

Phase 1 SMCR Changes: What you need to know

Client Note 23 April 2026

On 22 April 2026, the FCA and PRA published Policy Statements with final rules in relation to “Phase 1” of the reforms to the Senior Managers & Certification Regime (“SMCR”). HM Treasury (“HMT”) also published its response to its consultation on the SMCR, which outlines the legislative changes which HMT will implement “as soon as parliamentary time allows”. This note sets out the key things you need to know from these publications.

Background: How did we get here?

The SMCR has been in place since 2016 for certain firms and 2019 for others, and is credited with raising governance and conduct standards in financial services. However, the industry has consistently flagged concerns about the administrative burden, cost, and friction associated with certain aspects of the regime.

Reform efforts began in earnest in December 2022, when the Edinburgh Reforms prompted HMT, the FCA and the PRA to review whether the SMCR was still striking the right balance between accountability and proportionality. A joint Discussion Paper ([DP1/23](#)) and [HMT Call for Evidence](#) followed in March 2023, with industry feedback delivering a clear message: retain the benefits of the regime, but reduce the burden on firms and the complexities.

Fast forward over 2 years to July 2025, and we saw the Leeds Reforms re-energise the notion of SMCR reform and the publication of three consultation papers with proposed changes to the SMCR – the PRA and FCA ([CP18/25](#) and [CP25/21](#) respectively) on a first package of targeted, near-term fixes as part of “Phase 1”, and HMT on the legislative changes needed for broader structural reform as part of “Phase 2”. We covered all of these proposals in this [SMCR+ View](#).

On 22 April 2026, the PRA ([PS12/26](#)) (“PRA PS”) and FCA ([PS26/6](#)) (“FCA PS”) published their final rules and guidance in relation to the Phase 1 reforms. HMT has published its SMCR [consultation response](#), confirming the legislative changes it intends to make. Once these have been made, the regulators will then consult on Phase 2 reforms (although timing on when any legislative change will be made and when any Phase 2 reforms will come into effect remains unclear).

Who do the Policy Statements apply to?

The FCA PS is applicable to all solo-regulated firms (i.e., FCA authorised firms) and dual-regulated firms (i.e., PRA and FCA authorised firms such as banks, Solvency II insurers), including branches.

The PRA PS is applicable to dual regulated firms, who will need to read the FCA PS alongside the PRA PS.

When will these changes be implemented?

There are two commencement dates:

- **Phase 1 Changes – Part A:** Most of the changes will take effect on **Friday 24 April 2026!**

However, because the focus of the changes is to reduce unnecessary burdens, most of these changes are making the regime more flexible for firms and therefore immediate changes to firm's current practices generally won't be required (i.e., it's very unlikely that if a firm is currently compliant with the SMCR, that it will be non-compliant on 24 April 2026 when these changes come in).

This said, firms will want to consider the new guidance in relation to the scope of the SMF 7 and SMF 18 role and whether this impacts current scoping, consider any changes needed to Conduct Rule training as a result of the new guidance on certain Senior Manager Conduct Rules, and consider changes required to their policies and procedures (for example, in relation to regulatory references and exits during investigations) in due course in order to take advantage of this additional flexibility.

- **Phase 1 Changes – Part B:** There are some changes which will only take effect on **Friday 10 July 2026**. These are more limited and relate to:
 - SMF 18s being able to hold prescribed responsibilities ("PRs") beyond PR(z) (CASS).
 - Raising the Enhanced firm thresholds for solo-regulated firms.
 - Removing certain overlapping Certification Functions.
 - **Miscellaneous tweaks:** There are some FCA Handbook tweaks which will take effect on **1 September 2026** when the new non-financial misconduct ("NFM") rules and guidance come into effect. These are not substantive changes to the scope or operation of the regime.

The FCA confirms that it is also working to simplify and improve its SMCR-related forms in due course, to make the SMF application processes more efficient. The FCA and PRA also confirm that they will be updating their SMCR webpages to include updated guidance – you can access these when available [here](#) and [here](#).

Phase 1 – Summary of Key Changes

In the following sections of this note, we address the key changes to the Senior Manager Regime, Certification Regime, Conduct Rules Regime, Regulatory Reference Regime, and Enhanced firm categorisation (only applicable to FCA authorised firms).

