



Senior Managers & Certification Regime (SMCR)

Delivering effective regulatory training to achieve ongoing compliance

May 2020



Expect Excellence

Objective of the Webinar

The challenge faced by almost 48,000 solo regulated firms of training their staff on Senior Managers & Certification Regime (SM&CR) ahead of the 9th December 2020 deadline.

This will include the pros and cons of both classroom training and eLearning, the required regulatory content and tailoring for specific roles, and the typical regulatory challenges faced by firms from which key lessons can be learnt.

Delivering effective regulatory training to achieve ongoing compliance

Agenda

1

Evolution of SMCR Training

2

Regulator and Industry Feedback

3

Pitfalls, Challenges and Recommended Resolution

4

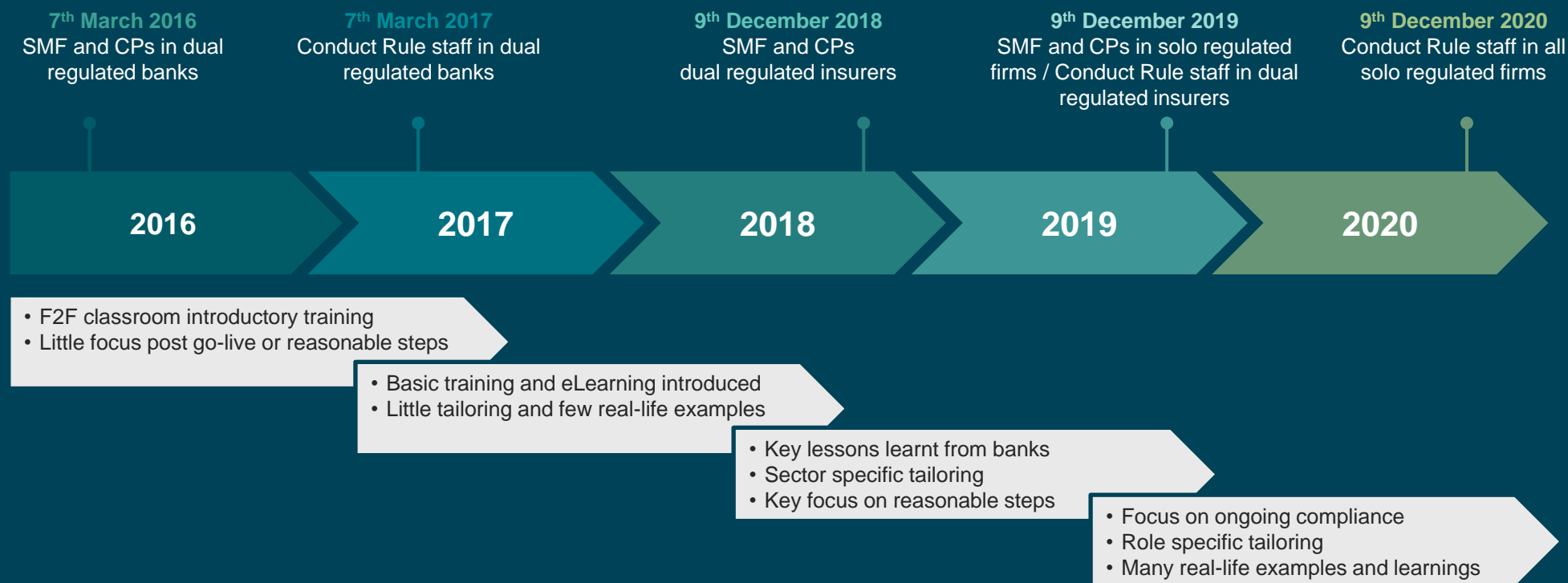
BCS Training Based on Best Practice Principles

1. Evolution of SMCR Training

SMCR has been implemented in phases across the financial services industry, resulting in a constant evolution and improvement of training

Since SMCR go-live in the banking sector over 4 years ago, we have learnt the dangers of getting training wrong and the reasons why the regulators continue to consider it to be a fundamental component of the regime's success

SMCR Training Deadlines and Evolution of Approach



2. Regulator and Industry Feedback

Feedback on SMCR has consistently focused on the importance of training and identified deficiencies in many firms



