

SM&CR Case Study Series

FITNESS AND PROPRIETY OF CERTIFICATION STAFF

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This is the sixth instalment in our SM&CR case study series, designed to help you prepare for the implementation of the FCA's Senior Managers & Certification Regime (SM&CR). This series follows fictitious firm Smith & Cromer Limited's project to implement the Regime with the process and tips being released to you throughout the year.

Before you read on, have you:

1. Read the first five instalments?
2. Watched our one-minute explainer video – SM&CR in a Nutshell?

If you are up to date, read on...

Our case study firm

Smith & Cromer Limited is a fictional solo-regulated firm active in the wholesale markets with 25 staff in total, including 20 approved persons. There are five executive directors and two non-executives. All but one of the executive directors also perform the customer function under the Approved Persons Regime. The compliance function and the MLRO function are both performed by Sam Carr, who is not a director of the firm.

Sam is steering the SM&CR project and so far Smith & Cromer has identified the senior managers and certification staff, considered the documentation updates that will be necessary for the SM&CR to be implemented, assessed the fitness and propriety of the senior managers who will be taking on the senior manager functions and devised a training plan for the senior managers to address any shortcomings. Now Sam is considering how the firm will perform the fitness and propriety assessments for its certification staff after the commencement of the Regime on 9th December.



SM&CR Preparation Timeline

Are we where we should be? **MAR 2019**

Senior managers, certification staff or conduct staff? **APR 2019**

SM&CR documentation updates **MAY 2019**

Fitness and propriety of senior managers **JUN 2019**

Training for senior managers **JUL 2019**

Fitness and propriety of certification staff **AUG 2019**

Training for certification staff **SEP 2019**

Setting up systems & controls to support SM&CR **OCT 2019**

Training for conduct staff **NOV 2019**

SM&CR checklist **DEC 2019**

Fitness and propriety of certification staff

The requirements in relation to the certification staff

It was back in [Issue 2](#) that the certification staff were identified. You probably recall that this was straightforward for Sam. The certification staff will be the 20 persons that are currently approved to perform the customer function and the single non-executive that is not a senior manager. Additionally, the four executive directors that are currently approved as CF30s also need to be certified as fit and proper for their customer-facing role in addition to being approved by the FCA as senior managers.

The FCA requirement for certification staff is that an assessment is undertaken by the firm to consider whether each individual:

- a) Has obtained a qualification
- b) Has undergone, or is undergoing, training
- c) Possesses a level of competence or
- d) Has the personal characteristics

Sufficient for the firm to be satisfied that the person is fit and proper to perform the function to which the certificate relates.

Steps taken by Smith & Cromer

The 20 persons currently fulfilling the CF30 customer facing function are approved persons. This approval has already required both an initial and ongoing fit and proper assessment including considering honesty, integrity and reputation, competence and capability, and financial soundness.

The documentation and evidence of this already satisfies most, if not all of the expectations for certification staff under the Certification Regime.

Sam feels that it would be prudent to supplement this with a series of 'lunch and learn' sessions billed as 'regulatory and compliance workshops'. These will be compulsory, tailored to the services offered by Smith & Cromer and will reinforce understanding of the current regulatory regime. A sign-in sheet will be used to evidence attendance and follow up will include a short multiple-choice test delivered electronically. Achieving a pass in the test will show that the attendees have reached the required level of competence. Sam is happy to deliver the sessions, but she uses her compliance consultants to help design an appropriate test.

The four senior managers have already undergone fit and proper assessments in relation to the incoming regime. Again, as most of them are also CF30s, attendance at the workshops and passing the test should provide any further top up that is necessary under the SM&CR.

On completion of the training and passing the test, formal certificates will be issued to the certification staff. This is planned to coincide with when Smith & Cromer usually performs its annual appraisals in January. The certificates will be valid for one year. These will be combined with self-certifications from each of the individuals stating that they have the regulatory and compliance knowledge that they feel is necessary to properly fulfil their role.

KEY TAKEAWAYS

- 1 Consider facilitating further training to update all certification staff on the current regulatory regime.
- 2 Gather evidence both of attending any further training and assessing the competence of certification staff.
- 3 Combine certificates with self-assessments from the certification staff.

Our case study will continue next month with 'Training for certification staff'

Sam's next step will be to deliver the 'lunch and learn' training to the certification staff, gathering the evidence required.



TRAINING

Extensive experience in training senior managers and other staff who are subject to the SM&CR.

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