We have sought to summarise the FCA and PRA rules currently in force, and how these are changing in light of the FCA PS and PRA PS. We have focussed on the changes for dual-regulated banking firms (not insurers) - e.g., proposed SS28/15. There are inevitable nuances between the FCA and PRA rules and guidance that cannot be accommodated for in detail in this summary document. Firms, and particularly insurers, should consult the updated rules and guidance for the FCA and PRA (as applicable) and seek advice on any applicable changes.

We have referred to the current rules as at the date of drafting this note (22 April 2026) as the previous rules and referred to the requirements in the past tense on the basis that many of the changes being made are coming into effect on 24 April 2026.

1. Senior Manager Regime

<u>Topic</u>	<u>Summary of key previous rules/guidance</u>	<u>Summary of key new rules/guidance</u>	<u>Effective date</u>	<u>Practical considerations</u>	<u>Which category of SMCR firm is this relevant to?</u>
<p>12-week rule – FCA and PRA</p>	<p>12-week rule: A non-Senior Manager or Senior Manager could perform a SMF role without approval for a period of up to 12 weeks where a Senior Manager’s absence is “temporary” or “reasonably unforeseen”.</p> <p>Notification to the FCA: Firms did not have to report their reliance on the 12 week rule (albeit firms may have had to submit a Form J for PRs being transferred to another Senior Manager, or a Form C for the departing Senior Manager, for example).</p> <p>PRs: A firm was only permitted to reallocate PRs held by an absent/departed</p>	<p>12-week rule: A non-Senior Manager or Senior Manager can perform a SMF role without approval for up to 12 weeks. If the firm submits a SMF application for the individual covering the Senior Manager role before the end of that 12 week period, the individual can continue to cover the SMF role until the regulator decides on their application (i.e., firms now have 12 weeks to submit an application for an individual covering an SMF role, rather than 12 weeks to obtain FCA/PRA approval).</p> <p>When can the 12-week rule be used? The FCA guidance outlines that the 12-week rule accommodates for SMFs that “permanently and unexpectedly” leave the firm where their absence is reasonably unforeseen. There is some additional guidance from the FCA and PRA as to circumstances when it will and won’t be appropriate for a firm to use the 12-week rule. The PRA guidance is similar, but includes additional examples (e.g., when a Senior Manager is placed on gardening leave). The FCA guidance</p>	<p>24 April 2026.</p> <p>The revised 12-week rule only applies to absences that begin after 24 April 2026.</p>	<p>For any prospective SMF transitions, the revised 12-week rule may be helpful.</p> <p>Ensure that those covering SMF roles under the 12-week rule are sufficiently trained on the SCRs.</p> <p>If there are any ‘live’ misconduct matters relating to those covering an SMF role, ensure compliance with latest Conduct Rule reporting requirements.</p>	<p>All SMCR Entities, but firms should note the nuances between the FCA and PRA requirements.</p>

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	Senior Manager to another Senior Manager at the firm.	<p>states that firms should only use the 12-week rule reasonably, and that firms can support themselves in this regard by having up to date succession plans and using notice periods effectively, for example (see new SUP 10C.3A.15-17G). The PRA guidance is similar.</p> <p>Notification to the FCA: Similar to before, no notification to the FCA is required for firms seeking to rely on the 12-week rule, unless there is something about the arrangement that is reportable under the firm’s broader Principle 11 obligations.</p> <p>PRs: A firm must still reallocate PRs held by an absent/departed Senior Manager to another Senior Manager at the Firm. This is unfortunate given our/the industry’s efforts to change this.</p> <p>Conduct Rules: Those covering an SMF role under the 12-week rule will be subject to the Senior Manager Conduct Rules (“SCRs”):</p> <ul style="list-style-type: none"> - FCA: If there is a breach of a SCR during this period it must be reported immediately (and not in the annual REPO08 form/Form H). 		<p>Update any relevant firm procedures regarding Senior Manager transitions.</p> <p>Firms may want to consider notice periods in employment or service contracts for SMFs and/or Board appointment letters to ensure notice periods are sufficiently long (although commercially this may not be desirable).</p> <p>Firms may want to consider refreshing their</p>	

