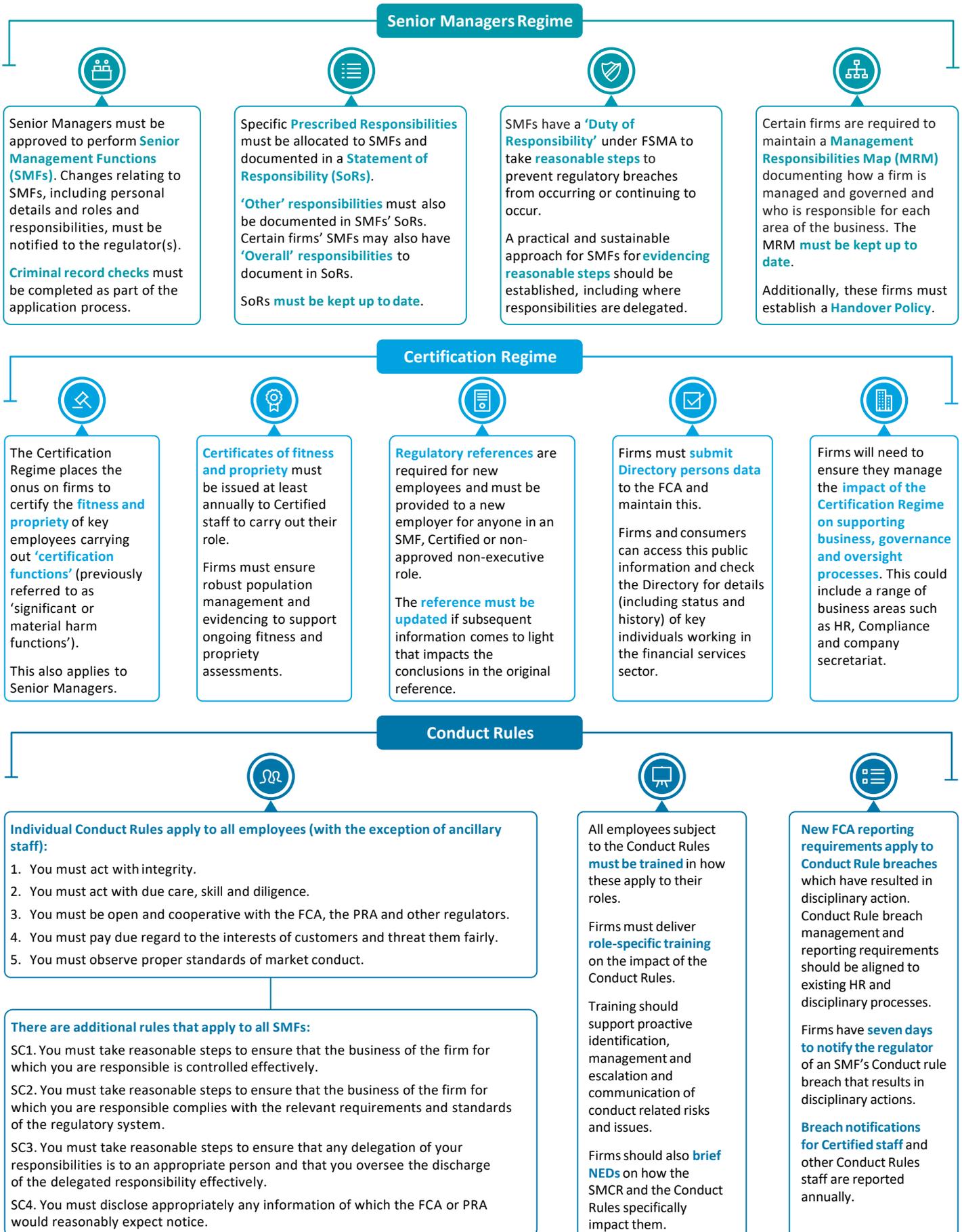




**Navigating the Senior Managers  
and Certification Regime**

# Key elements of the Senior Managers and Certification Regime (SMCR)



# How can you demonstrate you are taking reasonable steps?

Taking reasonable steps may well already be embedded in a Senior Manager's day to day actions in managing and controlling their areas of responsibility; it should not fundamentally change how a well-run firm is organised. The challenge posed by the regime is to achieve this in an efficient and consistent way across the firm to reduce the administrative burden on already overloaded businesses and support functions.