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- The report specifically referenced the shortfalls observed in the provision of training to staff, including:
 - A lack of tailoring of training to individual roles
 - Insufficient evidence to demonstrate firms had mapped the Conduct Rules to their own values and expectations
 - Firms were unable to explain what a Conduct Rule breach looked like in the context of their business
 - Senior Managers were unable to demonstrate a good understanding of 'reasonable steps' in relation to their roles
- The FCA outlined an increase in supervisory focus on the Conduct Rules to ensure firms are meeting their SMCR obligations

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- UK Finance and Ashurst released an in-depth study into SMCR governance standards in the banking sector. Responses to the report showed:
 - Training was the most important aspect for **82%** of Senior Managers before starting in role
 - **25%** of Senior Managers had also engaged in their own legal advice
 - **60%** of Senior Managers had been attending regular training on SMCR
 - **81%** of Senior Managers stated they would need training on SMCR at least annually

2. Regulator and Industry Feedback

Feedback on SMCR has consistently focused on the importance of training and identified deficiencies in many firms



- Whilst implementing SMCR in >50 firms, BCS have received direct regulatory feedback through our clients, including
 - Pre-go live approach to training had not sufficiently evidenced understanding of SMCR obligations
 - Some key elements of the regime, particularly conduct rules and associated consequences, were missing
 - Training (for both new joiner and annual training) was not deployed fast enough
 - Staff were not asked to confirm their understanding of conduct rules, so they could blame poor training
 - Case studies were not relevant, industry or role specific and they disagreed with the outcomes

3. Pitfalls, Challenges and Recommended Resolution

Firms must learn important lessons and ensure their SMCR training is approached in a way that maximises impact, whilst ensuring compliance to protect the firm

BCS have seen many recurring training pitfalls and challenges which impact the effectiveness and level of compliance, including:

1. SMCR training is seen as 'tick-box exercise'
2. Content misses specific obligations under SMCR
3. Lack of tailoring and how the rules apply to individual roles
4. Example Conduct Rule breaches are too narrow in definition
5. Breaches are left open to interpretation and personal opinion
6. Classroom training lacks audit trails and confirmation of understanding
7. Initial SMCR training is rolled out too slowly for new employees
8. Senior and junior members of staff are held to different standards (and consequences)
9. Individual Conduct Rules for SMFs are not covered in sufficient detail, due to the constant prioritisation of 'reasonable steps' training
10. Reasonable steps training for SMFs lacks guidance and consistent approach, it just focuses on defining what they are.



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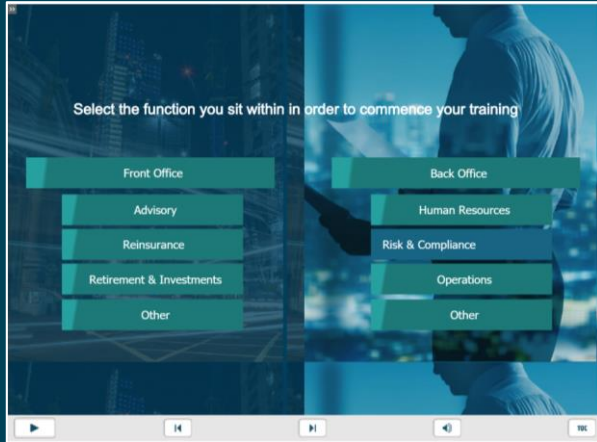
Training has evolved and best practices have emerged, so BCS recommend firms adopting the following approach:

1. Content must be carefully tailored to different SMCR roles (e.g. FO / BO, by CF, NEDs / Execs etc.)
2. Content must cover and explain all relevant rules, which must be kept compliant
3. Include attestations to confirm understanding
4. Thought-provoking examples to demonstrate the breadth of breaches
5. Monitor completion, underpinned by effective controls and escalation
6. Ensure all employees are held to the same training standards
7. Adopt eLearning for consistency and timeliness, supplement by communications and scenario-based workshops (for SMFs)
8. Leverage expert (and external) trainers and content to maximise impact and ensure content remains accurate and fresh.

