



## AFB Virtual Seminar

# Proposed Reforms to the Senior Managers and Certification Regime?

22 May 2026



Association of Foreign Banks (AFB) [foreignbanks.org.uk](https://foreignbanks.org.uk)

# Speakers



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# Session outline

- 1 SM&CR reform – background and context
- 2 Recent progress on SM&CR reform and where we are now
- 3 FCA / PRA Phase 1 reforms – key points and wins/losses from AFB consultation feedback
- 4 Spotlight on FCA/PRA reforms to:
  - SMF7 (Group Entity Senior Manager)
  - Regulatory references
- 5 Initial HMT proposals for Phase 2 reforms
- 6 Financial Services and Markets Bill published 20 May 2026 (laying the groundwork for Phase 2 reforms)
- 7 Looking ahead



## Context – The UK growth agenda

- “ Today, I have placed financial services at the heart of this government’s growth mission... ”
- “ At Mansion House last year, I said we must regulate for growth and not just for risk...  
...and we are delivering on that commitment...  
...while continuing to protect financial stability...  
...so that the benefits of a thriving and growing financial services sector can be realised for people all over Britain. ”
- “ And I am streamlining the Senior Managers and Certification Regime...  
...reducing the burdens it imposes on firms by 50%...  
...and slashing approval timelines...  
...so you can bring in talent to your business more quickly. ”



Chancellor of the Exchequer  
Rachel Reeves delivered her  
second Mansion House speech  
on the evening of  
Tuesday 15 July 2025

# Recent progress on SM&CR reform and current outlook

## Consultation close

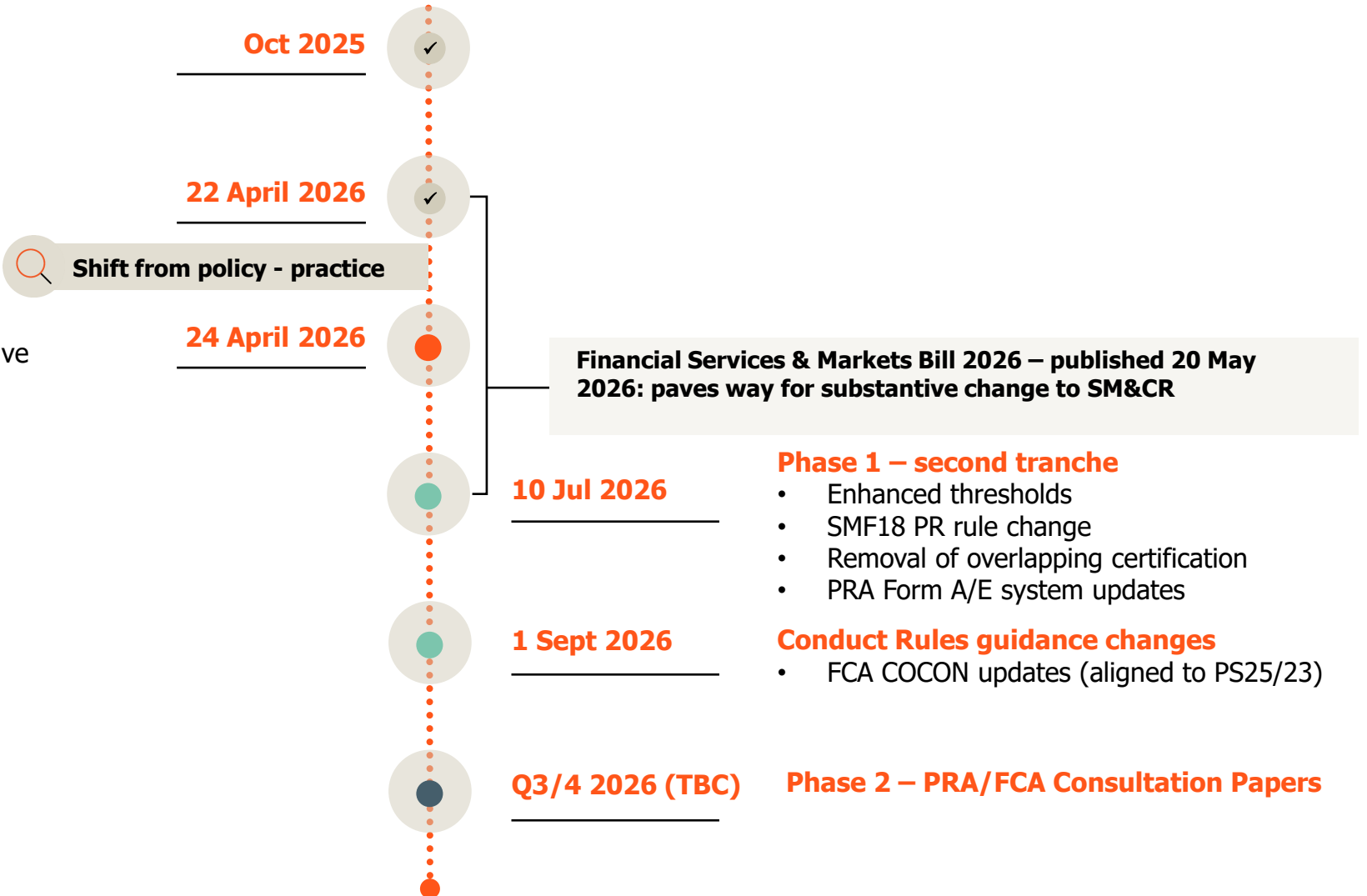
- 7 Oct: FCA CP25/21 & PRA CP18/25
- 8 Oct: HMT consultation

