

SENIOR MANAGERS & CERTIFICATION REGIME – SMCR

Are You Managing Your Regulatory Obligation, Senior Managers and Certified Individuals?

The FCA are already issuing fines for Customer Failure



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So here we are in 2021, it's been over a year since **SMCR** was officially implemented across the sector. How have you ensured your firm worked with and in accordance with its requirements these past 12 months? What has been your strategy? And how have you been documenting your compliance? It is important to remember obligations are continuous and personal.

The following obligations and prerequisites are just some of the areas where you have had to pay attention around your leadership management of your firm:

- Allocating functional responsibilities to individual managers;
- Assessing the fitness of employees for certain roles;
- Creating a map of the constellation of management responsibility; and
- Certifying and updating all relevant information annually.

Recent reports have indicated that close to 4,000 financial firms are at risk of collapse – mostly due it seems due to the fall out of the Pandemic. And as recently as the end of October the FCA identified a large number of financial services firms, small and medium, who continued to operate a non financially resilience model and were at a heightened risk of failure. These are firms where 30% of them have the potential to cause harm through failure. SMCR was brought introduced across financial firm to minimise customer detriment. However, your firm did not properly roll out its SMCR framework and/or have not looked at it again given the changes in how we now operate given COVID it is easily conceivable that your firm are not properly monitoring potential harm or impact to customers. And failure is not just a risk for the smaller firms but is also something for the big boys too! Two large organisations who received big fines for failing their customers – this is not what they did it's what they didn't do!

The FCA fined Charles Schwab UK £8.96m over safeguarding and compliance failures. Customers affected by the breaches were all retail customers, who require the greatest level of protection. CSUK failed to arrange adequate protection for its clients' assets (monies) under UK rules. Specifically, the firm did not:

- have the right records and accounts to identify its customers' client monies;
- undertake internal or external reconciliations for its customers' client monies;
- have adequate organisational arrangements to safeguard client monies; and
- maintain a resolution pack, which would help to ensure a timely return of client monies in an insolvency.

The FCA fined Barclays (not for the first time) £26 million over treatment of customers in financial difficulty. Specifically, Barclays failed to:

- follow its customers' contact policies for customers who fell into arrears;
- have appropriate conversations with customers to help understand the reasons for the arrears;
- properly understand customers' circumstances leading it to offer unaffordable, or unsustainable, forbearance solutions.

About the author



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Having worked in the London market for many years, Sue has built up a reputation that puts her ahead of many of her peers in relation to the provision of compliance support, training, and project work. She prides herself on building relationships, treating clients fairly and providing them with a top-class service. She is one of the leading SMCR experts.



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Protect YOUR firm with the GreenKite SMCR HealthCheck

Our independent review of your SMCR Framework will ensure it is fit for purpose. GreenKite compliance experts have a wealth of regulatory experience in insurance and financial services and are here to help you. We take a "hands on", practical approach to advise and support you and your firm to meet compliance goals and remove the risk should an investigation occur. **Get in touch to find out more.**