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		<p>Similarly, if there is a significant breach of COCON more broadly (e.g., the Individual Conduct Rules (“ICRs”)) by the individual covering the SMF role this should also be reported immediately.</p> <ul style="list-style-type: none"> - PRA: If there is a breach of a relevant ICR or SCR during this period it must be reported via a Form L (as amended). 		succession plans (as applicable).	
Criminal Record Checks - FCA and PRA	<p>Timeline: Previously firms submitting Senior Manager applications had to obtain a criminal record check (“CRC”) within the last three months.</p> <p>Who: Firms had to run these checks for anyone applying for a SMF role, regardless of whether they were an existing Senior Manager for the firm or within the group.</p>	<p>Timeline: Firms submitting Senior Manager applications will now have to have obtained a CRC within the last six months.</p> <p>Who: For existing Senior Managers that are taking on a new SMF role at the firm or within the group, firms will generally not have to obtain a new CRC provided. Note, the FCA/PRA have sought to align their requirements, but there are some nuances in the drafting of their guidance.</p>	<p>24 April 2026 (but note that relevant forms – e.g., Form A and Form E won’t be updated until 10 July 2026).</p> <p>The revised CRC requirements only apply to SMF applications made after 24 April 2026.</p>	<p>For any prospective SMF applications you may not have to re-run a CRC.</p> <p>Update any relevant firm procedures regarding SMF applications.</p>	All SMCR firms.
SMF 7 guidance – FCA and PRA	FCA: Previous guidance focussed on the difference between group individuals	FCA: The FCA has introduced new guidance on who is within scope of the SMF 7 role. The guidance should, in the FCA’s view, reduce the	24 July 2026	Dual regulated firms need to consider whether	Enhanced SMCR firms and dual-

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	<p>‘setting’ versus ‘implementing’ strategy at the firm. The FCA received feedback about there being a lack of clarity on who should hold this role and there being inconsistency in the market as to whom it should be allocated.</p> <p>PRA: The PRA’s supervisory statements included some guidance for firms on who should be included in the SMF 7 role, but it did not give specific examples of who is likely or unlikely to be identified as having “significant influence” for the purposes of the SMF 7 role.</p>	<p>number of SMF 7s at firms (although the FCA recognises that the PRA SMF 7 role may be different in scope). This is helpful and essentially outlines that where the firm’s existing SMFs / governing bodies within the firm are effective and have sufficient discretion/control over the firm, it is likely the SMF 7 role will not apply to relevant group individuals / members of group committees. The FCA is clear the SMF 7 role is potentially applicable to both front office functions and support functions.</p> <p>PRA (controllers): The PRA has extended the SMF 7 role to include controllers and their representatives if they exercise continued significant influence over the day-to-day management or conduct of the firm. Not all controllers (or their representatives) will therefore be within scope and it is unlikely to capture non-executive directors (“NEDs”) (representing controllers) whose role is limited to decision making as a Board member (e.g., investor-NEDs).</p> <p>PRA (other): The PRA has provided examples of when individuals are likely or unlikely to fall within</p>		<p>any controllers or representatives of controllers fall within the SMF 7 role and document such analysis.</p> <p>FCA and PRA firms should consider whether any changes to their SMF 7 populations are required considering this new guidance.</p>	<p>regulated firms</p>

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		<p>the PRA SMF 7 role. The PRA’s guidance is more expansive than the FCA’s. While the PRA has said it does not expect any “net increase” in SMF 7s, we can’t help but feel this does widen the scope of who will fall within scope. For example, it may now capture group NEDs on the regulated firm’s Board, and group executives responsible for “setting and overseeing” risk management and/or controls in the PRA-authorized entity. This is arguably not as helpful for dual-regulated firms as initially hoped.</p>			
SMF 18 – FCA and PRA	<p>Who should hold the role? Firms previously considered the examples provided in the FCA Handbook around how the SMF 18 function applied, but the FCA believed that firms, on occasion, were misallocating this role to insufficiently senior individuals.</p> <p>PRs: SMF 18s were only permitted to hold the CASS-related PR, PR(z).</p>	<p>Who should hold the role? The FCA has stated that the SMF 18 role should only be allocated to individuals in the top layer of the firm’s executive management (i.e., the most senior person in the firm with responsibility for a particular area). The FCA has removed their proposed guidance for the SMF 18 to have “equal status” to the firm’s executive directors, as they agreed with feedback received that this may be overly restrictive.</p> <p>PRs (FCA): SMF 18s are permitted to hold any PRs (not just PR(z)), although firms should note the new FCA guidance at SYSC 24, Annex 2 regarding preferred allocations of FCA PRs to SMFs, as the table suggests that SMF 18s “would generally be</p>	<p>24 April 2026</p>	<p>Consider whether any changes should be made to firms’ SMF 18 populations.</p> <p>Consider whether any PRs may be better allocated to SMF 18s.</p>	<p>Enhanced SMCR firms and dual-regulated firms</p>