## Policy confirmed

- HMT consultation response
- FCA PS26/6 & PRA PS12/26 published

## Phase 1 goes live (main tranche)

- Core FCA & PRA SM&CR changes effective



- ✓ Completed
- In force
- Upcoming
- Legislative / dependent

# Key FCA / PRA Phase 1 reforms

## Effective 24 April 2026

- CRC validity extended; no CRC for internal / intragroup SMF moves
- 12-week rule amended: now time to submit, not obtain, approval
- Updated SMF18 / SMF22 guidance on status and PR allocation
- 6-month window for SoR / MRM notifications
- Certification and Directory operational flexibilities
- Regulatory reference response expectation shortened (guidance)

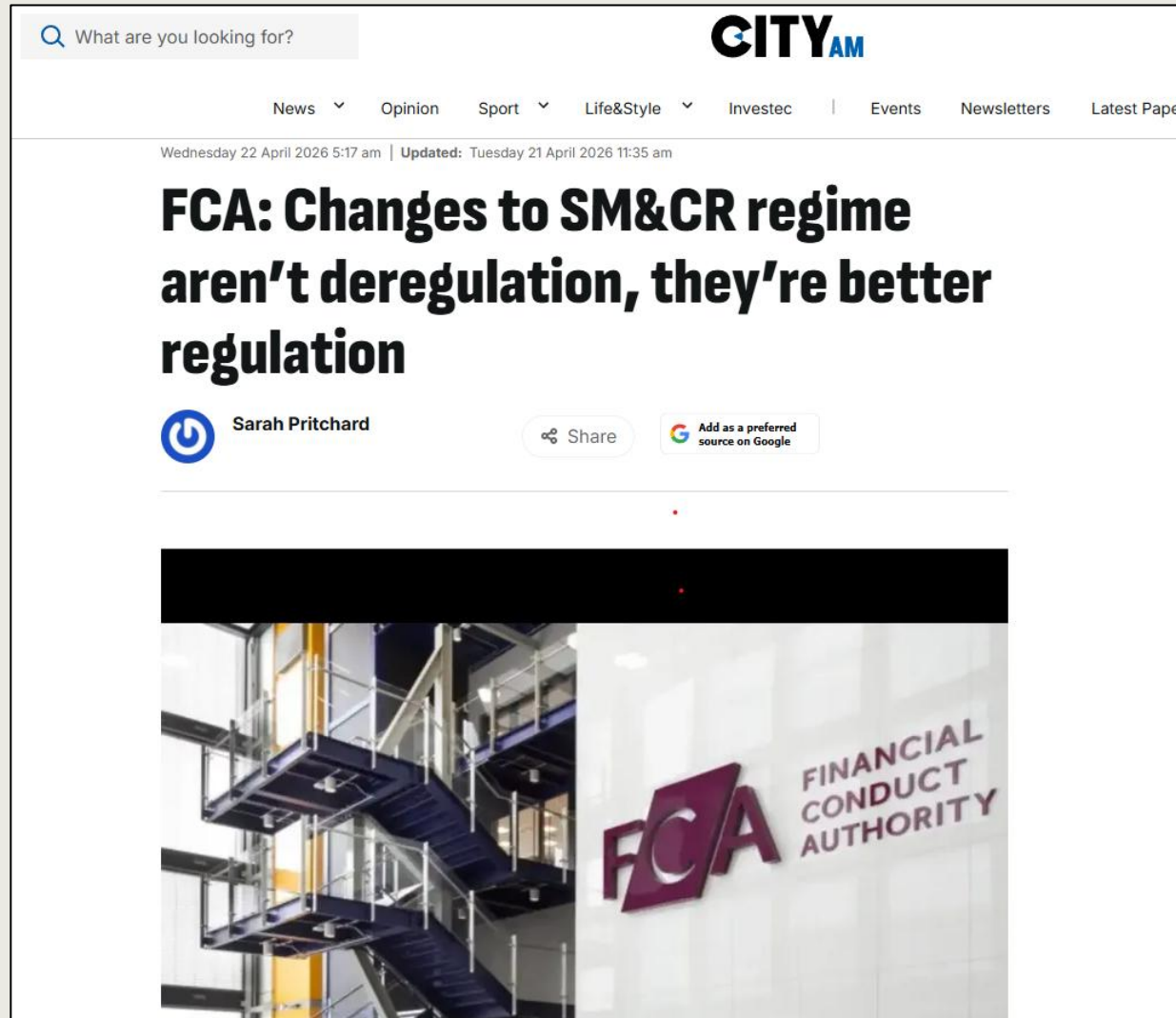
## Effective 10 July 2026

- SMF18 at FCA solo-regulated firms may hold any Prescribed Responsibility
- Enhanced firm thresholds increased (with inflation adjustment)
- Removal of overlapping multiple certification roles

## Effective 1 September 2026

- Changes made to Conduct Rules guidance to align with PS25/23 on non-financial misconduct

# FCA has stressed that individual accountability is staying



*Senior accountability is the foundation of building trust and confidence in UK financial services. But leaders being on the hook for their actions doesn't need to mean they get tangled in red tape.*

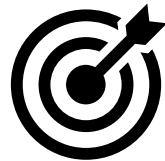
Sarah Pritchard, FCA Deputy CEO  
CityAM, 22 April 2026



# Response to AFB consultation feedback – which points landed

The regulators have taken onboard several points raised by the AFB, including:





