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UK SMCR Reform: Consultations, Proposals and Next Steps

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Executive Summary

The UK government and regulators are conducting the most wide-ranging review of the Senior Managers & Certification Regime (SMCR) since its introduction.

- Phase One – Financial Conduct Authority (FCA) & Prudential Regulation Authority (PRA) consultations (CP25/21 and CP18/25): Targeted reforms to streamline approvals, certification, governance documentation and temporary cover, alongside internal regulator improvements.
- Phase Two – HM Treasury consultation: Proposes removing the Certification Regime from legislation and transferring it fully into FCA/PRA rulebooks – the most significant potential reform since 2016.
- Phase Three – Further changes: Likely once legislative amendments are in place, potentially reducing senior manager roles, altering pre-approval requirements and reshaping responsibilities.

Consultations close: 7 October 2025.

Next steps: FCA/PRA final rules mid-2026; Treasury legislation timing subject to Parliament.

Why it matters: The reforms will affect governance structures, succession planning, HR and certification processes, regulatory reporting and accountability frameworks across firms.

Further Reading / Sources

FCA Consultation Paper CP25/21: Senior Managers and Certification Regime Review – https://www.fca.org.uk/publications/consultation-papers/cp25-21-senior-managers-certification-regime-review

PRA Consultation Paper CP18/25: Review of the Senior Managers and Certification Regime – https://www.bankofengland.co.uk/prudential-regulation/publication/2025/july/review-of-the-senior-managers-and-certification-regime-consultation-paper

HM Treasury Consultation: Reforming the Senior Managers & Certification Regime – https://www.gov.uk/government/consultations/consultation-reforming-the-senior-managers-certification-regime

Background

SMCR was created in response to the 2008 financial crisis and the 2013 Changing Banking for Good report, which criticised the Approved Persons Regime.

It comprises three elements:

- Senior Managers Regime (SMR) - pre-approval of defined roles with prescribed responsibilities.
- Certification Regime - firm-led certification of significant influence roles.
- Conduct Rules - broad behavioural standards.

The regime was rolled out from 2016 for banks and later extended to insurers, solo-regulated firms and benchmark administrators. It has been periodically reviewed (2019–20, 2023 Edinburgh Reforms), but the current consultations represent the most ambitious reforms to date.

Phase One ? FCA & PRA Proposals

Approvals:

- Criminal record checks valid for six months (previously three).
- FCA would exempt intra-group SMF moves from new checks; PRA would not.
- Regulators are resourcing internally to reduce approval backlogs.
- Overseas approvals remain unrecognised, though experience may be considered.

12-Week Rule:

- Interim cover remains possible, but firms must submit an application for an SMF within 12 weeks (rather than the current rule which requires any temporary appoint

to last less than 12 weeks).

- Interim appointees can continue in role while approval is pending.
- Fitness and propriety checks mandatory; Conduct Rules apply.
- Regulators stress this should not substitute for succession planning.

Roles & Responsibilities:

- FCA: restrict SMF18 (Other Overall Responsibility) and SMF22 (Other Local Responsibility) to true executives.
- PRA: broaden SMF7 (Group Entity Senior Manager) to include group strategists overseas.
- FCA may permit limited splitting of Prescribed Responsibilities; PRA prohibits.
- PRA will update supervisory statements with examples to clarify scope.

Governance Documentation:

- Statements of Responsibilities (SoRs): up to six months to re-file after changes.
- Management Responsibilities Maps (MRMs): consolidated filings permitted where multiple applications are made.

Certification:

- Clarifies overlaps with SMFs.
- Digital certificates expressly permitted.
- Recertification may be built into annual HR/performance review cycles.
- FCA estimates duplication could fall by ~15%.

Conduct Rules:

- Annual breach reporting limited to cases involving disciplinary action (suspension, pay reduction, etc.).
- Regulatory references must still include such breaches.
- Senior Managers remain obliged to notify regulators even for privileged or indirect matters.

