

10 things insurance
distributors need to know
about the Extended
Senior Managers and
Certification Regime
("SMCR")

September 2017

Contents

When will the extended regime apply to FCA solo-regulated financial services firms?	1
What are the main elements of the SMCR?	1
Will there be different requirements for different types of FCA solo-regulated firm?	1
How do I know whether my firm is a Core SMCR Firm or an Enhanced SMCR Firm?	2
What are the differences between the extended SMCR regime and the current SMCR regime which already applies to banks/SIMR regime which already applies to insurers?	3
How does the extended regime apply if my firm is structured as a partnership? ..	5
Are there any specified Senior Manager positions which must be filled and/or specific responsibilities which must be allocated?	6
What is the “Duty of Responsibility” for Senior Managers?	6
What is the territorial applicability of the regime? What if my firm is a UK branch of an overseas firm?	6
What should I do now?	7
ANNEX 1 – Senior Management Functions.....	9
ANNEX 2 – List of Prescribed Responsibilities	11
ANNEX 3 – Conduct Rules.....	12
Contacts.....	13

When will the extended regime apply to FCA solo-regulated financial services firms?

The date for implementation of the (extended) regime is expected to be “from 2018”. Consultation on the proposed rules will close on 03 November 2017 with the final rules expected in Summer 2018. We then expect a phased implementation from late 2018. The FCA has said that it will, separately, consult on the operational aspects of the new rules, including how firms will transition into the regime (this should minimise the need for firms and individuals to apply for new approval as a Senior Manager if they are already an Approved Person).

What are the main elements of the SMCR?

There are three main elements to the SMCR:

- **Senior Managers Regime:** This is relevant to senior individuals who run firms. Anyone who holds a Senior Management Function (an SMF) will require FCA approval (much in the same way that existing Approved Persons do today). Each Senior Manager will be required to sign (and the firm will be required to submit to the FCA) a Statement of Responsibilities. This document sets out an individual’s areas of responsibility within the firm (and will include certain “Prescribed Responsibilities” mandated by the FCA that firms are required to allocate amongst their Senior Manager population). Firms will need to tell the FCA whenever there is a material change to a Senior Manager’s Statement of Responsibilities. Every Senior Manager will also be subject to a “duty of responsibility” – a statutory duty under FSMA which means that if something goes wrong, the FCA will consider whether or not the Senior Manager took “reasonable steps” to stop this from happening.
- **Certification Regime:** This covers people who are not Senior Managers, but whose job the FCA regards as potentially having a big impact on customers, markets or the firm itself. Some of these roles are controlled functions under the Approved Persons Regime (including, without limitation, the CF30 customer function). The FCA will no longer approve this category of personnel – rather, it will be for firms themselves to determine who takes up these roles and “certify” that individuals are fit and proper (at the point of recruitment and on an annual basis thereafter).
- **Conduct Rules:** These are basic rules that will apply to almost every person who works in financial services– not just Senior Managers and Certification Regime staff, but also other staff (except certain “ancillary staff” as defined in the rules). The Conduct Rules broadly mirror the current APER Statements of Principle, although there are a few key differences.

Will there be different requirements for different types of FCA solo-regulated firm?

Yes. The regime will apply proportionately according to the size of the firm and the nature of its business. The FCA proposes that the SMCR will apply differently to three categories of firm:

- **Core SMCR Firms:** Most FCA solo-regulated firms will be subject to the ‘core regime’, which comprises a baseline of SMCR requirements.
- **Enhanced SMCR Firms:** The FCA proposes to apply additional requirements to those FCA solo-regulated firms whose “size, complexity and potential impact on consumers warrant more attention” (likely to include less than 1% of firms). This is known as the ‘enhanced regime’. The FCA proposes six criteria for identifying enhanced firms (which includes existing definitions in the FCA Rules):
 - A firm that is a Significant IFPRU firm
 - A firm that is a CASS Large firm
 - Firms with assets under management of £50bn or more (at any time in the previous 3 years)
 - Firms with total intermediary regulated business revenue of £35m or more per annum

- Firms with annual regulated revenue generated by consumer credit lending of £100m or more
- Mortgage lenders with 10,000 or more regulated mortgages outstanding.

Based on the above criteria, the test which seems most likely to apply to insurance intermediaries will be the intermediary regulated business revenue threshold of £35m or more per annum. However this has not been confirmed by the FCA. It is also not clear, given that the current test used is the revenue threshold of £35m or more relating to retail premiums, if and how this test will apply to commercial brokers.

Once a firm meets the relevant criteria, the 'enhanced regime' would apply to them automatically (subject to certain proposed transitional periods that may apply when moving (either way) between the 'core regime' and the 'enhanced regime' – for example, if a firm in the 'core regime' develops such that it meets one of the criteria above, the FCA proposes to allow that firm 6 months from the date it meets the criteria to comply with the requirements of the 'enhanced regime').