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		<p>harder to justify” holding almost every PR except the CASS PR (PR (z))! At least this flexibility may help firms when using the 12-week rule and having to reallocate PRs in that context.</p> <p>Prescribed responsibilities (PRA): For dual regulated firms, the status quo remains and SMF 18s will <u>not</u> be permitted to hold relevant PRs unless a waiver is sought.</p>			
Prescribed Responsibilities – FCA only	<p>Allocation: General guidance in SYSC 24 of the FCA Handbook stated that firms should allocate PRs to the most senior responsible manager for that business area, but there was no explicit guidance on which SMFs certain PRs should be allocated to (albeit over the years the FCA has provided bilateral guidance / feedback to firms and the industry on this).</p>	<p>Allocation: SYSC 24, Annex 2 has been included in the FCA Handbook with specific guidance on the FCA’s preferred PR allocation across different categories of SMCR firm (e.g., Core vs Enhanced). The guidance includes which SMFs are “most likely to be appropriate” and which SMF allocations will be “harder to justify”. The FCA has clarified that it can be appropriate to allocate PRs to SMFs that do not appear in either column of the guidance (e.g., SMF 3s) as there’s nothing inherently making them more or less appropriate to hold the PR. What’s important is that they are the most senior individual managing that area.</p>	<p>24 April 2026</p>	<p>The original FCA CP suggested there was no expectation for firms to retrospectively review the allocation of PRs.</p> <p>For any prospective Senior Manager applications, consider whether the PR allocation is</p>	<p>All SMCR firms in relation to FCA-PRs</p>

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	<p>Splitting PRs: The FCA included guidance that a firm should not normally split a PR between several SMFs.</p>	<p>Splitting PRs: The new guidance confirms that there may be situations, particularly for larger firms, where it is “appropriate and justified” to split a PR between several SMFs (although in general it will not be appropriate for a firm to split the PR between more than 2). For example, it may be “appropriate and justified” where it would be consistent with commercial / business responsibilities. If a PR is split, firms must manage the split effectively and ensure there are no gaps.</p>		<p>aligned with this guidance. To the extent it is not, firms will want to have a sufficiently robust rationale to justify the allocation should the FCA raise any questions.</p>	
<p>SoRs and MRMs – FCA and PRA</p>	<p>Significant changes: Firms are expected to submit revised Statements of Responsibilities (“SoRs”) to the FCA promptly after a significant change using a Form J. Although the FCA rules don’t specify a specific timeframe for submitting a Form J for such changes, some firms have taken the approach of submitting them within 10 business days of the change occurring. Firms were</p>	<p>Significant changes: SoRs and MRMs no longer need to be submitted after each significant change (but firms can volunteer to do so). These changes do not prejudice firm’s other reporting obligations under Principle 11 or Fundamental Rule 7, for example.</p> <ul style="list-style-type: none"> - FCA: For solo-regulated firms, all revised SoRs only need to be submitted to the FCA once in every 6-month period. If there have been several changes during a submission period, the firm only needs to submit the latest version of the SoR. If a significant change has been made within the 6 month period, and then reversed within the applicable submission 	<p>24 April 2026</p>	<p>Consider whether updates are needed to the firm’s processes to align with these new deadlines.</p> <p>Ensure that despite reporting deadline changes, the firm still maintains up to date and accurate internal records.</p>	<p>All SMCR firms</p>

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	<p>required to submit the latest version of the Management Responsibilities Maps (“MRMs”) with every Senior Manager application and when submitting a Form J, where applicable.</p>	<p>period then the firm doesn’t need to submit the relevant SMF(s) SoR(s). This applies equally to the MRM, where applicable. So, in summary, all SoRs / MRMs that have changed over the last 6 months can now be submitted in one go, and only the latest version needs to be submitted.</p> <ul style="list-style-type: none"> - PRA: For dual-regulated firms, revised SoRs need to be submitted no later than 6 months following a significant change in responsibilities (unless required – e.g., because the firm’s supervisor requests it). Only the latest version needs to be submitted (which is a change from the Consultation Paper, where the PRA originally proposed that all updated versions would need to be submitted). The same position applies in respect of MRMs. - PRA and FCA: All firms will still need to keep its internal copy of SoRs and the MRM up to date at all times (i.e., there is an obligation on the firm to update a relevant SoR/MRM immediately (FCA) or as soon as practicable (PRA), even if the firm isn’t required to submit the SoR/MRM immediately to the regulator). 			