Whilst there is no prescriptive list of actions that can be followed to guarantee that a Senior Manager's steps will be viewed as reasonable by a third party after the event, it is possible to adopt a structured approach that will evidence a culture of close and continuous management and improvement.

Taking reasonable steps is not a science, but the following, non-exhaustive, framework can be used by Senior Managers to help them structure and evidence how they effectively run the business and discharge their responsibilities.

## Knowledge & Understanding

- **Handover** – on taking on the role ensure you take time to read any handover material and to undertake any additional assessments required to fully understand the key risks and issues facing the business and concerns that the regulator may have highlighted in the past. Additionally when leaving your role provide handover materials to your replacement.
- **Know your risks** – work collaboratively with second and third line functions to understand and manage the risks in your area.
- **Capacity and capabilities** – consider whether you have the necessary bandwidth to fulfil your responsibilities and escalate if you have concerns or require additional resource.
- **Maintain your knowledge** – attend industry forums, seminars and regulatory briefings to ensure that you maintain your technical skills and an understanding of the evolving business and regulatory environment.
- **Market events** – reflect on the broader markets in which the firm operates including external factors (e.g. high profile regulatory issues) that should be considered as part of decision making.
- **Your firm** – request and review regular updates and reports from your team to understand what is going on in your department. Read internal memos and attend relevant forums across the firm to maintain your understanding of the activity of the wider firm and where you fit within it.
- **Governance** – use governance to formally raise issues and help understand the business. Review whether your committee memberships are appropriate and avoid repeatedly sending delegates if you are a committee member.
- **Reporting and Management Information (MI)** – review the reports that you receive and identify any gaps or improvements and action them.

## Organise & Control

- **Resourcing requirements** – continue to monitor the resourcing requirements of your business area/function including the capacity of individuals. Where there are resource gaps, demonstrate this issue is understood and being managed.
- **Succession planning** – put in place a clear structure within your team so that when individuals leave the business their key tasks are not unassigned.
- **Training** – identify training requirements of your team and feed into training plans to ensure these are covered.
- **Governance** – establish relevant forums to formally discuss issues and help understand the business. Review whether your committee memberships are appropriate and avoid repeatedly sending delegates if you are a committee member.
- **Reporting lines** – if members of your team have dual reporting lines, make clear to them what this means in practice so that they are clear as to whom they are accountable and for what. Where you have a dual reporting line ensure you understand the appropriate escalation channels.
- **Delegations** – where you are delegating key tasks ensure these are clearly assigned/allocated to appropriate individuals. Retain accountability through continuing oversight of the delegated activity (e.g. weekly meetings, daily reports, etc.) and where appropriate challenge the information received.
- **Documentation and key decision-making** – follow up key informal conversations with emails and file notes agreeing key actions, timescales and outputs.

## Resolve & Learn

- **Take action** – if you become aware of an issue, inaction is not an option. Take steps to resolve and make others aware of the issue, even if it is not directly in your responsibility.
- **Support** – recognise your limits and seek and obtain appropriate expert advice or assurance from internal and external sources.
- **Escalate** – escalate and report issues to increase awareness across the firm and to gain support from relevant departments and/or governing bodies.
- **Action plans** – maintain plans with clearly assigned owners and deadlines to enable key issues to be resolved, or projects/work streams to be completed, on time. Ensure actions are followed through to completion and are not left unresolved.
- **Lessons learned** – where issues have been resolved ensure that any weaknesses identified are used to inform future audit and testing, for example:
  - consider building case studies into training;
  - perform root cause analysis to assess whether issues are systemic within the wider business; and
  - identify weaknesses in reporting and seek improvements to help prevent similar incidents from occurring in the future.
- **Handover** – where issues remain unresolved ensure that handover documentation provides your successor with a clear overview of the issue.