- **Limited Scope Firms:** There will be a reduced set of requirements for a specific group of smaller firms, known as Limited Scope Firms. These are, broadly speaking, firms that currently only need to have FCA approval for certain controlled functions and include (among others): Limited Permission Consumer Credit Firms, sole traders, internally managed AIFs and smaller insurance intermediaries whose principal business is not insurance intermediation and who only have permission to carry on insurance mediation activity in relation to non-investment insurance contracts.

How do I know whether my firm is a Core SMCR Firm or an Enhanced SMCR Firm?

The criteria mentioned in question 3 (above) stems from a mixture of existing regulatory definitions and quantitative thresholds defined by reference to what a firm submits in its regulatory returns. A "Significant IFPRU Firm" is defined in the FCA Rules at IFPRU 1.2.3R (by reference to various threshold tests) and a "CASS Large Firm" is defined in the table in CASS 1A.2.7R as a firm holding a total amount of client money, in its last calendar year (or as the case may be that it projects that it will hold during the current calendar year) of >£1billion and/or is a firm holding a total value of safe custody assets during the firm's last calendar year (or as the case may be that it projects that it will hold during the current calendar year) of >£100billion.

The other "quantitative" criteria are calculated in accordance with various (existing) regulatory reporting requirements:

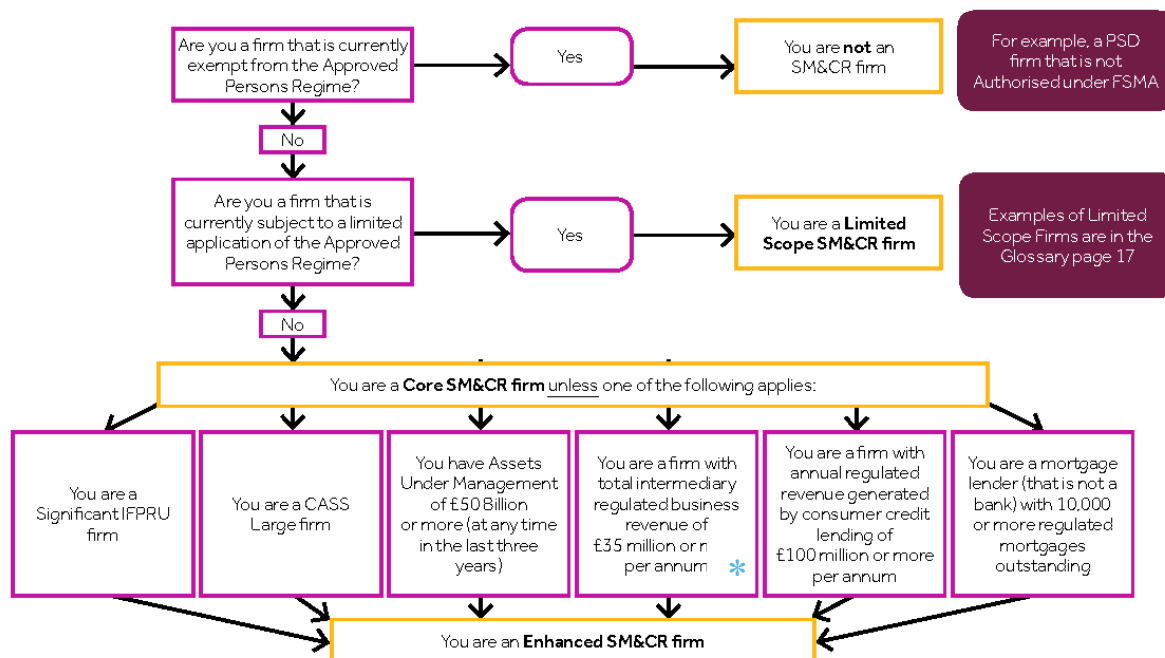
- For the assets under management criteria – assets under management are calculated in accordance with the methodology the firm uses to submit FSA038 (Volumes and Type of Business).
- For the total intermediary regulated business revenue criteria – total revenue is calculated in accordance with the methodology used to calculate total regulated business revenue in the RMAR (the Retail Mediation Activities Return). As set out above, at this current time this is the criteria of most relevance to insurance intermediaries. It is currently expected that approximately 75 intermediary firms will be designated as **Enhanced SMCR Firms**. It is not clear however from the FCA Consultation Paper (CP17/25) whether the revenue threshold of £35m per annum will apply to those intermediaries which deal in commercial business.