2. Certification Regime

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Certification Process - FCA and PRA	<p>Process: There were limited prescriptive requirements as to what a firm must do to assess a Certified Person’s fitness and propriety on an annual basis.</p> <p>Directory submissions: Firms previously had 7 business days within which to update the Directory in relation to a Certified Person commencing or ceasing to perform a Certification Function, or the firm becoming aware of any other change to the information last reported to the FCA in respect of the Certified Person.</p>	<p>Process: New guidance confirms there are no expectations as to the form or procedure to be used for the annual assessment under the Certification Regime, and firms can take a proportionate approach. The guidance confirms (among other things) that:</p> <ul style="list-style-type: none"> • A certificate can be provided digitally; • Firms can embed recertification within existing processes, for example, as part of the annual staff appraisal process; and • The certification process can be conducted proportionately where there are no changes from the previous year. <p>Generally, we don’t think this new guidance will materially alter firms’ existing practices based on our experience.</p> <p>Directory submissions (FCA): The deadline for updating the Directory for persons certified as a new Certification Function has been extended to 20 business days. However, updates to the Directory to reflect individuals ceasing to perform a Certification Function still need to be made within 7 business days.</p>	24 April 2026	<p>Consider whether any simplifications can be made to the annual recertification process and make subsequent updates to relevant policies and procedures, as necessary.</p> <p>Consider updating Directory related procedures, to the extent relevant.</p>	All SMCR firms

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Certification Functions – PRA and FCA	<p>Overlapping functions: Individuals were required to be certified for each Certification Function they performed.</p>	<p>Overlapping functions: Firms will no longer have to certify the same individual to perform certain overlapping certification functions, namely:</p> <ul style="list-style-type: none"> • For dual-regulated firms, if someone is a PRA Material Risk Taker (“MRT”), PRA Significant Risk Taker, or Key Function Holder, they do not also need to be certified as an FCA MRT (terms are defined as in the PRA Rulebook/FCA Handbook). • For all SMCR firms, if someone holds the FCA MRT Certification Function, they do not also need to be certified as the FCA Significant Management Function (as defined in the FCA Handbook). • For all SMCR firms, if an individual holds any FCA or PRA Certification Function, they do not also need to be certified as the FCA Manager of a Certified Person Function. <p>Updating the Directory: The FCA has said it will remove overlapping functions from the Directory itself (this is also confirmed in the PRA PS and transitional provisions).</p>	10 July 2026	Firms may need to update certification-related processes and procedures to reflect this guidance.	All SMCR firms
Key Function Holders – PRA only	<p>Form M: There was confusion as to whether notifications for individuals who are SMFs and KFHS were required to submit an SMF</p>	<p>Form M: Individuals identified as KFHS are only required to submit an SMF application form and supporting materials, and do not also need to submit a Form M.</p>	24 April 2026	Consider this guidance for any prospective applications	Dual-regulated firms (Insurers)

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	application form and a Form M notification form (notification of a non-executive director or key function holder).				