## Review & Improve

- **Reporting** – critically interrogate the information you receive and produce for others. Consider whether this appropriately covers the most material issues. Is this presented in a concise and easily understood way? Are metrics and KRIs aligned to key risks? Ask for the MI you need, not just what is currently available.
- **People** – set relevant objectives for your team and conduct regular performance appraisals to test competence and capability. Identify training requirements for your team and feed into training plans to ensure these areas are covered.
- **Controls** – continually review your control framework and where gaps are identified take steps to improve and update policies, procedures, systems, etc. Work with the firm's support and assurance functions as necessary.
- **Challenge and discussion** – discuss key decisions within your team and welcome challenge. Document outcomes (e.g. email confirmation of decisions taken, actions agreed, etc.). Contribute your own opinion to collective decision-making and take time to review meeting minutes and actions for completeness and accuracy.
- **Be proactive** – where risks are identified take pre-emptive action and focus attention on the highest priority tasks first and ensure your team is aware which are critically important at any given point.
- **Assurance** – seeking and obtaining internal or external expert advice or assurance.



# An integrated approach to individual accountability and conduct

Practical steps for integrating the SMCR into your day-to-day operational, people and governance and oversight processes could include:

## SMF 'Duty of Responsibility' and reasonable steps

- Providing consistent guidance for SMFs and supporting functions (e.g. personal assistants, company secretariat, and SMCR office) on their SMCR roles and responsibilities.
- Establishing templates and supporting guidance on documenting and evidencing reasonable steps and Conduct Rule compliance. Streamline this with the approach to handovers.

## Governance disciplines

- Establishing processes and procedures that support Boards and committees in evidencing reasonable steps. This should be supported by the company secretariat function, in conjunction with Chairs.
- Ensuring that there is clear attribution of SMF responsibility and legal entity (or multiple entities/a group) relevance in MI and minutes, including in relation to risks, decisions, challenges and actions.
- Where there are multiple entities covered by a Board or committee, ensure that this is clear in terms of reference and supporting MI and minutes.
- Review whether a proportionate and balanced allocation of time to each entity can be evidenced and that potential conflicts of interest between group and individual entities are proactively identified, documented and managed.
- Ensure that SMFs are clear on how they document and manage decision making that happens outside the formal governance framework, for example through one to one discussions.

## SMCR oversight

- Define, document and communicate:
  - SMCR roles and responsibilities across all three lines of defence.
  - Minimum standards to support monitoring and reporting with regard to Prescribed Responsibilities.
  - End-to-end SMCR processes and procedures covering all key SMCR requirements. These should include stakeholder/functional ownership, responsibilities and interactions, key controls, reviews, sign offs and record keeping.
- Establish mechanisms for managing and overseeing the complex, cross-functional interactions and responsibilities in relation to regulatory documentation and interactions with the regulator(s).
- Consider what existing technology can support regulatory documentation and SMCR population management and address the administrative burden and risks inherent in manual record keeping, particularly in relation to large Certified staff populations.

## Conduct Rules, risk management and awareness

- Aligning the risk universe/taxonomy to the Conduct Rules and SMF Responsibilities to support regular risk and control oversight across the three lines of defence.
- Applying a 'conduct lens' to risk assessments, root cause analysis and incident management processes. Record and track conduct risks and issues to support Conduct Rule breach management and reporting.
- Integrating Conduct Rules into the wider code of conduct and culture initiatives and metrics.
- SMCR and the Conduct Rules are a component of training at induction and through ongoing learning for all employees, with training tailored by role.
- Aligning Conduct Rule breach management to disciplinary processes.

**Cindy Chan**

Partner  
cichan@deloitte.co.uk

**Dominic Graham**

Director  
domgraham@deloitte.co.uk

**Nikki Lovejoy**

Partner  
nlovejoy@deloitte.co.uk

**Julia Fachon**

Associate Director  
jufachon@deloitte.co.uk

**Natasha de Soysa**

Partner  
ndesoysa@deloitte.co.uk

**Rebecca Walton**

Senior Manager  
rebeccawalton@deloitte.co.uk

**David Clements**

Partner  
daclements@deloitte.co.uk

**Tasneem Saiki**

Senior Manager  
tsaiki@deloitte.co.uk

**Lyndsey Fallon**

Partner  
lfallon@deloitte.co.uk

**Erin Kerr**

Manager  
erinkerr@deloitte.co.uk

# Deloitte.

This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte LLP accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.