If the same revenue threshold is applied to commercial insurance brokers it is likely many more intermediary firms will fall within the scope of an **Enhanced SMCR Firm**. Accordingly the figure of 75 seems rather low. Given the FCA has stated in the past that the RMAR is an important part of its supervisory approach to reduce the risk of poor consumer outcomes in the retail investment market – it would seem sensible for commercial brokers to have to meet alternative criteria to be designated as an **Enhanced SMCR Firm**. We will be submitting a response on behalf of clients as part of the consultation process and raising this particular issue; we therefore welcome any comments on this matter.

- For the annual regulated revenue generated by consumer credit lending criteria – the revenue is calculated by adding together each amount recorded in the "revenue" column of the lending section to the CCR002 (Consumer Credit data: Volumes).

- For the mortgage lenders with >10,000 outstanding regulated mortgages – adding together the various amounts set out in rows E4.5 and G1.1(d) of the MLAR (the Mortgage Lending and Administration Return).

The flowchart below is a simplified overview for checking which type of SMCR firm your firm is:



* Please see above clarification for insurance intermediaries.

What are the differences between the extended SMCR regime and the current SMCR regime which already applies to banks/SIMR regime which already applies to insurers?

Senior Managers Regime LDN_IT/DPC/NC02

Under the existing SMCR for banks, there are a total of 22 Senior Management Functions (SMFs), numbered from SMF1 to 24 (some functions having been removed and/or replaced). Under the existing SIMR for insurers, there are a total of 16 Senior Insurance Management Functions (SIMFs), numbered from SIMF1 to 25 (some functions have been numbered in line with the banking SMFs).

Under the extended regime, the FCA proposes a reduced set of SMFs that will apply to **Core SMCR Firms**. These SMFs include the Chief Executive (SMF1), Executive Director (SMF3), Chair (SMF9), Compliance Oversight (SMF16), Money Laundering Reporting Officer (SMF17), Partner (SMF27) and the Limited Scope Function (SMF29). This reflects some of the SMFs under the banking and SIMFs under the SIMR (save for the Partner (SMF27) and Limited Scope Function (SMF29)). Curiously however, the FCA proposes to apply SMF27 to banking firms, whilst at the same time acknowledging that no banking firms are currently set up as partnerships. Core SMCR Firms will also be required to allocate 7 Prescribed Responsibilities amongst their Senior Manager population. These are set out in Annex 2 to this Briefing Note.

Unlike the banks and insurers, **Core SMCR Firms** will likely not be required to:

- prepare a “Responsibilities Map” – this is a single document setting out the firm’s management/governance arrangements and is filed with the FCA so that the regulator can, at a glance, establish who in a firm is responsible for what;
- implement “handover procedures” for Senior Managers – i.e., a policy for determining what information a new Senior Manager has to hand when replacing a predecessor; or

- ensure that there is a Senior Manager with responsibility for every activity, business area and management function in the firm (known as the concept of 'Overall Responsibility').

It is fair to say that the above removes some of the pressure from those firms subject to the 'core regime' – we anticipate these firms should be able to transition existing Approved Persons relatively seamlessly into SMCR (either as Senior Managers or Certified staff). This is in line with what the FCA intends insofar as it is not expecting firms to “change how [firms] organise themselves or to force them to hire people to fill specific functions”. Despite this, the FCA is keen to remind firms that it expects them to “think” about the new responsibilities that it expects them to allocate among its Senior Managers – firms would do well to note the clear emphasis by the regulator on the overarching concept of “individual accountability” (particularly in view of the enhanced levels of information the FCA will have, for example, via each Senior Manager’s signed Statement of Responsibilities).

Limited Scope Firms will only need to apply some limited SMFs. This includes the Limited Scope Function (SMF29) – this is currently the “Apportionment and Oversight Function” under the current Approved Persons Regime. **Limited Scope Firms** may also have to apply the Compliance Oversight (SMF16) and Money Laundering Reporting Officer (SMF17) functions, depending on the firm’s specific regulatory permission(s). Insurance intermediaries which meet the criteria to be a Limited Scope Firm will only need to apply the Limited Scope Function. **Limited Scope Firms** will also not need to apply any Prescribed Responsibilities.

At the other end of the spectrum, Enhanced SMCR Firms will, broadly speaking, need to apply all SMFs which currently exist under the banking regime (with the exception of Head of Key Business Area (SMF6) and the Credit Union SMF (SMF8)). Unlike Core SMCR Firms, Enhanced SMCR Firms will need to prepare a Responsibilities Map, implement “handover procedures” and potentially apply the SMF18 (Other Overall Responsibility). This function applies where a senior executive is the most senior person responsible for an area of the firm’s business but they do not perform any other SMF role. The FCA notes that many firms might not need this function, since the people ultimately responsible for everything the business does will already be captured by other SMFs (the FCA therefore expects applications for the SMF18 function to be the exception, rather than the rule). Enhanced SMCR Firms will also need to allocate a greater number of Prescribed Responsibilities amongst its Senior Manager population.

