



**IMPLEMENTING THE SENIOR
MANAGERS & CERTIFICATION
REGIME**

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BACKGROUND

Reading for now

- PRA PS15/18 Extension of SM&CR to insurers (4.7.18)
- PRA Conditions, time limits, variations (4.7.18)
- PRA forms in Appendix
- **PRA SS35/15 Individual accountability (4.7.18)**
- FCA PS18/15 Near final rules (4.7.18)
- FCA PS18/16 Duty of responsibility (4.7.18)
- **SM&CR Guide for insurers (4.7.18)**

REVIEW FOR IMPLEMENTATION

Application to SII firms and large NDFs/ smaller NDFs & small run off firms
Principle-- individual accountability.

- **Senior Management Functions**
Executive (governing) and oversight (required)
Prescribed Responsibilities
- **Conduct Rules**
Most employees, more for SMFs
- **Fit and Proper Requirements**
All SMFs, certified staff, notified NEDs
- **Certification Regime**
Of employees who could cause significant harm

SENIOR MANAGEMENT FUNCTIONS

5 FCA and 6 PRA Executive. 2 FCA and 9 PRA oversight.

New SMF3, 17, 18, and extended 16.

SMFs will vary according to firm's organisation.

ACTIONS

- Review existing, changes, overlap rule.
- Conversion mapping on 10.12. 2018. Form K with Res. Map and SoR.
- No extra checks as current F&P but no Form K-then in breach.
- CF28, 29, 30, 51 disappear—Certified?
- New person is a new Form A.
- Small NDFs automatic, no Form K.
- Separate rules for applications in progress, not mapped, early starters.
- More than one SMF? Sharing/ splitting SMFs/ Outsourcing.
- 12 week rule.

RESPONSIBILITIES

Allocation of 19/9 **Prescribed Responsibilities**. Who/not SMF18.
Divide/share a PR? Additional responsibilities. SMF 18 and 22 need clarity.

Statement of Responsibility

One for every SMF holder. Keep 10/6 years. See list of responsibilities.
Resubmitted if changed significantly. Free text to 300 words.

Management Responsibilities Maps

Proscribed detail in SYSC –where decisions are made.

Duty of Responsibility on SMFs not certified staff.

Duty to take reasonable action if Relevant Requirement breached.

ACTIONS ON RESPONSIBILITIES

Do the right people have the right PRs? Have SoRs been “cleansed” recently?

Do the SMF NEDs understand the PRs and reviewed their SoR?

Have notified NEDs been F&P reassessed recently ready for 10 Dec 2018

Has the SID role been reviewed of recent?

Resubmit any new SoR in advance of/on 10 December 2018

Review MRM for succession plan?

Is the SMF training programme effective?

Have SMF holders been assessed of recent?

Does the MRM contain all requirements and is it clear?

Training for SMFs on the duty of responsibility

Review procedures for an SMF to exercise the duty/help to SMF to protect himself/herself?

Review delegation issues/procedures.

CONDUCT RULES

Apply to ALL employees save “ancillary”

Two tiers Individual and Senior Manager rules.

ACTIONS

Identify the relevant staff.

Ensure notified NEDs, SMF AND Certification Staff trained by 10.12.18

Remaining staff can be trained over next 12 months.

Have disciplinary action report process for FCA

- On SMFs within 7 days of discipline or dismissal
- Others yearly in October

Annual report process but excludes consultants

Private life “normally” not relevant.

Are the rules requirements reflected in staff handbook and employ contracts?

See SS35/15.

Note effect on fitness and propriety.

FITNESS AND PROPRIETY

Applies to SMFs, Certification staff and notified NEDs. Se FIT
Additional requirements in place.

Compulsory DBS (was CRB) for SMF, your call on Certified Staff.

Regulatory reference for SMFs and Certified Staff.

- 6 years back, template, NO non disclosure agreements, updates new info.
- Includes internal hire
- No ref needed for internal Certification hire

To be certified fit each year.

ACTIONS

Check HR processes fit above. Pre-employment questionnaire?

Format future info gathering process.

Review recruitment procedures/agencies

GDPR issues/consents.

Get info on Certified Staff.

CERTIFICATION REGIME

Applies to “significant harm” persons who are NOT SMFs

- got a qualification,
- is training for a qualification,
- has a stated/required level of competence,
- is a manager of the above.

ACTIONS

Must be identified by 10 December 2018. Your assessment /decision.

By 9.12.19 give the employee a certificate of competence. SEE FIT

Have processes for change of job in year?

Review carefully wording of the certificated function.

APPLICATION OF NEW REGIME TO INDIVIDUALS

Role	Fit and proper assessment by regulator	Fit and proper assessment by firm	Conduct standards apply directly to individuals	Conduct standards applied by firm	Regulatory references	Required DBS checks
PRA SMF or FCA SMF	Pre-approval	Y	All	All	Y	Y
Notified NED	Yes, post appointment	Y	Limited	Limited		
Key function holder (other than a notified NED)	Yes, post appointment	Y	All	All	Y	X
Certification function (other than a key function holder)	X	Y	Individual conduct rules only	Individual conduct standards only	Y	X
Performing a key function	X	Y	X	Individual conduct standards only	X	X
Other employees	X	X	X	X	X	X

EXTENDED SM&CR FOR INSURERS AT A GLANCE

Tools	Solvency II & large NDFs	Small NDFs & small run-off firms
Senior management functions	Y	Y
Duty of responsibility	Y	Y
Prescribed responsibilities	19	9
Statements of responsibilities	Y	Y
Responsibilities maps	Y	X
Handover procedures	Y	X
Overall responsibility	Y	X
Certification regime	Y	Y
Fitness and propriety	Y	Y
Conduct rules	Y	Y

SUMMARY OF ACTIONS TO IMPLEMENT

- Set up a project team with HR, legal, risk and compliance to do gap analysis on current systems against those required.
- Review existing SoRs against list of PRs and consider changes prior to 10.12.18.
- Allocate any additional SMFs.
- Review above against Management Responsibilities Map.
- Identify employees who will need to be Certified.
- Consider how to embed into the employee lifecycle, recruitment, ongoing training, and performance reviews.
- Consider any changes to employment contracts/staff handbook.
- Train relevant SMFs and Certified staff on Conduct Rules and Duty of Responsibility before 9.12.18.
- Establish systems to record breaches and reporting of Conduct Rules/discipline.

ASK KEYSTONE LAW TO PROVIDE SMR OR CORPORATE GOVERNANCE TRAINING

FOR FURTHER INFORMATION



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