

HOW COMPLYSCI CAN HELP YOUR FIRM COMPLY WITH THE SENIOR MANAGERS AND CERTIFICATION REGIME

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UK SENIOR MANAGERS AND CERTIFICATION REGIME

The Senior Managers and Certification Regime (SM&CR) took effect for banks, Prudential Regulation Authority (PRA) regulated insurers, and a few large investment firms in March 2016. Although the initial regime's reach was limited, Her Majesty's Treasury has announced that the extended regime will come into effect for all remaining insurers on 10 December 2018 and for all solo regulated firms in the second half of 2019.

ComplySci is proud to provide a robust framework for satisfying the new demands of the SM&CR. The ComplySci Platform can make your firm's information-gathering and certifications processes more efficient and effective, while helping you deliver training tailored for the new regime. ComplySci helps your firm insure that the right new processes have been clearly defined and that you have the tools to make it simple for senior managers to comply. We aim to make sure you can be confident and your entire firm fully prepared for the changes ahead.

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COMPLYSCI'S CUSTOM SM&CR CERTIFICATION FORMS HELP FIRMS COMPLY

Compliance with the SM&CR's requirements is not optional, but trying to manage Form A, the Statement of Responsibilities (SoR), firm-wide Responsibilities Maps and associated certifications using spreadsheets or manual processes is onerous.

ComplySci allows you to use electronic versions of Form A, Responsibility Maps and the SoR form for distribution, online completion/review and tracking. These electronic forms are designed to be automated,

helping ensure firms meet their obligations regarding both Senior Managers and Certified Persons under the SM&CR.

Users required to complete the certification process will be prompted to review the firm's Governance and Responsibilities Map and to complete the SoR questionnaire before certifying the accuracy of responsibilities identified for their positions, and their acceptance of those responsibilities.

ComplySci also facilitates certification against a firm's Responsibility Map in order to capture executive agreement to those responsibilities. As part of the certification process, senior managers are prompted to answer specific questions confirming they have taken reasonable steps to ensure compliance for the areas of the business over which they exercise responsibility. The process also includes certification of a statement that the senior manager has disclosed information

of which the FCA or PRA would reasonably expect notice.

As with other ComplySci certifications, Compliance Officers can quickly and easily identify any potential issues or concerns with a senior manager's responses. This allows for prompt follow-up and corrective action, as necessary.

INCREASED EMPHASIS ON CERTIFICATIONS

Under the new SM&CR, there will be an increased reliance on certifications, and those certifications will need to be supported by evidence and documentation. For example, all certified persons will need to recertify on an annual basis, and their managers will need to approve the recertifications.

ComplySci provides an efficient and automated process for completing and transmitting recertification data to the regulator. By automating the certification process and developing system workflows, firms can be confident they are meeting SM&CR requirements.

In addition, each senior manager will need to approve the SoR and Responsibilities Maps initially, and on an annual basis thereafter. Given its importance, this process should be clearly defined and followed closely. Senior managers will now be held accountable for the actions of certified persons in their lines of responsibility as well. Thus, tracking the status of certifications will be a matter of interest to senior managers as well as compliance. By providing an efficient and effective way to track and manage the process, ComplySci becomes a more important management tool. Pre-defined workflows can facilitate this approval process, helping senior managers and their firms remain in compliance.

Finally, the population of "Fit & Proper" persons at a firm is likely to be larger than under the old approved persons regime; the FCA code of conduct will apply to all. This will also require firms to broaden the scope of training programs to a wider array of people, and to document that such training was actually provided. Annual Fit & Proper certifications will need to include credit checks, reputation checks (social media) and

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an annual knowledge and competence assessment. The latter is tied into the European Securities and Markets Authority (ESMA) guidelines that started in Jan 2018 requiring annual knowledge and competence assessments as well, so MiFID II and the SM&CR get linked in this area.

The ComplySci Platform can facilitate these annual certifications and documentation of assessments.