An “at a glance” table of all SMF functions (and their applicability to each type of SMCR firm) appears in Annex 1 to this Briefing Note. A full list of Prescribed Responsibilities (as applicable to Core SMCR Firms and Enhanced SMCR Firms) is set out in Annex 2.

Certification Regime

The Certification Regime will apply to all types of firm and staff performing Certification Functions (in much the same way as the banking regime). These roles are largely aligned with the existing functions under the Approved Persons Regime:

- the Significant Management Function (based on the current CF29 Significant Management controlled function under the Approved Persons Regime);
- the Proprietary traders (also covered by the current CF29);
- the CASS oversight function (based on the current CF10a) – this will not apply to insurance intermediaries where they have entered into a risk transfer agreement with insurers.
- Functions subject to qualification requirements; and
- the client dealing function (based on (but broadly expanding) the current CF30 Customer Function to apply to any person dealing with clients, including retail and professional clients and eligible counterparties). For insurance intermediaries, this function does not apply to those persons advising on or dealing with non-investment insurance contracts.

Firms should note the above list includes roles that would have been Significant Influence Functions under the Approved Persons Regime (i.e., CF29 and CF10a) – and equally would have been subject to a high level of regulatory scrutiny during the FCA’s assessment of a candidate’s “fitness and propriety”. That process will now become a purely internal matter for those firms wishing to appoint staff to these roles. Additionally, individuals performing such roles will no longer appear on the FCA Register.

Also, the Certification Regime will capture “material risk takers” (i.e. also known as Remuneration Code Staff). This is a category of staff that all firms under AIFMD, UCITS, IFPRU and BIPRU are required to identify under the FCA’s remuneration regime and that Solvency II firms have to identify under Solvency II. All of a firm’s material risk takers (irrespective of their location overseas, if this is the case) will be covered by the “Material Risk Takers” Certified Function and will require certification by the firm as “fit and proper”. The FCA’s remuneration regime does not apply to insurance intermediaries; it is likely, however, that insurance intermediaries will need to identify material risk takers. All Solvency II insurers are of course subject to the Solvency II remuneration regime and will as a result have ‘Material Risk Taker’ Certified Functions.

There are additionally some further Certification Regime functions for algorithmic trading and anyone who supervises or manages a Certified Function.

Conduct Rules

The Conduct Rules will also operate in much the same way as the banking regime and will apply to all firms. There will be tiers of rules, one tier applying to all staff (other than ancillary staff) (the “Individual Conduct Rules”), and one tier which applies to Senior Managers (in addition to the first tier) (the “Senior Manager Conduct Rules”). The application of the Conduct Rules is narrower than for banks in that each of the rules applies only to a person’s conduct relating to regulated or unregulated financial services activities (including any related ancillary activities), rather than simply “everything someone does on behalf of a banking firm, whether regulated or unregulated or linked to financial services”.

A table of the Conduct Rules is set out at Annex 3 to this Briefing Note. Senior Managers of insurers are also subject to an additional conduct rule; ‘Senior Insurance Manager Conduct Standard 5’ which provides that senior managers must pay due regard to the interests of current and potential future policyholders in ensuring the provision by the firm of an appropriate degree of protection for their insured benefits. Although Senior Managers of insurance intermediaries are not subject to this additional conduct rule themselves, it is important for Senior Managers of insurance intermediaries to be aware of the implications this may have on their insurance clients and how it may impact their firm in assisting and dealing with policyholders.

How does the extended regime apply if my firm is structured as a partnership?

The FCA proposes that all partners in a firm will be Senior Managers, as is the default case under the current Approved Persons Regime (as per the CF4 controlled function). There will, therefore, be a new Partner Senior Management Function (known as SMF27). However, if a partner has no involvement in managing the firm and therefore would not meet the FSMA definition of a Senior Manager, then SMF27 will not apply and the partner will not need to be approved as a Senior Manager. The FCA suggests that where a firm has purely silent partners or, where the firm has a large number of partners at a junior level who have no involvement in managing the firm or authority to act on behalf of the firm, such partners will not be caught by SMCR. As an additional observation to this, whilst there is no express reference to “corporate partners” in the Consultation Paper, one might surmise that corporate partners will no longer require regulatory approval under SMCR.

The different responsibilities of individual partners should be reflected in their Statement of Responsibilities, such that partners with more executive-type roles will have more extensive statements. If a partner performs another Senior Management Function, such as the Chief Executive or MLRO, they will need to be approved for both roles (again, as is similarly the case under the Approved Persons Regime).

Are there any specified Senior Manager positions which must be filled and/or specific responsibilities which must be allocated?

