SMF3 – Executive Director function if the application isn’t approved before the start of the new regime as long as the application has been included in the Form K.

Interim applications for roles which won’t be approved under the SM&CR

In CP17/25, under the SM&CR, we said that we plan to only approve Senior Managers. This means that a number of roles that are currently approved under the APR will fall into the Certification Regime when the new regime starts (and won’t require FCA approval). These are the CF10a – CASS Oversight Function, CF28 – Systems & Controls Function, CF29 – Significant Management Function and CF30 – Customer Function.

The APR will apply until the new regime starts and we know we’ll get applications for these controlled functions until this date.

Firms may wish to plan recruitment activities during the period between the publication of final rules and Commencement accordingly. Any application for approval of a role that won’t require approval under the SM&CR not approved prior to Commencement will automatically lapse at the Commencement date.

If individuals are actively performing controlled functions for a firm, then approval is required, regardless of how close we are to Commencement. A firm must take reasonable care to make sure that nobody performs a controlled function unless they have been given approval by the appropriate regulator. If your firm allows individuals to perform controlled functions without prior approval it would be in breach of our rules.

Which forms to submit - summary table

The table below summarises the forms required in different scenarios, and will help you to work out which forms (if any) they need. It isn’t exhaustive.

Enhanced Firms - Applicable forms in various scenarios

Summary: Enhanced firms will need to submit a conversion notification (Form K), SoR for their proposed SMFs, and a Responsibilities Map. Other forms may be needed if they make additional applications. Possible scenarios are outlined below.

Scenario	Action
Convert approved individuals to mapped SMFs.	Form K – Conversion Notification
	SoRs
	Include the individual on the firm’s Responsibilities Map
An approved individual in a mapped function is not to be converted to the corresponding SMF (eg where they have resigned)	Do not include the individual on Form K – Conversion Notification or Responsibilities Map
	No SoR required
	If the individual leaves the role before the start of the new regime, then an APR Form C should be submitted

<p>An approved individual is going to give up an existing controlled function that will lapse at the start of the new regime and take up a new convertible controlled function, with the intention that they will be converted to a relevant SMF.</p> <p>For example, an individual moving from the CF29 –Significant Management Function to the CF1 – Director function in order to hold the SMF3 – Executive Director function under the new regime.</p>	Submit the existing APR Form E
	Include the individual on Form K
	Submit a SoR
	Include the individual on the firm’s Responsibilities Map
<p>An approved individual is going to give up an existing controlled function that will lapse at the start of the new regime and take up a new SMF after Commencement.</p> <p>The individual must have an existing approval after Commencement. If they weren’t converted at Commencement, submit a new Form A.</p>	Submit the new SM&CR form A
	Submit a SoR
	Include the individual on the firm’s Responsibilities Map
<p>Seeking approval for a new individual with immediate effect, with the intention that they will be converted to a relevant SMF after Commencement.</p>	Submit the existing APR Form A
	Include the individual on Form K
	Submit a SoR
	Include the individual on the firm’s Responsibilities Map
<p>Seeking approval for a new individual with effect after Commencement.</p>	Submit the SM&CR Form A
	Submit a SoR
	Include the individual on the firm’s Responsibilities Map
<p>An existing Executive Chair is currently approved to perform the CF1 – Director function and wishes to continue as Executive Chair under the new regime.</p>	Submit the SM&CR Form A
	Include the individual on Form K for their existing executive CF function and the new executive SMF function to which this maps (but not the SMF9 – Chair function).
	Submit a SoR
	Include the individual on the firm’s Responsibilities Map
<p>Applying for a new individual to become Executive Chair at the start of the new regime.</p>	Submit the SM&CR Form A for the executive SMF function and SMF9 – Chair functions being applied for.
	Submit a SoR
	Include the individual on the firm’s Responsibilities Map

If your firm wishes to make changes to the conversions proposed in the initial Form K, you must submit a revised Form K. This may happen, for example, if your firm hires a new approved individual in a convertible role before the new regime starts or where a firm has submitted a Form C to cancel an individual’s approval since the submission of the first Form K.

Example: How conversion applies to Firm A

A

Firm A

As an Enhanced firm, Firm A will need to submit a Form K (at latest a week before Commencement) to convert its relevant existing approvals to Senior Management Functions. Form K should be accompanied by:

- Statements of Responsibilities for each of its Senior Managers
- A Responsibilities Map setting out how responsibilities are divided among its Senior Managers

These will also be submitted using Connect.