PREPARING FOR SM&CR IMPLEMENTATION

The following steps can help firms prepare for the expanded SM&CR implementation using the ComplySci Platform:

1. FIRM STRUCTURE MAP

Your firm structure map should identify clear chains of command and should indicate where “Significant Influence Functions” (SIFs) fit in that structure. Both regulators and ComplySci use the term ‘map’ intentionally, as mapping can help demonstrate the progression from pre-SM&CR to post-SM&CR.

2. TRANSITIONAL MAP

The Transitional map should identify those individuals inside your organisation who need to become certified under the new regime. A new category, “Certified Person,” was created to identify persons “able to do harm” to the firm or its stakeholders.

3. STATEMENTS OF RESPONSIBILITIES

For each person identified as a senior manager, the firm will need to complete and submit an individual SoR. For individuals new to senior management roles, the SoR must accompany Form A. Firms should start this process now so they can devote sufficient time, thought and effort to it.

ComplySci provides an efficient process for distributing and capturing this information for transmission to regulators. Through the certification process described above, ComplySci’s custom SM&CR forms are designed to facilitate and expedite the transfer of information.

4. MANAGEMENT RESPONSIBILITIES MAP

Finally, firms will need to use information from the SoR documents completed for each senior manager to create an SM&CR Management Responsibilities Map. This map should identify senior manager responsibilities under the new regime, and clearly define reporting lines (up and down). The firm’s Responsibilities Map will need to be certified by each person in a responsible function.

ComplySci provides an efficient way of capturing these certifications for transmission to regulators and for firms’ internal compliance verification and documentation.

CHANGE IS COMING. IS YOUR FIRM PREPARED?

Regime change is coming to the UK financial sector; firms should be aware that the SM&CR has both specific requirements and very real teeth. Focusing now on the preparation process and implementing tools designed to aid in that process should make the transition to SM&CR smoother for your firm and its senior managers.

The ComplySci Platform has been designed to help firms meet the regime's monitoring and control requirements, making it easier to get – and stay – in compliance.

WHAT FIRMS NEED TO KNOW ABOUT SM&CR

Many firms were focused on preparing for MiFID II, implemented in January 2018, so it is understandable that prep work for SM&CR was delayed. However, with this announcement, firms subject to the expanded SM&CR should begin preparing now, if they have not already done so.

Here is what firms should remember about the regime:

Three Levels of Control

The expanded regime will have three levels of control reflecting differences in firm size, complexity and impact: (1) Limited Scope, (2) Core and (3) Enhanced. Each firm will have received notification of their category well before start-up but the essential differences reflect firm size and complexity, thus driving the number of senior management functions captured and the number of certified roles.

A Shift in Responsibility

Historically, UK regulators took responsibility for vetting key employees in financial services

firms while firms themselves played more of a reporting role. Under the SM&CR, regulators are pushing many of their old vetting responsibilities back to firms, focusing their attention instead on a smaller number of key individuals involved in a firm's senior management.

As part of this change, the old "Approved Persons" regime will morph into a firm-controlled "Fit & Proper" certification. The FCA will still need to approve designated senior managers but they will also be getting more detailed personal information from the firm and individuals who complete the Form A (Application for Approval) and the Statement of Responsibilities (SoR).

The vision behind these changes is simple. In the past, the idea of "collective responsibility" allowed people to avoid personal responsibility for mistakes. This made it hard, if not impossible to hold individuals accountable for their actions, even if they caused the firm's failure. Under the SM&CR, each senior manager will have direct ownership of their responsibilities and the idea of collective responsibility will be eliminated.



ComplySci is a leading provider of technology solutions that help compliance organizations identify, monitor, manage and report on conflicts of interest arising from employee activities, including personal trading, gifts and entertainment, political contributions, outside business affiliations, and other code of ethics violations. Founded in 2003 by early pioneers in the development of automated compliance management solutions, ComplySci is now trusted by over 1,100 customers, including some of the world's largest financial institutions. Compliance Officers rely on ComplySci's scalable and sophisticated platform to stay ahead of risk.

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