Yes. There are specified Senior Management Functions (SMFs) which apply (as a minimum), depending on whether the firm falls into the category of Core SMCR Firm, Enhanced SMCR Firm or Limited Scope Firm (as detailed above) (it also depends on whether the firm is structured as a company or a partnership, for example). The FCA does not intend that a firm needs to reorganise itself or hire new people to fill roles or otherwise meet the requirements of SMCR.

Prescribed Responsibilities must all be allocated across firms' Senior Managers (even if this is a population of one individual – except in the case of Limited Scope Firms who do not need to allocate Prescribed Responsibilities). Each Prescribed Responsibility should be given to the Senior Manager who is the most senior person responsible for the particular area, with sufficient authority and competence to carry it out properly. A table of all Prescribed Responsibilities, as applicable to Core SMCR Firms and Enhanced SMCR Firms, appears at Annex 2 of this Briefing Note.

What is the “Duty of Responsibility” for Senior Managers?

Under the new regime, the concept of a “duty of responsibility” will be extended to all Senior Managers, in the same way as it currently works under the banking regime. This means that every Senior Manager will be responsible for any breach in the area for which they are accountable, unless they are able to demonstrate that they have taken ‘reasonable steps’ to prevent or stop the breach. The burden of proof lies with the FCA to show that the Senior Manager did not take such reasonable steps, and the regime will not apply retrospectively.

When deciding whether to take action against a Senior Manager, the FCA will consider various criteria, which are set out in their Decision and Procedure and Penalties Manual, including the role and responsibilities of the Senior Manager and the nature, scale and complexity of the business, the seriousness of the breach and their level of seniority and whether the Senior Manager took reasonable steps to follow the firm’s procedure, together with all the circumstances of the case. Action may be taken against the Senior Manager, the firm or both depending on the facts of the case. Under the banking regime, no public decision or final notices have been issued against Senior Managers at this time yet there are a handful of investigations currently underway in this space.

In taking action, the FCA will look to the Senior Manager’s Statement of Responsibilities in order to determine whether they were responsible for the relevant part of the business and therefore any breach. In practice, this means that firms need to focus carefully on preparing Statements of Responsibility which are clearly drafted, as well as detailing their reporting lines and handover procedures for Senior Managers. Firms should also ensure that they have adequate protection in place under their D&O insurance to appropriately address the role of Senior Managers and take expert advice where necessary.

For further information on the duty of responsibility, please see our article [here](#).

What is the territorial applicability of the regime? What if my firm is a UK branch of an overseas firm?

General note

For Senior Managers – the Senior Managers Regime will apply to anyone who performs a Senior Manager role, whether they are based in the UK or overseas, so firms need to assess who is responsible with that in mind. This might impact, for example, directors on a UK-regulated entity board who are based outside the UK. For Enhanced SMCR Firms, these firms will also need to bear in mind the “group entity senior manager function” (SMF7) and whether this might also potentially capture their overseas staff – i.e., those who have significant influence on the management or conduct of the affairs of the UK-regulated entity.

For Certification and Conduct Rules staff – these aspects are territorially limited to staff based in the UK, or if staff are based overseas, those “dealing with” clients in the UK (note that “dealing with” is defined widely to include “having contact with”). There is, however, an exception for “Material Risk Takers”, in respect of whom there is no territorial restriction (as explained above).

Branches

The application of the regime is different for UK branches of overseas firms depending on whether they are EEA or non-EEA branches. As a general note, branches are out of scope of the ‘enhanced regime’.

UK branch of an EEA firm

There are two SMFs proposed for EEA branches, which (broadly speaking) reflect the current roles under the Approved Persons Regime: Branch Senior Manager (SMF21) and Money Laundering Reporting Officer (SMF17). The regime will apply to anyone who performs a Senior Manager role, whether they are based in the UK or overseas (as is the case for UK-authorized firms), but the FCA expects most branches to be able to identify Senior Managers who are primarily based in the UK.

The Certification Regime will be limited such as to apply only to people based in the UK, but not those outside of the UK (even if they “deal with” a UK client).

The Conduct Rules will also apply to all staff based in the UK (except ancillary staff) in relation to financial services activities.

UK branch of a non-EEA firm

There are five SMFs proposed for non-EEA branches:

- Head of Third Country Branch (SMF19)
- Executive Director (SMF3)
- Partner (SMF27)
- Compliance Oversight (SMF16)
- Money Laundering Reporting Officer (SMF17).

There are also certain Prescribed Responsibilities that will apply for non-EEA branches, including for example, responsibility for management of the firm’s risk management processes in the UK and responsibility for the firm’s compliance with the UK regulatory system.

Again, the Certification Regime will be limited to people based in the UK, but not those outside of the UK, even if they deal with a UK client (as is the case with EEA branches).

Again, the Conduct Rules will apply to all staff based in the UK (except ancillary staff) in relation to financial services activities (as is the case with EEA branches).