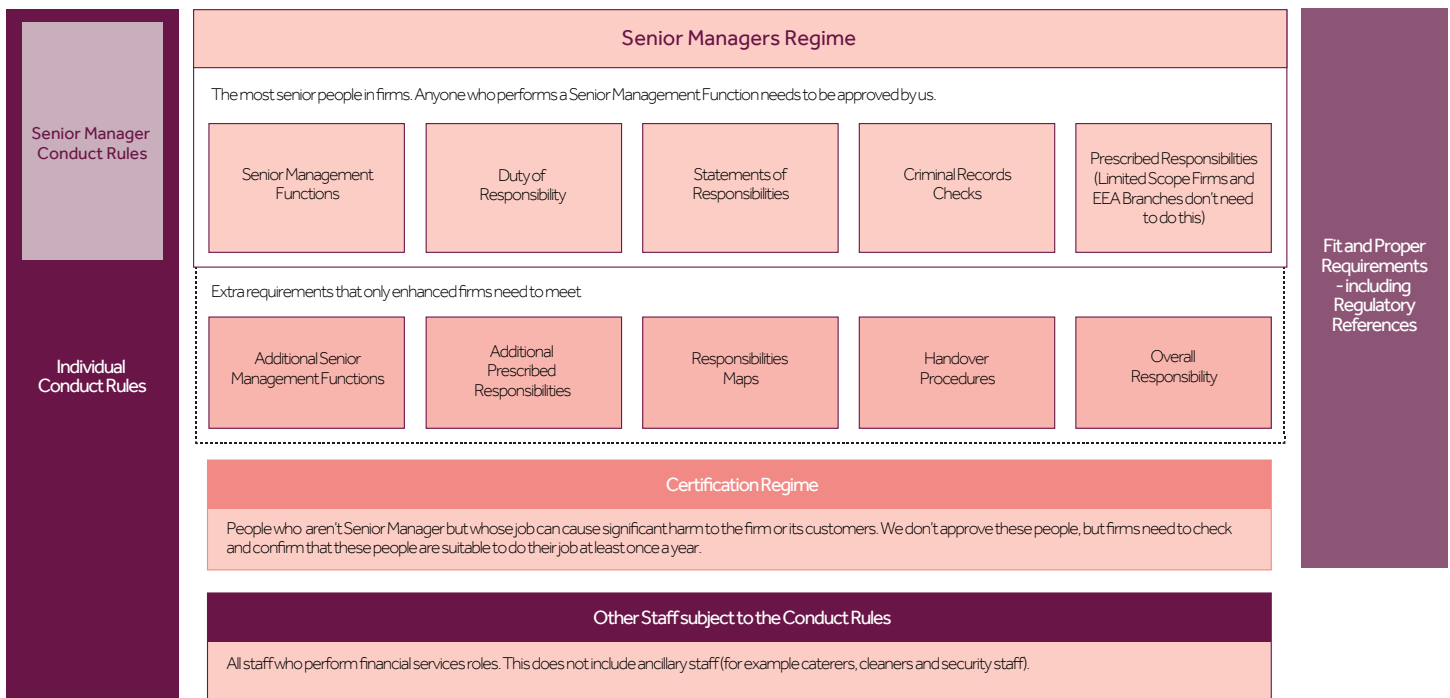
A number of the firm's existing individual APR approvals will fall away, and the firm will need to make sure that, where relevant, the individuals are picked up by its certification processes.

The firm won't need to apply for new approval for converted individuals.

Annex 1

How the SM&CR applies to different types of firms

Regime Breakdown



Summary of SM&CR Tools

Tool	Limited Scope	Core	Enhanced	EEA Branches	Third Country Branches
SMFs	<ul style="list-style-type: none"> SMF29 – Limited Scope Function SMF16 – Compliance Oversight SMF17 - MLRO 	<ul style="list-style-type: none"> SMF1 – CEO SMF3 – Executive Director SMF9 – Chair SMF27 – Partner SMF16 – Compliance Oversight SMF17 - MLRO 	<ul style="list-style-type: none"> SMF1 – CEO SMF2 – CFO SMF3 – Executive Director SMF7 – Group Entity Senior Manager SMF27 - Partner SMF4 – CRO SMF5 – Head of Internal Audit SMF9 – Chair SMF10 – Chair of the Risk Co SMF11 – Chair of the Audit Co SMF12 – Chair of the Remuneration Co SMF13 – Chair of the Nominations Co SMF14 – Senior Independent Director SMF16 – Compliance Oversight SMF17 – MLRO SMF18 – Other Overall Responsibility SMF24 – COO 	<ul style="list-style-type: none"> SMF21 – EEA Branch Manager Function SMF17 - MLRO 	<ul style="list-style-type: none"> SMF19 – Head of Third Country Branch SMF3 – Executive Director SMF16 – Compliance Oversight SMF17 – MLRO
PRs	None apply	5 (+1 for AFMs) apply	12 (+1 for AFMs) apply	None apply	8 (+1 for AFMs) apply
Duty of Responsibility	Applies to all firms				
Statements of Responsibilities	Applies to all firms				
Responsibilities Maps	X	X	✓	X	X
Handover Procedures	X	X	✓	X	X
Overall Responsibility	X	X	✓	X	X
Certification Regime	Applies to all firms				
Fit and Proper	Applies to all firms				
Conduct Rules	Applies to all firms				

Annex 2

SM&CR readiness checklist

The checklist below is not exhaustive, but highlights key questions for firms preparing for the new regime.

SM&CR key questions

The SMR & PRs (Sections 4-8)

All firms

Is my firm Limited Scope, Core or Enhanced?

Do I know who will be a Senior Manager at my firm?

