



## T10 Office

### Blue Paper

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#### Detail

If you knew in advance that a new regulation was about to impact your organisation I'm guessing you'd want to discover what it was all about before it happened. If I told you this regulation would hold a specific individual on the organisation's board personally accountable for the competence of most of the important employees, including all of their peers in Senior Management, I'm sure I'd get your attention quite quickly.

If you are a Senior Manager within the financial services sector this is going to impact on you and your organisation. In fact, it's all going to hit on the 7<sup>th</sup> March 2016, [approx. 300 days away at the time of writing] and might not be enough time for some to comply.

To help organisations keep an eye on the requirements, the Financial Conduct Authority has stated that organisations should be making progress straight away to identify those members of staff / senior managers who will be responsible for the fitness and propriety of less senior individuals.

Why? Because the FCA will be publishing a register of Senior Managers names from the 7<sup>th</sup> March 2016.

#### **Will your name be on it?**

If it is, what do you need to do?

Like all major change programmes, SMR will require detailed planning to ensure all objectives are met. An initial action could be to recognise the impact of this regulation and notify everyone within the organisation of its future impact and ongoing requirements.

Getting people on side can only help smooth the passage towards implementing and complying with the regulation.

Having notified all members of staff, it might be prudent to establish a working group consisting of all the main stakeholders. It could be

### BLUE PAPERS

This Blue Paper sets out to provide an overview of the impending Senior Manager's Regime [SMR], its impact and the actions which a regulated organisation should be taking to ensure it complies with the approaching regulations.



The resulting regulation will make senior managers personally responsible for failures on their watch.

Banks have until 8<sup>th</sup> February 2016 to notify the PRA and FCA of the names of people who will be Senior Managers under the new SMR.

this group which creates a unified plan to implement the changes in readiness for:

1. implementation and
2. delivering maintainable compliance with SMR and Certification Regime [CR] requirements.

With a plan in place, the next step might be to communicate its key elements to staff members thereby ensuring their awareness of what's happening and the important part they play in implementing it. This message could come from the organisation's leaders to demonstrate the importance behind getting it right first time and the requirements to continue to get it right in the future.

### **There's a starter for ten, now what about achieving the objectives?**

This might require a phased approach, starting with an Identify & Clarify Phase.

Getting ready for commencement will require organisations to:

1. identify who their Senior Managers are
2. ensure that each Senior Manager has a clear understanding of their responsibilities via Statements of Responsibilities
3. ensure that each Senior Manager is comfortable with their responsibilities and has had time to reflect on the structures that are in place are actually fit for purpose
4. make certain they have appropriate systems in place for documenting the array of detail.

There's also a requirement to have adequate MI available to track outputs and for Senior Managers to know how to interpret the MI and take the necessary action along with compliance of Government objective to assign and allocate personal responsibility and accountability for key risks to senior individuals.

Here there's a need to create Responsibility Maps clearly outlining and mapping the various interactions. These should clearly indicate who's responsible for what to ensure that in the event of a failure responsibility cannot be defused.

As already mentioned, assemble a working group of the main stakeholders to create and deliver a plan along with a communiqué from the leaders explaining the way forward.

### **Implementation Phase**

All the work undertaken during the Identify & Clarify Phase should be completed and delivered **by 7<sup>th</sup> March 2016**. On this date everything will have been signed off and the relevant documentation will need to be in place. From this date forward any changes will need to be documented, version controlled and securely stored to ensure that an audit trail of evidence is in place.

On this date every Senior Manager should have an individual up to date set of documents in place. These will need to be linked absolutely to a current Responsibilities Map.

### **Ongoing Review of Fitness & Propriety Phase**

In this phase the requirement is to ensure that an organisation maintains and monitors a version of their Management Responsibilities Map. The Board will be required to verify its accuracy and that it remains current at all times, this will need to be undertaken every year and should not be seen as a one off event.

To help in this phase it might be beneficial to create a procedure to demonstrate that changes are being recorded throughout the year. As well as ensuring which version of the map was in force at any particular point in time so as to evidence who was responsible at that time.

However it doesn't just stop there. Under the regime a Senior Manager will also need to confirm those functions which form part of their responsibility have remained compliant at all times

throughout the year. This will demand that any breaches of the rules are investigated, actioned, recorded and reported. It's here a Senior Manager will need to be satisfied that relevant controls are in place to deal with this requirement. It might require an enhancement to existing systems in order for Senior Managers to achieve successful monitoring of compliance. This along with new KPIs would potentially provide the MI to support the new regimes requirements.

Future meetings of Senior Management may well need an additional agenda item focused exclusively on SMR to satisfy the Board that the organisation and they are able to demonstrate and verify their ongoing and continuing compliance with the regime.

### **So what now?**

The situation is clear, there's much to do. In some cases it will require wholesale changes being made. In others it might see Senior Managers having to totally rethink their positions before they have the confidence and competence to undertake and sign off on their responsibilities.

With organisations needing to focus on the important BAU whilst at the same time get ready for the new Senior Managers Regime, it looks like it's going to be a busy time for those involved. It's worth remembering that time is ticking away and those who have yet to create or worse still even consider a plan of action, time might not be on your side.

As mentioned at the beginning, this is simply an outline of the new SMR. It sets out to provide no more than an overview of what should be taking place now and what is going to take place after **7<sup>th</sup> March 2016**. Complying with new regime will take a great deal of work to ensure that organisations are ready.

### **The regime is coming and you will need to comply and be ready.**

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