

SM&CR Case Study Series

TRAINING FOR CONDUCT STAFF

ISSUE 9 • NOVEMBER 2019

This is the ninth instalment of our SM&CR case study series, designed to help you prepare for the implementation of the FCA's Senior Managers and Certification Regime (SM&CR). This series follows fictitious firm Smith & Cromer Limited's project to implement the Regime with the process and tips being released to you throughout the year.

Before you read on, have you:

1. Read the first eight instalments?
2. Watched our one-minute explainer video – SM&CR in a Nutshell?

If you are up to date, read on...

Our case study firm

Smith & Cromer Limited is a fictional solo-regulated firm active in the wholesale markets with 25 staff in total, including 20 approved persons. There are five executive directors and two non-executives. All but one of the executive directors also performs the customer function under the Approved Persons Regime. The compliance function and the MLRO function are both performed by Sam Carr, who is not a director of the firm.

Sam is steering the SM&CR implementation project and, with the implementation date of 9th December 2019 rapidly approaching, it is nearing conclusion. The senior managers and certification staff have been identified, and the required updates to documentation for the SM&CR to be implemented have been put in place. The fitness and propriety of both the senior managers and the certification staff have been assessed. Training plans have been devised for the senior managers and the training for the certification staff has been designed and is currently being delivered. The necessary amendments have been implemented to the existing systems and controls to embed SM&CR into business as usual. All that remains is to put in place training on the conduct rules for the small number of staff at Smith & Cromer that are neither senior managers nor certified staff.



SM&CR Preparation Timeline

Are we where we should be? **MAR 2019**

Senior managers, certification staff or conduct staff? **APR 2019**

SM&CR documentation updates **MAY 2019**

Fitness and propriety of senior managers **JUN 2019**

Training for senior managers **JUL 2019**

Fitness and propriety of certification staff **AUG 2019**

Training for certification staff **SEP 2019**

Setting up systems & controls to support SM&CR **OCT 2019**

Training for conduct staff **NOV 2019**

SM&CR checklist **DEC 2019**

Training for conduct staff

Training the Conduct Staff at Smith & Cromer

Sam Carr, the project lead for SM&CR implementation, only has a handful of staff left to train on the conduct rules. The senior managers' conduct rules training has already been delivered and certified persons' conduct rules training is currently happening. That leaves just four staff at the firm that will require training on the new SM&CR conduct rules, and there is a transition that means Sam has up to 9 December 2020 to deliver the required training.

Given that Sam has already engaged a firm of external compliance training specialists to deliver 'lunch and learn' sessions to the certified persons at the firm, she considers it would be both consistent and cost effective to add a further session for the conduct rules staff. She also concludes that it is sensible to get this done before the end of the year. The target group have seen all of the other training for the SM&CR going on around the office, so to provide a special session for them at this stage is more in line with the inclusive approach taken at Smith & Cromer.

In consultation with the external compliance training firm, Sam decides on the following two-stage approach for the staff.

1) Highlight the change

Sam will arrange a half an hour session which she will run. It will be mandatory for the four 'conduct rules' staff and also include the single ancillary staff member – Smith & Cromer's receptionist. It will kick off with CCL's one minute 'SM&CR in a nutshell' animated infographic to provide a focused overview of the new regime, and then Sam will put the regime into context by highlighting what has already been done at Smith & Cromer. The session will be two-way, with plenty of scope for questions from the attendees.

2) The conduct session

Sam will arrange a subsequent one-hour session to be run by the external compliance training firm. It will be a lighter version of the conduct rules training delivered to the certified persons. Incorporating relevant case studies that draw on both real situations that have arisen at the firm and that cover each of the conduct rules, the session will provide plenty of opportunity to explore how the delegates would (and should) behave in lifelike scenarios.

Keeping Conduct to the Fore

Sam and the CEO are conscious that all of the current activity that has been going on around the SM&CR, both within Smith & Cromer and in the industry, should mean conduct and culture will be at the forefront of all of the staff's minds. However, there is a danger that until reinforcement at the next annual appraisal, the necessary focus on conduct may dissipate a little. To counter this, Smith & Cromer decides to engage the external compliance training firm to deliver a series of quarterly lunch and learn sessions, initially over 2020. Each of these sessions will be open to all staff and will concentrate on reinforcing the conduct rules by highlighting any recent conduct issues, again including case studies. Not only will this keep the staff engaged on conduct issues, but it will also enable Smith & Cromer to stay abreast of regulatory developments, such as the currently increasing significance of non-financial misconduct driven by the Me Too movement and the likes of Harvey Weinstein.

KEY TAKEAWAYS

- 1 Consider including any 'ancillary' staff in the conduct rules training too.
- 2 Despite the transitional period meaning conduct rules staff training is only required by Dec 2020, it may be sensible, inclusive and cost effective to deliver it ahead of time, alongside other SM&CR events.
- 3 Consider regular reinforcement of conduct rules embracing regulatory developments post implementation.

We will conclude our series next month with our SM&CR checklist.



TRAINING

Extensive experience in training senior managers and other staff who are subject to the SM&CR.

eLearning | Face to Face | Train the Trainer