

# FCA Consultation on SM&CR Reforms



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To coincide with the Chancellor's Mansion House [speech](#), the Financial Conduct Authority (FCA) issued its long-awaited consultation on reform of the [Senior Managers and Certification Regime \(SM&CR\)](#).

The reforms aim to make the regime more efficient and effective by streamlining processes and reducing regulatory burdens on firms, while maintaining its core principles. This consultation, conducted alongside the Prudential Regulation Authority (PRA), marks the first phase of a broader reform. Further changes will follow the Treasury's consultation on the legal framework.

The review stems from a government commitment in December 2022. A joint discussion paper (DP) [DP23/3](#) was published by the FCA and PRA in March 2023, alongside a Treasury [Call for Evidence](#). It evaluates the regime's effectiveness and explores improvements that support regulatory objectives and the UK's international competitiveness.

The proposals are set out in two phases:

**Phase 1** – proposals reflecting the feedback received to the DP that can be implemented without the need for changes to the legislation underpinning the SM&CR.

**Phase 2** – proposals that the FCA is considering making if the changes in legislation propped by the Treasury are passed into law.

## Phase 1 Proposals

The FCA's Phase 1 Proposals include

- Improving the **12-week rule** for temporary Senior Manager cover.
- Streamlining the **Senior Management Function (SMF)** approval process.
- Extending the validity of **criminal record checks (CRCs)** for SMF applications to six months.
- Allowing more time to update **Statements of Responsibilities (SoRs)**.
- Reducing the overlap in **certification roles** and provide clearer guidance.
- Extending deadlines for updating **Directory information**.
- Providing guidance on **SMF roles, Prescribed Responsibilities (PRs), and Conduct Rules**.
- Revising guidance on **regulatory references**.
- Raising the threshold for **Enhanced SM&CR firm classification** from £50bn to £65bn AuM, with future adjustments every five years to reflect inflation.

## Phase 2 Considerations

Under its Phase 2 Considerations, the FCA is seeking feedback on potential future reforms, including:

- Reducing the number of SMF roles requiring approval.
- Expanding the 12-week rule for interim appointments.
- Further simplifying the SMF assessment process.
- Reducing the frequency of SoR submissions and simplifying responsibilities mapping.
- Designing a streamlined alternative to the certification regime.
- Removing the Directory and exploring alternative consumer information sources.
- Simplifying Conduct Rule breach reporting.
- Potential removal of some **Prescribed Responsibilities**

## Phase 1 Proposals – some points to note

### Criminal Records Checks

- CRCs for SMF candidates would be valid for six months.
- CRCs would not be required for individuals already approved by the FCA applying for another SMF role within the same firm or group.

### 12-Week Rule Reform

- Firms would have 12 weeks to submit an SMF application, rather than to receive a decision.
- Once submitted, the individual may continue in the role until the application is determined.
- The rule would apply to both permanent and interim appointments.
- Individuals acting under the rule would be subject to **Senior Manager Conduct Rules** during and beyond the interim period.
- Routine notification of the rule's use would not be required unless specific circumstances (e.g., under Principle 11) apply. Here it is to be hoped that the FCA will provide clarification on whether this applies to SMF16 and SMF17 roles.

## Periodic Submission of SoRs

While firms must keep SoRs and, where applicable, Management Responsibilities Maps (MRMs) up to date internally. However, under the proposals, they would only need to submit updated SoRs every six months. Solo-regulated firms could submit the latest version of each changed SoR and one up-to-date MRM in a single batch. No submission is required if no changes occurred.

## Certification Regime Changes

The FCA supports the Treasury's plan to consult on replacing the legislative framework of the Certification Regime. In the interim, it proposes removing the requirement for separate certification where:

- An individual is already certified by the PRA as a Material Risk Taker, Significant Risk Taker, or Key Function Holder.
- An individual certified as an FCA Material Risk Taker also holds a Significant Management Function.
- A manager of a certified employee is already certified for another function within the same firm.

## Regulatory References

The FCA proposes updating its guidance to recommend that firms provide regulatory references within four weeks of a request, down from six weeks. While this remains non-binding, firms are expected to respond promptly. The non-binding nature of this change is likely to mean that the impact will be limited for firms already experiencing delays in receiving references from other FCA-regulated entities.

[Responses to the Consultation](#) are to be submitted by 7 October 2025.

The FCA intends to will review the feedback and develop final regulatory requirements for publication in a Policy Statement expected in mid-2026.

## For Further Information

If you would like to discuss any of the areas raised in this article, please contact your usual Waystone representative or Waystone's Compliance Solutions team via the below.

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