What should I do now?

- Raise awareness of the proposals, particularly amongst the senior manager population with a view to ensuring that the “tone from the top” is pitched appropriately.
- Establish a working group and identify who will be responsible for leading implementation and resourcing for management going forward.
- Create a project plan for implementation and operation of the new regimes.
- Identify the likely Senior Manager population (which the FCA expects will generally be grandfathered across) and consider any difficult issues which should be raised with the FCA through consultation.

- Consider any wider implications resulting from the designation (or not) of particular individuals as Senior Managers, for example for LLPs whether there are any tax consequences.
- Start the process for identification of Certification staff and other Conduct Rules staff.
- Engage with relevant foreign stakeholders (for example, where headquarters or Senior Managers are based overseas).
- Commence preparation and development for training of all staff in respect of the Conduct Rules.
- Review firms' policies and procedures and update accordingly.
- Review job descriptions and analyse implications for employment contracts and outsourcing arrangements.
- Prepare for changes to process, including additional record keeping requirements to comply with rules on regulatory references and annual certification requirements.
- Specifically for insurance intermediaries – ensure a holistic approach in preparing for regulatory change including implementation of the Insurance Distribution Directive and General Data Protection Regulation.
- Engage in the consultation process. We will be submitting a response on behalf of clients. If you would like us to submit comments on your behalf, please provide your comments by 01 October 2017.

For further information, our comprehensive Extension of SMCR microsite is available [here](#).

We are also developing an online SMCR Certification Portal for the insurance industry with the aim of enabling firms to issue certificates to those staff subject to the Certification Regime simply and efficiently. For more information please contact Pollyanna Deane.

ANNEX 1 – Senior Management Functions

Senior Management Functions – Core Regime

Function names	Descriptions
Governing Functions	
SMF1 – Chief Executive	This is the person(s) with responsibility, under the immediate authority of the governing body, for the conduct of the whole of the business (or relevant activities). Note: Although the Chief Executive is the most senior member of an executive team, it does not mean that a firm's governing body cannot allocate specific responsibilities to other Senior Managers.
SMF3 – Executive Director	A director of a firm, other than a Non-Executive Director.
SMF27 – Partner	A partner in a firm, other than a limited partner in a partnership registered under the Limited Partnership Act 1907.
Governing Function – Non-Executive	
SMF9 – Chair	The person with responsibility for chairing, and overseeing the performance of the role of, the governing body of the firm.
Required Functions	
SMF16 – Compliance Oversight	This is the person responsible for the compliance function in the firm and reporting to the governing body on this.
SMF17 – Money Laundering Reporting Officer	This is the person who has responsibility for overseeing the firm's compliance with the FCA's rules on systems and controls against money laundering.
SMF29 – Limited Scope Function (relevant to some Limited Scope Firms only)	This is currently called the 'Apportionment and Oversight Function' under the Approved Persons Regime. It is the person who deals with the apportionment of responsibilities under SYSC 4.4.3 R and oversees the establishment and maintenance of controls under SYSC 4.1.1 R.

Senior Management Functions for Limited Scope Firms

Firm type	Senior Management Functions
Limited Permission Consumer Credit firms that have a CF8 under the Approved Persons Regime	SMF29 – Limited Scope Function (this is the same as the Apportionment and Oversight Function under the Approved Persons Regime)
Sole traders with no employees	SMF16 – Compliance Oversight
Authorised professional firms whose only regulated activities are non-mainstream regulated activities	SMF16 – Compliance Oversight SMF17 – Money Laundering Reporting Officer SMF29 – Limited Scope Function
Oil market participants, service companies, energy market participants, subsidiaries of local authorities or registered social landlords	SMF16 – Compliance Oversight SMF17 – Money Laundering Reporting Officer SMF29 – Limited Scope Function
Insurance intermediaries whose principal business is not insurance intermediation and who only have permission to carry on insurance mediation activity in relation to non-investment insurance contracts	SMF29 – Limited Scope Function

