



## CALL FOR EVIDENCE: SENIOR MANAGERS & CERTIFICATION REGIME

Issued 31 May 2023

ICAEW welcomes the opportunity to comment on the call for evidence, Senior Managers & Certification Regime, published by HM Treasury on 30 March 2023, a copy of which is available from this [link](#).

For questions on this response please contact the Corporate Finance Faculty at [CFF@icaew.com](mailto:CFF@icaew.com) quoting REP 48/23

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## CONTEXT

1. ICAEW counts among its members professional services firms that are authorised and regulated by the FCA to undertake certain regulated financial services (FCA solo-regulated firms), principally regulated investment activities. In addition to FCA regulation, these firms are bound by professional regulation of other activities including audit, and associated codes of conduct.

## ANSWERS TO SPECIFIC QUESTIONS

### *Is the regime delivering against its original aims? (Questions 1-4)*

2. Regulated financial services make up a small part of total activity and directly involve a minority of staff in ICAEW member firms. Broadly, our members acknowledge benefits to the governance of, and accountability in, their regulated activities and consider that the SM&CR's objectives are being met.

### *International competitiveness (Questions 5-7)*

3. Our members report that clients considering setting up operations in the UK typically seek to understand the detail of the pathway towards implementing SM&CR. None of the members we consulted has experienced a client ruling out locating in the UK because of the SM&CR.

***Question 8 Are there specific areas of the SM&CR that respondents have concerns about or which they believe are perceived as a deterrent to firms or individuals locating in the UK? If so, what potential solutions should be considered to address these? Respondents should provide as much detail as possible to help build the fullest picture of any issues***

4. Our members have not reported evidence that would point to the SM&CR being a deterrent to firms or individuals locating in the UK.
5. In common with other stakeholders whose issues of concern are mentioned in paragraph 3.22 of the call for evidence, our members also highlight the length of time it has taken to receive authorisation of Senior Managers. One firm reported that changes it notified took the full period to be approved; another said that applications had been responded to 'at the limit'; others reported long intervals between submitting and receiving acknowledgement of applications or responses to questions they posed to the regulator. The joint PRA and FCA [Review of the SM&CR Regime](#) states that there have been significant improvements and that, as part of the review, the regulators will undertake further work. There is a role for HM Treasury to oversee changes the PRA and FCA identify, and to ensure that they are made and embedded.
6. Regarding the frequency of certification, our members mostly find the annual process to be beneficial as it aligns to their broader employee annual review process.
7. As explained in paragraph 2, ICAEW member firms undertake a range of regulated activities and must simultaneously comply with different regulatory regimes. FCA-regulated activity represents a small part of their corporate finance practices and an even smaller part of their whole-firm activities (less than 1% of whole firm revenue). The SM&CR adds a layer of complexity to their compliance landscape, which member firms have addressed according to

their individual structures. With the introduction of new Conduct Rule 6, our members consider there is a need for clarity from the FCA on the new rule's application.

***Question 10 Are there “lessons learned” that government should consider as part of any future decisions on potential changes to the scope of the regime to ensure a smooth rollout to firms or parts of the financial services sector?***

8. The availability of guidance to firms for bringing their staff into the appropriate level of conduct rules will benefit any future rollout of the regime beyond the current scope. Based on their experience of implementing the regime, our members believe this will be particularly effective if communicated early on to any firms and individuals brought into scope.