



REVIEW OF THE SENIOR MANAGERS & CERTIFICATION REGIME

Issued 31 May 2023

ICAEW welcomes the opportunity to comment on the Review of the Senior Managers & Certification Regime, published by FCA and PRA 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 quoting REP 49/23

This response of 31 May 2023 has been prepared by the ICAEW Corporate Finance Faculty, with input from the Financial Services Faculty.

The Corporate Finance Faculty is ICAEW's centre of professional expertise in corporate finance. It contributes to policy development and responds to consultations by international organisations, governments, regulators and other professional bodies. It provides a wide range of services, information, guidance, events and media to its members, including its highly regarded magazine Corporate Financier and its popular series of best-practice guidelines. The faculty's international network includes member organisations and individuals from major professional services groups, specialist advisory firms, companies, banks and alternative lenders, private equity, venture capital, law firms, brokers, consultants, policymakers and academic experts. More than 40 per cent of the faculty's membership are from beyond ICAEW.

The ICAEW Financial Services Faculty is a leading centre for thought leadership on financial services, the faculty brings together different interests and is responsible for representations on behalf of ICAEW on governance, regulation, risk, auditing and reporting issues facing the financial services sector. The faculty draws on the expertise of its members and more than 25,000 ICAEW members involved in financial services.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 166,000 chartered accountant members in over 146 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

Application of Conduct Rules

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. ICAEW member firms that have implemented the Senior Managers & Certification Regime (SM&CR) are also bound by professional regulation of other services, including audit, and associated codes of conduct.
2. Regulated activity represents a small part of professional services firms' corporate finance practices and an even smaller part of their whole-firm activities (less than 1% of whole firm revenue). Professional services firms have integrated the SM&CR into their wider compliance environment with a broadly beneficial impact.
3. The New Consumer Duty (NCD) introduces new Conduct Rule 6, which will require all Conduct Rules staff to '*act to deliver good outcomes for retail customers*' where the activities of the firm fall within the scope of NCD. Clarification from the FCA will be helpful regarding the application of new Conduct Rule 6, with consideration of the indirect impact that firms' activities may have on retail clients.

Senior managers regime – authorisation process

4. In common with reports by other stakeholders, our members highlight the length of time typically taken to authorise 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 review states that there have been significant improvements and that the regulators intend to undertake further work. As part of this, consideration of the regulatory teams' incentive structures could help identify changes that could lead to further improvements. Establishing areas of equivalence of the regimes could also help minimise work and documentation.

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