Additional Senior Management Functions in Enhanced Firms

Function	Descriptions
SMF2 – Chief Finance Function SMF4 – Chief Risk Function SMF5 – Head of Internal Audit	These functions will apply instead of the broad Systems and Controls Function under the Approved Persons Regime.
SMF14 – Senior Independent Director	The person with particular responsibility for leading the assessment of the Chair's performance.
SMF12 – Chair of the Remuneration Committee	The person with responsibility for chairing, and overseeing the performance of, any committee responsible for the oversight of the design and the implementation of the remuneration policies of a firm.
SMF10 – Chair of the Risk Committee	The person with responsibility for chairing, and overseeing the performance of, any committee responsible for the oversight of the risk management systems, policies and procedures of the firm.
SMF11 – Chair of the Audit Committee	The person with responsibility for chairing, and overseeing the performance of, any committee responsible for the oversight of the internal audit system of the firm.
SMF13 – Chair of the Nominations Committee	If a firm has a nomination committee, this person is the person who chairs that committee.
SMF7 – Group Entity Senior Manager	This is someone who has significant influence on the management or conduct of the affairs of the UK-regulated entity and is employed by, or is an officer of, another member of its group.
SMF24 – Chief Operations Function	The most senior person responsible for managing the internal operations (including HR), systems and technology of a firm.
SMF18 – Other Overall Responsibility	<p>This function applies where a senior executive is the most senior person responsible for an area of the firm's business but they do not perform any other Senior Manager function.</p> <p>Many firms won't need this function as the people ultimately responsible for everything the business does will already be captured by other Senior Manager Functions. However, it gives flexibility and recognises the diversity of business structures in different types of firms. This is discussed in more detail below in the section on 'Overall Responsibility'.</p>

ANNEX 2 – List of Prescribed Responsibilities

Prescribed Responsibilities for Core Firms

Prescribed Responsibility	Description
1	Performance by the firm of its obligations under the Senior Managers Regime, including implementation and oversight
2	Performance by the firm of its obligations under the Certification Regime
3	Performance by the firm of its obligations in respect of notifications and training of the Conduct Rules
4	Responsibility for the firm's policies and procedures for countering the risk that the firm might be used to further financial crime
5	Responsibility for the firm's compliance with CASS (if applicable)
6	Responsibility for ensuring the governing body is informed of its legal and regulatory obligations
7	Responsibility for an AFM's value for money assessments, independent director representation and acting in investors' best interests

Additional Prescribed Responsibilities in Enhanced Firms

Prescribed Responsibility	Description
8	Compliance with the rules relating to the firm's Responsibilities Map
9	Safeguarding and overseeing the independence and performance of the internal audit function (in accordance with SYSC 6.2)
10	Safeguarding and overseeing the independence and performance of the compliance function (in accordance with SYSC 6.1)
11	Safeguarding and overseeing the independence and performance of the risk function (in accordance with SYSC 7.1.21R and SYSC 7.1.22R)
12	If the firm outsources its internal audit function, taking reasonable steps to ensure that every person involved in the performance of the service is independent from the persons who perform external audit, including: <ul style="list-style-type: none"> • supervision and management of the work of outsourced internal auditors • management of potential conflicts of interest between the provision of external audit and internal audit services
13	Developing and maintaining the firm's business model
14	Managing the firm's internal stress-tests and ensuring the accuracy and timeliness of information provided to the FCA for the purposes of stress-testing

ANNEX 3 – Conduct Rules

First Tier – Individual Conduct Rules

1	You must act with integrity
2	You must act with due care, skill and diligence
3	You must be open and cooperative with the FCA, the PRA and other regulators
4	You must pay due regard to the interests of customers and treat them fairly
5	You must observe proper standards of market conduct

Second Tier – Senior Manager Conduct Rules

SC1	You must take reasonable steps to ensure that the business of the firm for which you are responsible is controlled effectively
SC2	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
SC3	You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person and that you oversee the discharge of the delegated responsibility effectively
SC4	You must disclose appropriately any information of which the FCA or PRA would reasonably expect notice

Contacts



Pollyanna Deane
Partner
T +44 20 7825 4303
E pollyanna.deane@simmons-simmons.com



Emma Sutcliffe
Partner
T +44 20 7825 4250
E emma.sutcliffe@simmons-simmons.com



Laura Allen
Associate
T +44 20 7825 4636
E laura.allen@simmons-simmons.com



Julian Taylor
Partner
T +44 20 7825 4431
E julian.taylor@simmons-simmons.com



Philip Bartlett
Partner
T +44 20 7825 4470
E philip.bartlett@simmons-simmons.com



Adam Blair
Supervising Associate
T +44 20 7825 4251
E adam.blair@simmons-simmons.com



Andrea Finn
Partner
T +44 20 7825 3915
E andrea.finn@simmons-simmons.com



Peter Lockwood
Supervising Associate
T +44 20 7825 4210
E peter.lockwood@simmons-simmons.com



Penny Miller
Partner
T +44 20 7825 3532
E penny.miller@simmons-simmons.com

Offices

Amsterdam

Simmons & Simmons LLP
PO Box 79023 1070 NB
Claude Debussylaan 247 1082 MC Amsterdam
The Netherlands
T +31 20 722 2500 F +31 20 722 2599

Beijing

Simmons & Simmons
33rd Floor China World Tower A
1 Jianguomenwai Avenue
Beijing 100004 People's Republic of China
T +86 10 8588 4500 F +86 10 8588 4588

Bristol

Simmons & Simmons LLP
One Linear Park Temple Quay
Bristol BS2 0PS United Kingdom
T +44 20 7628 2020 F +44 20 7628 2070