If your firm already has Approved Persons under the APR:

- do I need to change any existing approvals, or add new ones, ahead of conversion? Do I understand what I need to do, and which forms are required, to amend these where appropriate?
- do I know which of my current Approved Persons will no longer be approved (ie which APR approvals will lapse)?
- do I know what I need to do to make sure that they have the correct approvals?

If your firm is newly authorised (including CMCs):

- am I ready to submit the appropriate forms to make sure my firm has approved Senior Managers in place by the time the SM&CR takes effect?

Does each of my firm's Senior Managers have a SoR?

Have all of the PRs applicable to my firm been allocated to the relevant Senior Manager and clearly included in their SoR?

Does my firm have a Chair? If so;

- Executive or Non-Executive?

Extra elements for Enhanced Firms (Section 7)

Which additional SMFs do I need to allocate?

Has the firm prepared and submitted the following documents to the FCA by the deadline?

- a Responsibilities Map
- SoR for each of the firm's Senior Managers
- a Form K, notifying the FCA of which currently approved individuals should be converted to a mapped SMF.

Do I know how to submit these documents?

Am I aware of the implications if my firm does not submit them?

Has every activity, business area and management function been allocated to a Senior Manager under the Overall Responsibility requirement?

Have the additional PRs for Enhanced firms been assigned to appropriate Senior Managers?

Does my firm have the appropriate Handover Procedures in place?

The Certification Regime and Fitness and Propriety Checks (Sections 9 and 10)

Do I know which of the Certification Functions apply to my firm?

Can I identify the individuals within my firm that need to be certified on an annual basis?

How might the annual fitness and propriety checks for Certification staff and Senior Managers fit into my firm's existing HR processes?

Regulatory References and Criminal Records Checks (Section 10)

How do the new Criminal Records Checks and Regulatory Reference Requirements fit into my firm's existing recruitment processes?

Does my firm have in place the appropriate processes to obtain Criminal Records Checks for new Senior Managers? Is my firm registered with the DBS?

Conduct Rules (Section 11)

Can I identify my firm's ancillary staff (ie those to whom the Conduct Rules do not apply)?

Do I understand the Conduct Rules training and notification/reporting requirements for Senior Managers and all other staff?

Annex 3

Summary list of regulatory forms

The table below summarises the relevant regulatory forms that apply to solo-regulated firms and what they should be used for.

List of relevant forms for FCA solo-regulated firms

Form Name	Affected Firms	Purpose
Form A (Long) – Application to perform controlled functions including SMFs	All	An application for an individual to perform a specified SMF (or, for Appointed Representatives only, controlled function) at the firm(s).
Form A (Short) ¹⁸ – Application to perform controlled functions including SMFs	All	
Form C – Notice of ceasing to perform controlled functions including Senior Management Functions	All	An application for used to cancel an individual approval.
Form D – Changes to personal information/ application details and conduct breaches/ disciplinary action related to conduct	All	Used to notify the FCA of Conduct Rule breaches by Senior Managers, disciplinary action taken against Senior Managers and changes to personal information.
Form E – Internal transfer of a person performing a controlled function for solo-regulated firms	All	An application for an individual to change the approved function being performed.
Form I – Application for the Variation of a Conditional Approval for the performance of a SMF	All	An application for changes to the conditions associated with a conditional approval to perform a SMF.
Form J – Notification of Significant Changes in Responsibilities of a SMF Manager	All	A notification submitted to inform the FCA of significant changes to a Senior Manager’s SoR.
Form K – Conversion Notification Form – FCA solo-regulated firms	Enhanced, Core on an exceptions basis ¹⁹	An application to convert the firm’s approved individuals from the Approved Persons regime to new functions under the SM&CR. This can also be used to submit updates to a previous Form K.
Form O	Optional form for Core and Limited Scope firms	A notification to opt up into the Core or Enhanced tiers.

18 A 'short' Form A can generally be used where:

- an currently approved individual is applying for an additional controlled function at the same firm
- an individual has stopped holding a controlled function at one firm and now needs approval to perform a controlled function at another firm within six months
- an individual is applying to hold a controlled function and is already approved for a corresponding controlled function in the same group of functions (i.e. governing and/or required functions)

19 Please refer to Sections 3 and 5 for more information on Form K and Statements of Responsibilities. Enhanced firms will be required to submit a Form K setting out the allocation of Senior Management Functions proposed at commencement. A Core firm may need to submit a Form K where they wish to allocate a CF2 – Non-Executive Director to the SMF9 – Chair role.

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REP008 – Notification of Conduct Rule Breaches and Disciplinary Action	All	Used to notify the FCA of whether the firm has taken disciplinary action for Conduct Rule breaches in the reporting period against individuals who are not Senior Managers.
SoR for solo-regulated SMCR firms	All	A firm must use this template to create a Senior Manager’s SoR. At approval it should be attached to a Form A, Form E or Form K submission. A firm must also use this template when preparing an updated SoR and it should be attached to a Form I (application for the variation of a conditional approval) or Form J (notification of a significant change to a SoR) application.



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