- the FCA removed the “equal status” requirement from guidance on SMF18 and confirmed the same applies to SMF22; and
- the PRA amended and consolidated the SMF7 examples, clarifying the intent is to capture those implementing strategy (or otherwise affecting safety and soundness) rather than those merely setting strategy at group level.



However, the regulators did not reflect the AFB’s feedback in certain areas, including:

- that Senior Manager Conduct Rules should not apply to temporary appointees operating under the 12-week rule; they should “pay due regard” to them;
- individual performing role under 12-week rule should be able to hold PRs;
- the need for alignment between FCA and PRA on SMF7 – differences justified by the PRA and FCA’s distinct objectives; and
- 4 week timeframe for regulatory references should be a rule rather than guidance.

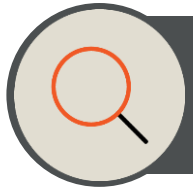
# PRA guidance on SMF7 (Group Entity Senior Manager)

-  PRA has clarified expectations (as well as bringing controllers and their representatives within scope)
-  Policy intention to capture individuals with responsibility for implementing strategy, or who otherwise may affect a firm's safety and soundness, rather than broader group-wide strategy setting
-  Purely advisory, oversight or assurance roles do not require SMF7 approval
-  Assessment remains fact-specific, focused on decision-making influence, not job title

Bottom line: Not intended to significantly expand SMF7 — emphasis on substance over form.



