



Certain areas might be subject to change based on the Leeds Reforms

Guide to Senior Managers & Certification Regime (SMCR)



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Introduction

SMCR is the UK's regime to make senior managers personally accountable, certify certain roles and set conduct rules for most employees in financial services. Firms must allocate responsibilities clearly, assess fitness & propriety, and train staff accordingly.

What is SMCR?

SMCR stands for the Senior Managers and Certification Regime. It has three key parts:

1. Senior Managers Regime (SMR): detailed allocation of responsibility to senior managers.
2. Certification Regime: for employees performing certain roles, they must be judged "fit and proper" and certified annually.
3. Conduct Rules: apply to almost all employees, setting behavioural standards





Scope of SMCR

Implementation Timeline

2016: Banks, building societies, credit unions, and large investment firms.

2018: Insurance firms regulated by both the FCA and PRA.

2019: Remaining solo-regulated financial services firms.

Firm Categories

To make the regime proportionate, solo-regulated firms are grouped as:

- Core firms – baseline SMCR requirements.
- Limited scope firms – lighter requirements based on prior exemptions.
- Enhanced firms – stricter requirements for large or complex firms.





Conduct Rules

The Conduct Rules apply to most employees in regulated firms and set a baseline for expected professional behaviour. They are divided into two tiers:

Individual Conduct Rules (apply to most staff):

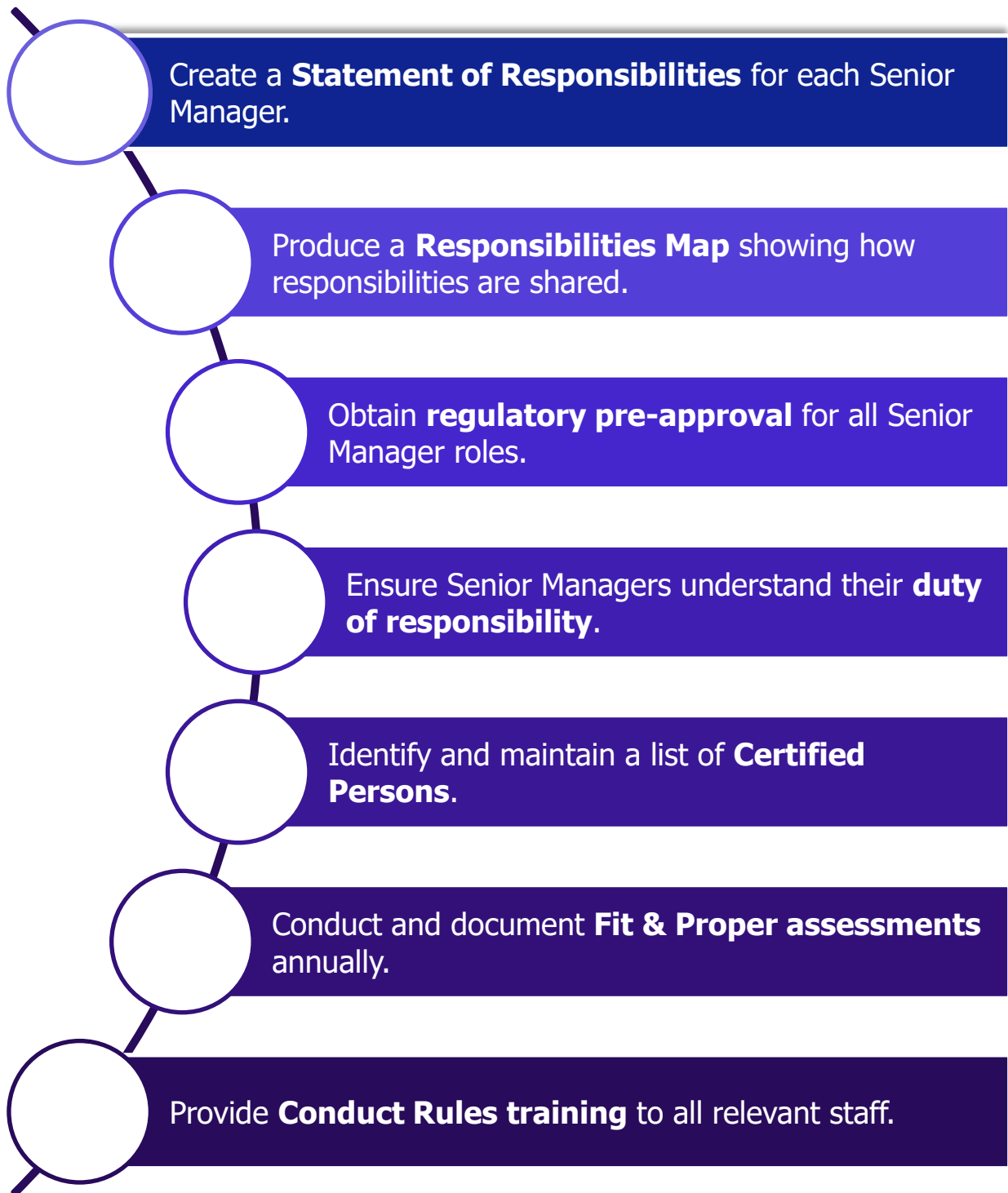
1. Act with integrity.
2. Act with due skill, care and diligence.
3. Be open and cooperative with the FCA, PRA and other regulators.
4. Pay due regard to the interests of customers and treat them fairly.
5. Observe proper standards of market conduct.