4. BCS SMCR Training Based on Best Practice Principles

BCS Consulting has developed eLearning and Board training which is highly tailored, addressing all regulatory feedback and maximising impact

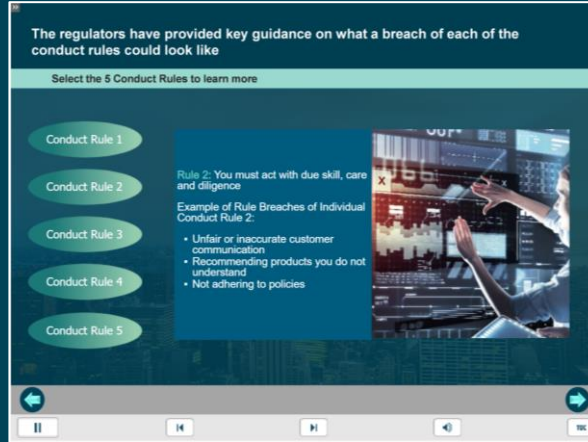
Organisation navigation to tailor training content, particularly role specific case studies



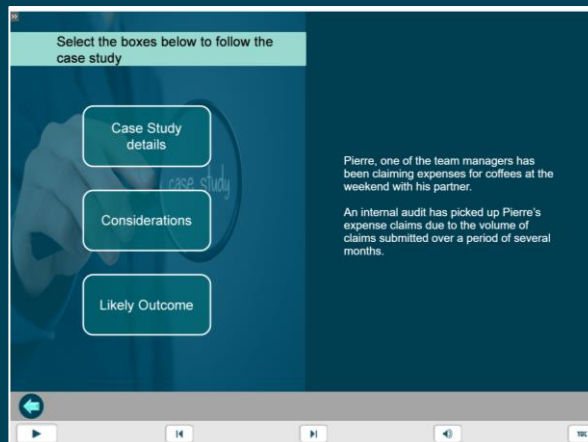
All rules clearly explained, including all potential consequences of Conduct Rule breaches



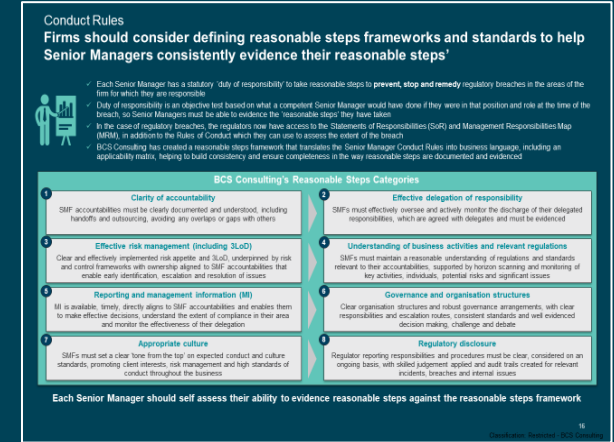
Breadth of Conduct Rule breaches, including regulatory guidance



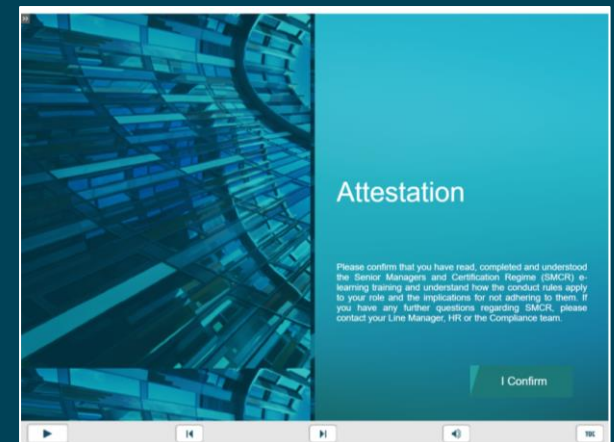
Thought provoking case studies from an extensive library, tailored for roles and industry sector



Clear reasonable steps framework and guidance to ensure alignment to regulator expectations



Attestations to confirm understanding and how the Conduct Rules apply to their role





Expect **Excellence**



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