# Regulatory references



## What has changed

### **Response timing expectation shortened**

1

Regulatory reference responses now expected within 4 weeks (reduced from 6 weeks, via guidance)

### **No change to core rules**

2

This is not a hard deadline and does not amend the underlying rules

### **Scope and content unchanged**

3

Look-back periods and reference content remain the same



**Key message:** acceleration, not redesign

# FCA Regulatory References — New Guidance Rule 22.6.3A

**Source:** FCA PS26/6 / FCA 2026/17 / SYSC 22.6.3A G

Rule	Text
22.6.3A G	<p>If an employee has breached COCON but the firm has not taken disciplinary action of the type referred to in question F in Part One of SYSC 22 Annex 1R (Template for regulatory references given by SMCR firms and disclosure requirements), the firm:</p> <ul style="list-style-type: none"><li>(1) should not report that breach in the answer to question F;</li><li>(2) need not report that breach in the answer to question G (or anywhere else in the reference) if the firm reasonably considers it not to be relevant to the assessment by the firm asking for the reference of whether the individual is fit and proper; and</li><li>(3) should include it in the answer to question G if it would be reasonable to consider that it is relevant to that assessment.</li></ul>

# New guidance on regulatory references

## Verification

Verification	
22.5.1	<b>R</b> This chapter does not require a <i>firm</i> to disclose information that has not been properly verified.
22.5.2	<b>G</b> <p>(1) For example, this chapter does not necessarily require a <i>firm</i> to include in a reference the fact that an <i>ex-employee</i> left while disciplinary proceedings were pending or had started. Including such information is likely to imply that there is cause for concern about the <i>ex-employee</i> but the <i>firm</i> may not have established that the <i>ex-employee</i> was actually responsible for misconduct.</p> <p>(2) However, a <i>firm</i> may include such information in a reference if it wishes to (see ■ SYSC 22.3.5G).</p>

- (3) If a *firm* believes that an *employee* has committed misconduct but the *employee* leaves before the *firm* completes its investigations, it should consider including the details of the suspected misconduct in a reference, taking into account:
- (a) whether the suspected misconduct would be material enough to disclose if it were true;
  - (b) whether the *firm* has good enough grounds for its belief for the *firm* reasonably to consider that it would be relevant to the new *employer's* assessment of whether the *employee* is fit and proper;
  - (c) whether including it would be consistent with SYSC 22.5.4G and SYSC 22.5.5G (Fairness); and
  - (d) the extent to which including the information is otherwise permissible under privacy, employment and other provisions of relevant law.
- (4) A *firm* should not include information about suspected misconduct unless the *firm* has taken sufficient steps to verify the information (see SYSC 22.5.4G and SYSC 22.5.5G (Fairness)). However, the fact that the *employee* leaves before the investigation into the suspected misconduct is complete does not necessarily mean that the *firm* should omit the suspected misconduct. For example:
- (a) the *firm* may complete the investigation after the *employee* leaves, perhaps for one of the reasons in SYSC 22.5.18G (Duty to investigate allegations); or
  - (b) the investigation may have advanced sufficiently far by the time the *employee* leaves that the *firm* is satisfied that the misconduct has taken place even though the details (such as, for example, the extent of the harm done) have not been fully established.

# New guidance on regulatory references

## Fairness

22.5.4

G

### Fairness

- (1) A *firm* supplying a reference in accordance with this chapter owes a duty under the general law to its former *employee* and the recipient *firm* to exercise due skill and care in the preparation of the reference.
- (2) The *firm* may give frank and honest views, but only after taking reasonable care both as to factual content, and as to the opinions expressed.
- (3) References should be true, accurate, fair and based on documented fact.
- (4) If a *firm* wishes to refer to misconduct or include adverse information about the subject of the reference, the *firm* should have reasonable grounds for believing that the misconduct has taken place or that the information is true. References should not be based on unproven allegations or mere suspicions. See also SYSC 22.5.2G (Verification).