3. Conduct Rules

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Conduct Rules - FCA	<p>Senior Manager Conduct Rules: COCON 4.2 included guidance on the types of misconduct that may amount to a breach of the SCRs 1 to 4.</p> <p>The SCRs are:</p> <ul style="list-style-type: none"> • SCR1: You must take reasonable steps to ensure that the business of the firm for which you are responsible is controlled effectively. • SCR2: You must take reasonable steps to ensure that the business of the firm for which you are responsible complies with the relevant requirements and standards of the regulatory system. • SCR3: You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person and that 	<p>Notification Requirements: In the FCA’s consultation paper it included some unhelpful wording regarding “non-reportable” Conduct Rules breaches. This (thankfully) has not been carried through to the FCA’s PS in COCON. However, the FCA guidance continues to reference the possibility of COCON breaches that do not result in a disciplinary action (as defined in s64C Financial Services and Markets Act 2000 (“FSMA 2000”), noting that such COCON breaches will not need to be reported in Box F of a regulatory reference. In practice, we do not envisage that firms will change their existing processes for assessing possible misconduct from an HR/employment perspective and generally firms are, in our experience, very unlikely in practice to find that misconduct amounts to a COCON breach in the absence of a “disciplinary sanction” imposed through its internal disciplinary procedure. See more on our commentary on this here.</p> <p>SCRs: COCON 4.2 has been updated to include additional guidance on the types of misconduct that may amount to a breach of SC2 and SC4. Specifically:</p> <ul style="list-style-type: none"> - SCR2: Clarification that failing to take reasonable steps to ensure the firm complies with its duty to 	<p>24 April 2026</p> <p>Note, there are some other proposed tidy ups to COCON 4.2.33G and FIT that come into force on 1 September 2026 with the new non-financial misconduct guidance (see pages 74-76 of the FCA PS). These are not substantive.</p>	<p>Consider notifying Senior Managers of the change in scope to the SCRs and/or updating Senior Manager training on the Conduct Rules.</p> <p>Firms may want to review their procedures for handling misconduct to ensure that the COCON breach assessment process is appropriately handled. We know firms are thinking about</p>	<p>All SMCR entities</p>

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	<p>you oversee the discharge of the delegated responsibility effectively.</p> <ul style="list-style-type: none"> • SCR4: You must disclose appropriately any information of which the FCA or PRA would reasonably expect notice. 	<p>notify or disclose relevant matters to the FCA under Principle 11 / SUP 15.3, and failing to ensure that all relevant staff promptly report such matters for disclosure, may amount to a breach of this SCR, even if the matter is also covered by legally privileged communications.</p> <ul style="list-style-type: none"> - SCR4: Clarification that (i) this rule does not require the disclosure of legally privileged communications, and (ii) disclosure under this rule it is not limited to disclosure about the SMF's firm, but also the SMF themselves (e.g., if they are prosecuted or convicted of an offence), or other matters relevant to their fitness and propriety. 		<p>this as part of their broader NFM reviews and are assisting many with putting in place clearer procedures.</p>	

4. Other Key Changes

<u>Topic</u>	<u>Summary of key previous rules/guidance</u>	<u>Summary of key new rules/guidance</u>	<u>When will this change come into effect?</u>	<u>Practical considerations</u>	<u>Which category of SMCR firm is this relevant to?</u>
Enhanced Firm	Thresholds: The FCA’s rules at SYSC 23, Annex 1 outlined certain financial thresholds and other qualification conditions which, if met, meant a firm was categorised as an Enhanced firm. Firms could also opt-up into the Enhanced firm regime voluntarily.	Thresholds: The FCA is increasing the financial thresholds for the Enhanced SMCR firm categorisation. For example, the ‘AUM threshold’ (as further explained in the FCA Handbook) will be £65bn (not £50bn) (calculated as a 3-year rolling average), and the total intermediary regulated business revenue figure will be £45m or more (not £35m) per year (calculated over a 3 year rolling average). The FCA is also bringing in a mechanism by which these figures are automatically updated every 5 years. The FCA is not currently changing the “other qualification conditions”, although it may consider the significant SYSC thresholds as part of its Phase 2 review. Firms can still choose to opt into the Enhanced regime even if they technically fall out of scope.	10 July 2026 Note if your firm reaches the Enhanced firm threshold before 10 July 2026, but won’t meet the revised thresholds in place from 10 July 2026, it is unlikely the firm will have to transition to the new Enhanced regime because the change will have taken effect during the 1 year transition period applicable to the firm. However, specific advice should be sought on this.	If you are an Enhanced firm and no longer will be an Enhanced Firm under the new rules, there are potentially significant changes to your SMF populations, SMCR documentation (e.g., MRMs/SoRs), among other things. We’ve supported many firms moving in and out of the Enhanced regime and can support you on this transition.	Enhanced SMCR firms