Senior Manager Conduct Rules (apply only to Senior Managers):

1. Take reasonable steps to ensure the business of the firm is controlled effectively.
2. Take reasonable steps to ensure the business complies with regulatory requirements.
3. Take reasonable steps to ensure delegated responsibilities are assigned appropriately and overseen effectively.
4. Disclose appropriately any information the regulators would reasonably expect.



How To Comply



Responsibilities and Accountability

- Senior Managers must take **reasonable steps** to prevent regulatory breaches in their area.
- The FCA can take action if a Senior Manager fails to meet this duty.
- Certain **Prescribed Responsibilities** must be assigned among Senior Managers, covering:
 - SMR and Certification obligations.
 - Training and communication of Conduct Rules.
 - Anti-financial crime policies and procedures.
- Enhanced firms have additional prescribed responsibilities, including oversight of internal audit, compliance, and risk functions.

Fitness and Propriety

Firms must ensure all Senior Managers and Certified Persons are fit and proper, considering:

- Honesty, integrity and reputation.
- Competence and capability.
- Financial soundness.

They must also obtain regulatory references covering the previous six years from former employers.





Summary Compliance Checklist

- Statement of Responsibilities for each Senior Manager
- Responsibilities Map completed
- Senior Managers pre-approved by regulators
- Certified Persons identified
- Annual Fit & Proper assessments conducted
- Conduct Rules training completed
- Prescribed Responsibilities allocated
- Records of certification and references maintained



FAQ's – Senior Managers and Certification Regime (SMCR)

Q: Who does SMCR apply to?

SMCR applies to almost all firms regulated by the FCA and PRA, including banks, building societies, insurers, investment firms, and solo-regulated entities such as asset managers and consumer credit firms. The requirements are applied proportionately based on firm type and size.

Q: What is the purpose of SMCR?

The regime aims to improve conduct and accountability in financial services by ensuring:

- Clear allocation of responsibilities.
- Personal accountability for senior leaders.
- Proper assessment of those performing key functions.
- Consistent behavioural standards across staff.

Q: What is a Senior Management Function (SMF)?

An SMF is a role with significant responsibility or influence within a firm, such as Chief Executive, Head of Compliance, or Money Laundering Reporting Officer. Individuals performing these roles must be pre-approved by the regulator before appointment.

Q: What is a Statement of Responsibilities (SoR)?

A Statement of Responsibilities sets out the specific areas each Senior Manager is accountable for. It must be submitted to the regulator and updated promptly when responsibilities change.

Q: What is a Responsibilities Map?

A Responsibilities Map shows how senior responsibilities are divided and how reporting lines and governance structures fit together. It helps ensure there are no gaps or overlaps in accountability.



FAQ's – Senior Managers and Certification Regime (SMCR)

Q: What is the duty of responsibility?

Senior Managers must take reasonable steps to prevent regulatory breaches within their areas. If an issue arises, the regulator will assess whether the Senior Manager acted appropriately and took reasonable precautions.

Q. What are Prescribed Responsibilities?

These are specific responsibilities that every firm must allocate among its Senior Managers. They typically include oversight of SMCR implementation, staff training on Conduct Rules, and anti-financial crime measures. Enhanced firms also have extra prescribed responsibilities for functions such as internal audit, risk, and compliance oversight.

Q: Who is considered a Certified Person?

Certified Persons are staff in roles that could cause significant harm to the firm or its customers, such as portfolio managers, traders, or advisers. Firms must assess their fitness and propriety and issue a certificate confirming suitability each year.

Q: What are regulatory references?

Before appointing someone to a Senior Manager or Certified role, firms must obtain regulatory references from previous employers covering the past six years. These references provide details of conduct, performance, and disciplinary history.

Q: Who must follow the Conduct Rules?

Most employees within a regulated firm must comply with the Conduct Rules, except ancillary staff whose work is unrelated to financial services (for example, facilities, catering or reception).



FAQ's – Senior Managers and Certification Regime (SMCR)

Q: What training is required under SMCR?

Firms must train all employees covered by the Conduct Rules, so they understand what is expected of them. Senior Managers and Certified Persons should receive additional, role-specific training focused on accountability and decision-making.

Q: How often must certification be renewed?

Firms must renew certification for Certified Persons every 12 months. Senior Managers do not require annual certification but remain subject to ongoing fitness and propriety assessments.

Q: What are the consequences of non-compliance?

If a firm or individual fails to comply with SMCR requirements, the FCA may take enforcement action. This can include financial penalties, restrictions on business activities, withdrawal of approvals, or public censure.

Q: How does SMCR benefit firms and employees?

SMCR promotes a stronger culture of accountability, clearer governance, and higher professional standards. It builds trust with clients and regulators, reduces misconduct risks, and helps ensure that decisions are made responsibly.





Glossary

- **Senior Manager** – someone performing a Senior Management Function.
- **Certified Person** – staff requiring certification as fit and proper.
- **Conduct Rules** – standards of behaviour applicable to most employees.
- **Statement of Responsibilities** – defines each Senior Manager's accountabilities.
- **Responsibilities Map** – shows how accountability is distributed across the firm.
- **Fit and Proper** – assessment of honesty, competence, and financial soundness.
- **Prescribed Responsibilities** – regulatory obligations that must be allocated to Senior Managers.





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