



# **IMPLEMENTING THE SENIOR MANAGERS & CERTIFICATION REGIME**

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# IMPLEMENTATION OF WHAT?

New rules effective from 10 December 2018

- BUT no PS yet. Expected Summer 2018
- PRA and FCA each have own PS to publish
- July 2017 PRA CP 14/17 and FCA CP17/26 set out draft rules
- Feb 2018 PRA PS 1/18 and updated SS35/15
- Applies to all SII insurers and large NDFs
- Stream-lined proposals for small NDFs

Talk as if all set out in proposals is confirmed

# YOUR REVIEW FOR IMPLEMENTATION

3 key components

- **Senior Management Functions** and individual approval by PRA/FCA
- **Conduct Rules** to hold individuals to account
- **Certification Regime** of employees who could cause significant harm

# SENIOR MANAGEMENT FUNCTIONS

- To be called SMFs not SIMFs/CFs/SIFs for both PRA and FCA
- Some CFs get renumbered by FCA. PRA no change
- New SMF 3 Executive director
- Extended compliance oversight function SMF 16
- New money laundering reporting function SMF17
- New overall responsibility SMF 18 (CP17/26 guidance)

# SMF2

Allocation of prescribed responsibilities

Management responsibilities maps

Scope of responsibilities

Handover procedures

DO WHAT?

New scope of responsibilities

Overwrite current governance map to management responsibilities map

Review key function holders (see SS35/15)

Oversight of outsourcing

## CONDUCT RULES

Consist of -- Individual rules and senior manager conduct standards (PRA)  
-- Individual rules and SIF holder conduct rules (FCA)

To be extended to -- all staff who are subject to certification  
-- all employees (save ancillary staff)

Direct enforcement by regulator

You must notify regulator if you take disciplinary action

WHAT ARE YOU GOING TO DO?

Training of staff in the rules, initial /ongoing and induction

Watch for final transitional rules

Obtaining references?

# CERTIFICATION REGIME

Newest /most work sapping part of the new regime. A Certification function is:

Applies to employees who are in a “significant harm” function (FCA)

- Client money oversight
- Significant management
- Functions needing qualifications
- Dealing with clients (CF30)
- Managers of any of the above

Applies to all key function holders (PRA)

- Investment management
- Claims management
- Underwriting/pricing
- Operations and control
- IT/technology

## CERTIFICATION REGIME 2

Does not apply to SMF holders or NEDs or non employees  
BUT effect extends the fitness & propriety regime to senior management/NEDs  
so that the firm takes responsibility.

What are you certifying? Format?

WHAT ARE YOU IMPLEMENTING?

Processes to identify certified staff  
Collect info on them ready for certification  
New staff process now  
Certify at year end.



# 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

# PROPOSED EXTENDED SM&CR FOR INSURERS AT A GLANCE

<b>Tools</b>	<b>Solvency II &amp; large NDFs</b>	<b>Small NDFs &amp; small run-off firms</b>
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

My suggestions (in very short)

- Set up a project team with HR, legal, risk and compliance.
- Identify employees who will perform a certification function.
- Consider how to embed into the employee lifecycle, recruitment, ongoing training, and performance reviews.
- Consider whether there will be any new senior manager roles.
- Consider any changes to employment contracts.
- Train all conduct rules staff on what this means for them in performance of their roles.
- Establish systems to record breaches and reporting of conduct rules.

# FOR FURTHER INFORMATION



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**THANK YOU  
FOR YOUR TIME**

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