# New guidance on regulatory references

## Duty to investigate allegations

22.5.18 G

### Duty to investigate allegations

- (1) A *firm* should, wherever feasible, conclude investigative procedures before the *employee* departs.
- (2) However, this chapter does not create a duty to investigate alleged misconduct by an *employee* or former *employee*.
- (3) There are several reasons why a *firm* may find it appropriate to investigate potential misconduct by an *employee* or former *employee*, including:
  - (a) assessing the actual and potential damage resulting from misconduct;
  - (b) identifying other individuals potentially culpable or accountable for the breach;
  - (c) satisfying itself that the *SMF manager* responsible for the areas where the misconduct occurred took reasonable steps to prevent or stop it; and
  - (d) (where the *employee* has *remuneration* susceptible to malus or clawback) enabling it to consider whether any adjustments are justified.
- (4) See more about incomplete investigations in SYSC 22.5.2G

# Regulatory references: practical implications


## What firms should take away



- 1 Review internal processes to support 4-week turnaround
- 2 Continue to apply reasonable and proportionate judgment
- 3 No immediate need to renegotiate reference wording or templates
- 4 Expect supervisory focus, not enforcement-led change

# Initial HM Treasury proposals for Phase 2 reforms

Certification Regime	Senior Managers & Statements of Responsibilities	Conduct Rules	Approval process flexibility	Financial Market Infrastructures (FMIs)
<p>Certification Regime to be removed from FSMA, including the annual recertification requirement.</p> <p>Replacement regime to sit entirely in FCA / PRA rules. Commencement to be aligned with regulators' new rule frameworks – certification does not disappear, but its legal basis changes</p>	<p>Notification-based pathway confirmed for some SMF appointments – regulators to specify scope in rules.</p> <p>Prescriptive FSMA requirements on Statements of Responsibilities repealed – regulators given flexibility to set SoR requirements in rulebooks. No legislative change to the number of SMFs – HMT confirms regulators already have sufficient powers in rules</p>	<p>Repeal of prescriptive statutory requirements to notify regulators of breaches and conduct mandatory training.</p> <p>Regulators retain full powers to set Conduct Rules and related obligations via rules and guidance</p>	<p>Time-limited and conditional approvals – regulators empowered to permit these in rules/guidance without triggering statutory notice requirements. Statutory determination deadline proposed to reduce from 3 months to 2 months</p>	<p>SM&amp;CR for FMIs not commenced at this stage. Equivalent legislative changes to be made to ensure future consistency if/when regime is applied</p>

 **Key message:** Legislation removes rigidity from FSMA and shifts detailed design to regulator rulebooks.

# Phase 2 reforms - Financial Services & Markets Bill 2026

- **Status:**

- Financial Services & Markets Bill published on 20 May 2026.
- First reading (House of Lords) took place on 19 May 2026.
- Second reading has yet to be scheduled.
- Phase 2 FCA and PRA consultations to be expected in Q3/4 2026 (per Regulatory Initiatives Grid).

- **Key provisions**

- Removing the requirement for regulatory pre-approval for some senior management functions – firms will notify regulators of appointments instead.
- Removal of all statutory requirements relating to statements of responsibilities.
- Certification regime removed entirely from primary legislation – likely to be replaced by more proportionate and flexible framework in rulebooks.
- Removal of statutory duties on firms to provide conduct rules training and notify regulators of conduct rules breaches.



**Key message:**

Phase 2 changes are already in train, sooner than expected. Expect PRA and FCA Phase 2 consultations later this year

# Looking ahead

## Now (in force since 24 April 2026)

- Be aware of additional flexibility already available under the **Phase 1 changes** e.g. 12-week rule, extended CRC validity

## Prepare for 10 July changes

- **10 July 2026**  
Enhanced firm thresholds change;  
SMF18 PR rule change  
removal of overlapping certification functions;  
PRA Form A/E system updates
- **1 September 2026**  
New FCA COCON guidance comes into force

## Monitor for further developments

- **Phase 2 consultations** from PRA and FCA (expected in Q3/Q4 2026)



Questions



**Please scan QR code  
to provide feedback**



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