

SMCR Review: HMT, FCA and PRA invite feedback on Senior Managers Regime

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The first full review of the UK's Senior Managers and Certification Regime has been launched.

HM Treasury has opened a [call for evidence](#) on the SMCR. In parallel, the Financial Conduct Authority and Prudential Regulation Authority have published a joint [discussion paper](#) on potential ways to improve the regime.

Both papers close for comments on 1 June 2023.

The government included a review of the SMCR as part of its package of [Edinburgh Reforms](#) announced in December 2022. The Chancellor explained that the review would be an information-gathering exercise to garner views on the regime's effectiveness, scope and proportionality, and to seek views on potential improvements and reforms.

That review has now been launched. HM Treasury's call for evidence focuses on the legislative aspects of the regime while the joint discussion paper from the FCA and PRA focuses on the regulatory framework.

The content of the papers confirm our expectation that the review will lead to tweaks to the regulatory framework rather than fundamental reform. Most notably, the government appears open to exploring ways of introducing efficiencies into the regime and reducing the administrative burden on firms. Any streamlining of processes would be welcome given industry concerns about some of the administrative burdens created by aspects of the regime, as well as the significant operational challenges experienced with obtaining senior manager approvals.

The regulators acknowledge some of these issues but are careful to highlight the need for any modifications not to undermine the purpose for which SMCR was introduced or re-introduce risks that SMCR has helped mitigate.

The review covers every aspect of the regime, including its impact on the international competitiveness of the UK. Previous reviews of the SMCR have been more limited in scope. For example, the FCA conducted a "[stocktake](#)" of the regime in 2019 and a 2020 Bank of England review concluded that the SMCR was having a positive impact on individual behaviour.

Please [get in touch](#) if you would like to discuss your response to the review.

HMT Call for Evidence on the SMCR

In its call for evidence, HMT summarises the government's current understanding of stakeholder views on the SMCR. HMT says that there is broad support for the principles and objectives underpinning the SMCR but notes that firms have engaged with the government to raise concerns about aspects of the regime.

Potential areas for future reform

Specific areas that have been raised previously with the government include:

- The requirements for authorising the appointment of new senior managers and the time taken to authorise senior managers
- The different levels of scrutiny applied to firms regulated under the regime
- The interaction of the SMCR with other regulatory regimes
- The breadth of the certification regime and the frequency with which certification must be reviewed
- Aspects of the regime which appear removed from its core purpose of managing risk.

HMT would like to hear about how these and any other concerns can be addressed.

Another important area covered by the call for evidence is the scope of the regime. HMT asks whether the current scope of the SMCR should be changed e.g. to remove low-risk activities or firms from scope (but without giving any examples). Discussion of which types of firm should fall within the SMCR will be of particular interest to businesses that are currently outside the regime, such as appointed representatives, payment institutions and e-money institutions. Feedback will also inform future extension of the regime, including plans to apply the SMCR to central counterparties and central securities depositories.

Improving the attractiveness of the UK

HMT is also interested in feedback on the broad aims of the regime and firms' practical experience of it. This includes understanding the impact that SMCR has on the international competitiveness of the UK. Firms may want to suggest options for reform that could improve the UK's competitiveness, how the UK SMCR compares to similar regimes in other financial centres, and if there are specific areas of the SMCR that are perceived as a deterrent to firms or individuals locating to the UK.

The regulators' discussion paper invites feedback on the effectiveness, scope and proportionality of the regulatory aspects of the SMCR. The aim is to identify areas where improvements could be made. The regulators emphasise that the review will be conducted in the context of their new secondary objective of competitiveness and growth which is included in the [Financial Services and Markets Bill](#).

Is the SMCR working overall...

The discussion paper explains that the SMCR is primarily designed to act in a preventative manner. According to the FCA and PRA, the regime 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 is responsible for what; and improve corporate governance.

The regulators invite feedback on several aspects of the regime, including:

- The effectiveness of the SMCR
- Fitness and propriety requirements
- How individual accountability interacts with collective decision-making of boards and committees
- Holding individuals to account within firms

- Enforcement of the regime
- Scope and proportionality (both in terms of firms and individuals)

...and how could it be improved?

The FCA and PRA recognise that concerns have been raised about delays in the Senior Manager approval process and note that they have already acted to address these delays. The paper explains that the regulators are open to suggestions on what changes and improvements could be made to achieve further efficiencies, both in terms of processes and rules, while ensuring the process remains robust and fit for purpose.

Other topics covered by the paper include:

- The appropriateness of the senior management functions and prescribed responsibilities
- The duty of responsibility
- Statements of responsibilities and management responsibilities maps
- The directory
- Regulatory references
- The conduct rules



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