

GC18/4: Senior Managers and Certification Regime – Proposed guidance on statements of responsibilities for FCA firms

November 2018

The Financial Conduct Authority (FCA) is consulting on [guidance](#) for FCA solo-regulated firms preparing for the Senior Managers and Certification Regime (SM&CR).

Under the SM&CR, all Senior Managers must have a Statement of Responsibilities (SoR).

The guidance aims to give practical assistance and information to firms preparing SoRs. Responsible finance providers fall into the **Core** category of firms for the SM&CR, therefore they must have SoRs in place for all Senior Managers.

Only enhanced firms are required to have a Responsibilities Map, therefore chapter 3 of the guidance does not apply to responsible finance providers.

The guidance is designed to be read alongside the [guide for FCA solo-regulated firms](#), as well as applicable rules and guidance in the FCA handbook. It should be applied in a risk-based and proportionate way, considering the size, nature and complexity of the firm.

Statement of Responsibilities

The purpose of a SoR is to make clear what a Senior Manager is responsible and accountable for, under the ultimate accountability of a firm's governing body.

Preparing and maintaining an up to date SoR is a legal requirement for individuals who are Senior Managers.

It should:

- Be clear and easily understood.
- Contain enough information to clearly describe the Senior Manager's **actual** responsibilities and accountabilities.
- Be self-contained and **not** refer to other documents.
- **Not** contain unnecessary detail.

An SoR is not a job profile. **It should focus on what the role holder is accountable for**, rather than describing the competencies and skills required for the role or how the responsibilities should be discharged.

Key Questions by SoR section¹ for Core SM&CR firms

Prescribed Responsibilities

This section is used to allocate one or more Prescribed Responsibilities. A Senior Manager may not necessarily have any Prescribed Responsibilities.

- Are the Prescribed Responsibilities that you have allocated appropriate to this role?
- If any of these Prescribed Responsibilities are shared with another Senior Manager, are they shared appropriately (eg because of a job share)? Has the rationale been explained? Is it clear that these are allocated to the Senior Manager who is ultimately responsible?
- If any of these Prescribed Responsibilities are divided, is there a good reason for this and have they been divided in a way that is manageable?
- Are the allocated Prescribed Responsibilities applicable to this legal entity?

Other responsibilities

This section is used to describe the Senior Manager's other responsibilities. This could be anything not covered by the Prescribed Responsibilities but will usually cover business functions and activities for which they are accountable (eg sales, customer service, information technology).

- Have these responsibilities been described clearly so that they can be understood by someone who is not familiar with them?
- Where other Senior Managers are responsible for similar areas, is the distinction clear?
- Are these responsibilities relevant to this legal entity?

Supplementary information

This section provides space for additional information.

Q1: Do you think we have suggested the relevant key questions for preparing SoRs? If not, what other considerations could we add?

¹ 1 The SoR sections refer to the 'Statement of responsibilities for solo-regulated SM&CR firms' form in 10C Annex 10D of the FCA Handbook.

Example – Statements of Responsibilities

Example 2: SMF3 – Executive Director at a Core Firm

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.

3.1.2 Senior Management Functions

| Senior management function | Description of senior management function | Tick SMF applied for or held | | | | | Effective Date |
|----------------------------|---|------------------------------|--------------------|---------------------|------------------------|---------------------|----------------|
| | | Core firms | | | | Enhanced SMCR firms | |
| | | Limited scope SMCR firms | UK core SMCR firms | EEA core SMCR firms | Third country branches | | |
| SMF 3 | Executive Director | | ✓ | | | | 09/12/2019 |

3.1.2 Prescribed Responsibilities

| Ref | Prescribed Responsibility (Applicable to UK Core SM&CR firms) | Does this prescribed responsibility apply? | Is this prescribed responsibility shared? |
|----------|--|--|---|
| A | Responsibility for the firm's performance of its obligations under the senior managers regime | Yes | No |
| B | Responsibility for the firm's performance of its obligations under the employee certification regime | Yes | No |

3.1.2 Other Responsibilities

| Please provide a title for this other responsibility | Please provide further details of this other responsibility | Is this prescribed responsibility shared? If 'yes' please provide, the name(s), IRN(s) and/or job title(s) of the individual(s) you are sharing this responsibility with (where known) |
|--|---|--|
| Mortgage sales and advice | Responsible for all aspects of mortgage advice and sales apart from mortgages on commercial properties. | No |
| Customer service | Responsible for providing services to existing mortgage customers, including responses to queries and processing alterations to existing mortgages, liaising with providers as necessary. This includes mortgages on commercial properties. | No |
| Business upgrade | Responsible for the business change programme 'Cosmos'; Cosmos is a project up-scaling our Mortgage Unit, ending in August 2020. | No |

Example – Prescribed Responsibilities

Example 4: SMF1 – CEO in a Core Firm

| Senior management function | Description of senior management function | Tick SMF applied for or held | | | | | Effective Date |
|----------------------------|---|------------------------------|--------------------|---------------------|------------------------|---------------------|----------------|
| | | Core firms | | | | Enhanced SMCR firms | |
| | | Limited scope SMCR firms | UK core SMCR firms | EEA core SMCR firms | Third country branches | | |
| SMF 1 | Chief Executive | | ✓ | | | | 09/12/2019 |

| Ref | Prescribed Responsibility (Applicable to UK Core SM&CR firms) | Does this prescribed responsibility apply? | Is this prescribed responsibility shared? |
|------------|--|--|---|
| A | Responsibility for the firm's performance of its obligations under the senior managers regime | Yes | Yes |
| B | Responsibility for the firm's performance of its obligations under the employee certification regime | Yes | Yes |
| b-1 | Responsibility for the firm's obligations in relation to individual conduct rules for: (a) training; and (b) reporting | Yes | No |

| Ref | Prescribed Responsibility | Further relevant details |
|----------|--|--|
| A | Responsibility for the firm's performance of its obligations under the senior managers regime | This responsibility is shared with Maria R (IRN12345) who is the departing CEO, as part of the handover. |
| B | Responsibility for the firm's performance of its obligations under the employee certification regime | This responsibility is shared with Maria R (IRN12345) who is the departing CEO, as part of the handover |

Good practice: This is an appropriate use of sharing responsibility because it is shared between the departing and incoming senior managers (CEO in this example) working together temporarily as part of a handover. The rationale for sharing is explained.

You can find more examples in the [guidance](#) document.

Q2: Do you think the suggested examples are clear in demonstrating good and poor practices of preparing SoRs? If not, please explain why.