<u>Topic</u>	<u>Summary of key previous rules/guidance</u>	<u>Summary of key new rules/guidance</u>	<u>When will this change come into effect?</u>	<u>Practical considerations</u>	<u>Which category of SMCR firm is this relevant to?</u>
Regulatory References - FCA and PRA	<p>Firms applying for authorisation (FCA): Technically, under the previous rules firms didn't have to provide regulatory references to firms applying for FCA authorisation (i.e., they weren't FCA or PRA authorised firms at the point of submitting the request).</p> <p>Time to respond to requests (FCA): The FCA expected firms to issue a reference within a maximum of 6 weeks of being asked.</p> <p>Suspected misconduct of leavers (FCA/PRA): Previously there was no explicit/specific guidance on how firms should go about including reference to suspected misconduct when someone leaves when under investigation.</p>	<p>Firms applying for authorisation (FCA): Firms will now have to provide regulatory references to firms applying for authorisation.</p> <p>Appointed representatives (FCA): There are new rules and guidance governing how regulatory reference rules apply in respect of appointed representatives.</p> <p>Time to respond to requests (FCA and PRA): Firms will now be expected to provide references within a maximum of 4 weeks of being asked. The PRA isn't explicit on this in its rules/guidance but the PRA PS confirms it is aligned with the FCA</p> <p>Suspected misconduct of leavers (PRA/FCA): The PRA guidance is less detailed than the FCA guidance, but the PRA states that the guidance aligns. The FCA's new guidance states that where a firm believes an employee committed misconduct but the employee leaves before the investigation concludes, the firm</p>	24 April 2026	<p>Consider updating regulatory reference policies and procedures, as required to ensure compliance.</p> <p>Ensure that those dealing with misconduct matters consider whether it is appropriate not to conclude an investigation into misconduct considering the FCA's guidance.</p>	All SMCR firms

<u>Topic</u>	<u>Summary of key previous rules/guidance</u>	<u>Summary of key new rules/guidance</u>	<u>When will this change come into effect?</u>	<u>Practical considerations</u>	<u>Which category of SMCR firm is this relevant to?</u>
		<p>should consider including suspected misconduct in the reference, considering materiality, sufficiency of grounds, fairness, and applicable law. An incomplete investigation does not necessarily mean suspected misconduct should be omitted, but firms should take steps to verify the information (e.g., the firm may have sufficiently progressed the investigation by the time the individual leaves). We do not consider that this adds significant additional clarity for firms in real world terms.</p>			

What can we expect in Phase 2?

HMT in its response to its consultation confirms that it intends to make legislative changes “as soon as parliamentary time allows” to address the following:

- **Certification Regime:** The Certification Regime will be removed from FSMA 2000, including the annual recertification requirements. However, it will leave the door open to the FCA / PRA creating replacement rules in the FCA Handbook/PRA Rulebook.
- **Senior Managers and regulatory pre-approval:** HMT will legislate to allow regulators to specify circumstances where firms may notify (rather than seek pre-approval for) the appointment of a Senior Manager, while retaining a backstop power to insist on pre-approval where necessary.
- **SoRs:** HMT will repeal the prescriptive requirements relating to the provision, maintenance and updating of SoRs enabling the regulators to set appropriate requirements.
- **Conduct Rules:** HMT will repeal the prescriptive statutory requirements around Conduct Rule breach notifications and mandatory training. The PRA indicate that it will consider suggestions around the Conduct Rules and reasonable steps during the Phase 2 reforms.
- **Time-limits / Conditions on approving Senior Managers:** HMT will legislate to enable regulators to accept Senior Manager applications subject to conditions or time-limits without triggering the formal statutory notice process.

HMT has also concluded that legislative change is not required to enable the regulators to amend the number of Senior Manager Functions in scope of the regime if needed.

Once these legislative changes have been made, we can also expect the regulators to consult on the “Phase 2” reforms, with the FCA and PRA already confirming in the FCA PS and PRA PS that they will look at the following points as part of Phase 2:

FCA	PRA
Further changes to the rules in relation to SoRs and MRMs, including the frequency of submissions and simplification of MRMs.	Reviewing SoR requirements and considering suggestions for group-level submissions or further streamlining
Reviewing Enhanced SMCR firm thresholds further – e.g., changes to additional thresholds use to determine if a firm is a Significant IFPRU Firm,	More fundamental changes to annual F&P assessments.
Further changes to the Senior Manager application process.	Reforms to the Conduct Rules and reasonable steps guidance.
	Further consider feedback regarding (i) the provision of regulatory references where there has been an incomplete investigation, and (ii) the creation of an

	SMCR policy index and potential consolidation of rules and guidance.
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How can we help?

While most of what is required from firms will be adjustments to their operational and procedural practices and systems, we have a large team of lawyers who regularly advise on the SMCR and would be more than happy to advise on any specific questions you may have. Our contact details are below.

We'll also continue to provide regular updates on all things SMCR in our SMCR+ View, which you can sign up to [here](#).

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