Enhanced Firms:

- FCA proposes thresholds reviewed every five years.

- Firms close to current limits should model future categorisation.

Overall effect: Incremental improvements and efficiency gains, but divergence between FCA and PRA increases complexity for dual-regulated firms.

Phase Two ? HM Treasury Proposals

Certification Regime – central reform:

Treasury proposes removing the statutory basis of Certification and embedding it fully in FCA/PRA rules. This would:

- Give regulators flexibility to design proportionate, risk-based frameworks.
- Enable quicker adjustments without Parliamentary delay.

This is the most consequential reform under consultation. Firms should prioritise engagement.

Senior Managers Regime:

- Potential redefinition of “senior manager” to reduce roles in scope.
- Pre-approval may no longer be required for all SMFs.
- Content of Statements of Responsibilities could be simplified.

Conduct Rules:

- No legislative changes now, but future streamlining of breach reporting is possible.

Future possibilities (post-legislation):

- Reduction of SMF roles and prescribed responsibilities.
- Wider exemptions from pre-approval.
- Possible removal of the public Directory.
- Expansion of the 12-week rule.
- Streamlined breach reporting.

Policy signal: Treasury has set a 50% regulatory burden reduction target – ambitious, but a clear expectation for bold simplification.

Wider Context

SMCR reforms are part of the UK Labour Party's broader financial services agenda:

- Smarter Regulatory Framework: Of 6,911 pieces of assimilated EU law identified, 2,532 have been revoked/reformed and 4,373 retained (including 408 in financial services). Labour's approach prioritises stability, innovation and investment over numeric repeal targets.
- Recent legislation:
- Bank Resolution Recapitalisation Act 2025 – expands resolution powers.
- Data Use & Access Act 2025 – introduces open finance schemes.
- Consumer Competency & Investments Regulations 2024.
- Mansion House / Leeds Reforms (July 2025): Government reaffirmed financial services as a growth driver, extending the FISMA model to capital requirements and progressing UK EMIR/market reforms.

Timetable

- 15 July 2025 - FCA, PRA and Treasury consultations published.
- 7 October 2025 - Consultation deadline.
- Mid-2026 - FCA and PRA final rules expected.
- Treasury legislation - dependent on Parliamentary schedule.

Recommended Actions

Immediate (Phase One):

- Conduct a gap analysis against FCA/PRA proposals.
- Strengthen succession planning in light of the revised 12-week rule.
- Audit documentation – SoRs, MRMs, regulatory references, Directory entries.
- Integrate certification into HR cycles to reduce duplication.

Forward-looking (Phase Two):

- Engage with Treasury consultation – particularly on Certification removal.
- Model potential impacts of redefined SMF roles and fewer pre-approvals.
- Monitor possible changes to the Directory and breach reporting.
- Anticipate regulators being pressed to deliver burden reduction outcomes.

Watch-Outs for Firms

- Uncertainty over SMF scope - Treasury has not confirmed which roles may lose pre-approval.
- Regulatory divergence - FCA/PRA differences may persist, requiring dual compliance.
- Implementation timing - transition and grace periods not yet defined.
- Directory and references - possible simplifications still under discussion.
- Overseas candidates - recognition of overseas approvals remains unresolved.

Conclusion

Phase One reforms amount to a spring clean – clarifications and efficiency measures without changing fundamentals. Phase Two could be a rebuild, handing regulators new powers to reshape Certification and Senior Manager rules.

For firms, accountability will remain, but simplification and flexibility are firmly on the agenda. Now is the critical time to engage with consultations and prepare governance, HR and compliance frameworks for reforms expected from 2026 onwards.

For further information, please contact ukreg@proskauer.com

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Related Professionals

- **Andrew Wingfield**
  Partner
- **John Verwey**
  Partner
- **Anna Maleva-Otto**
  Partner
- **Sulaiman I. Malik**
  Associate
- **Anna Sykes**
  Law Clerk

- **Rachel E. Lowe**
  Partner
- **Michael Singh**
  Associate