Brussels

Simmons & Simmons LLP
Avenue Louise/Louizalaan 143 1050 Brussels Belgium
T +32 2 542 09 60 F +32 2 542 09 61

Doha

Simmons & Simmons Middle East LLP
Level 5 Al Mirqab Tower Al Corniche Street
PO Box 23540 Doha State of Qatar
T +974 4409 6700 F +974 4409 6701

Dubai

Simmons & Simmons Middle East LLP
Level 7 The Gate Village Building 10
Dubai International Financial Centre
PO Box 506688 Dubai United Arab Emirates
T +971 4 709 6600 F +971 4 709 6601

Düsseldorf

Simmons & Simmons LLP
Kö-Bogen
Königsallee 2a
40212 Düsseldorf Germany
T +49 2 11-4 70 53-0 F +49 2 11-4 70 53-53

Frankfurt

Simmons & Simmons LLP
MesseTurm Friedrich-Ebert-Anlage 49
60308 Frankfurt am Main Germany
T +49 69-90 74 54-0 F +49 69-90 74 54-54

Hong Kong

Simmons & Simmons
13th Floor One Pacific Place
88 Queensway Hong Kong
T +852 2868 1131 F +852 2810 5040

Jeddah

Hammad & Al-Mehdar in alliance with Simmons & Simmons
Office #1209, King Road Tower, Malik Road,
PO Box 864 Jeddah 21421
Kingdom of Saudi Arabia
T +966 92 000 4626 F +966 2 606 9190

Lisbon

Sociedade Rebelo de Sousa in association with
Simmons & Simmons
Rua D. Francisco Manuel de Melo 21
1070-085 Lisbon Portugal
T +351 21 313 2000 F +351 21 313 2001

London

Simmons & Simmons LLP
CityPoint One Ropemaker Street
London EC2Y 9SS United Kingdom
T +44 20 7628 2020 F +44 20 7628 2070

Luxembourg

Simmons & Simmons Luxembourg LLP
Royal Monterey 26A Boulevard Royal
Luxembourg L-2429 Luxembourg
T +352 26 21 16 01 F +352 26 21 16 02

Madrid

Simmons & Simmons LLP
Calle Miguel Angel 11 5th floor 28010 Madrid Spain
T +34 91 426 2640 F +34 91 578 2157

Milan

Studio Legale Associato in affiliation with
Simmons & Simmons LLP
Via Tommaso Grossi 2 20121 Milan Italy
T +39 02 72505.1 F +39 02 72505.505

Munich

Simmons & Simmons LLP
Lehel Carré, Thierschplatz 6
80538 Munich Germany
T +49 89-20 80 77 63-00 F +49 89-20 80 77 63-01

Paris

Simmons & Simmons LLP
5 boulevard de la Madeleine 75001 Paris France
T +33 1 53 29 16 29 F +33 1 53 29 16 30

Riyadh

Hammad & Al-Mehdar in alliance with Simmons & Simmons
Level 18 Princess Al-Anood Tower 2
King Fahad Road Olaya
Riyadh Kingdom of Saudi Arabia
T +966 92 000 4626 F +966 12 606 9190

Shanghai

Simmons & Simmons
42nd Floor Wheelock Square
No. 1717 Nan Jing West Road
Shanghai 200040 China
T +86 21 6249 0700 F +86 21 6249 0706

Singapore

Simmons & Simmons Asia LLP
168 Robinson Road #11-01
Capital Tower
Singapore 068912
T +65 6831 5600 F +65 6831 5688

Tokyo

Simmons & Simmons Gaikokuho Jimu Bengoshi Jimusho
(Gaikokuho Joint Enterprise TMI Associates)
23rd floor Roppongi Hills Mori Tower
6-10-1 Roppongi Minato-ku Tokyo 106-6123 Japan
T +81 3 6438 5255 F +81 3 6438 5256

Simmons & Simmons is an international legal practice carried on by Simmons & Simmons LLP and its affiliated practices. Accordingly, references to Simmons & Simmons mean Simmons & Simmons LLP and the other partnerships and other entities or practices authorised to use the name "Simmons & Simmons" or one or more of those practices as the context requires. The word "partner" refers to a member of Simmons & Simmons LLP or an employee or consultant with equivalent standing and qualifications or to an individual with equivalent status in one of Simmons & Simmons LLP's affiliated practices. For further information on the international entities and practices, refer to simmons-simmons.com/legalresp

Simmons & Simmons LLP is a limited liability partnership registered in England & Wales with number OC352713 and with its registered office at CityPoint, One Ropemaker Street, London EC2Y 9SS. It is authorised and regulated by the Solicitors Regulation Authority.

A list of members and other partners together with their professional qualifications is available for inspection at the above address.