

SM&CR Case Study Series

TRAINING FOR SENIOR MANAGERS

ISSUE 5 • JULY 2019

This is the fifth instalment in our SM&CR case study series, designed to help you prepare for the implementation of the FCA's Senior Managers & 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.

Have you:

1. Read the first four 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

Remember 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 project and has already identified Smith & Cromer's senior managers and certification staff, considered the documentation updates that will be necessary for the SM&CR to be implemented and assessed the fitness and propriety of the senior managers who will be taking on the senior manager functions. This has enabled a training plan for the senior managers to be devised.

Sam and her CEO have agreed that what is required is a training session for the senior managers on the conduct rules that will apply under the SM&CR, with particular focus on the Senior Manager Conduct Rules. The planned training will be delivered by a seasoned ex-practitioner and trainer who is well placed to tailor and deliver the session for an audience that is predominantly board level.

In this instalment we will roll back a little and look at the various options considered for the senior managers' training and how Sam and Smith & Cromer's CEO reached their decision on the training provider.

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 Senior Managers

- **The method of training** – The senior managers' training could take the form of eLearning, a face-to-face session or some sort of blend between the two. Given the requirement for a tailored session that specifically addresses Smith & Cromer's needs and the small number of participants, eLearning alone or in a blended solution would be prohibitively expensive. It will be a face-to-face session.
 - **Length of session** – Sam wants to tag the session onto a board meeting where most of the group will already be in the same location, which realistically means the session will need to be delivered within 2 or 3 hours.
 - **Records and assessment** – Given the small numbers and the nuanced nature of what conduct is appropriate and reasonable, a multiple-choice type assessment is unlikely to work well. A more sensible approach is for the senior managers to self-certify that they know and understand what is expected of them under the conduct rules after the session, and possibly to combine this with the trainer's impressions in the form of a short report that will cover each attendee. Copies of the materials used in the session will be retained by Smith & Cromer, particularly the cases used to illustrate potential conduct expectations and breaches. Each of the senior managers will also be required to attend later planned conduct rules training sessions for the wider Smith & Cromer team. This will reinforce the generally applicable rules on conduct for the senior managers and will likely embrace some sort of assessment to further demonstrate their competence. It will also illustrate the importance placed on conduct from those that run the firm, contributing to the right 'tone from the top'.
 - **The training provider** – The potential providers can be sub-divided into three broad groups:
 - a) General training providers (some of whom are finance and banking specialists)
 - b) Regulatory and compliance training specialists
 - c) Professional services firms such as accountants, lawyers and consultants.
 - **Screening and selection** – The assignment is a demanding one, with the chosen trainer needing to keep the board level delegates engaged (developing and utilising tailored, realistic scenarios in case studies) AND be sufficiently experienced to direct discussions and respond sensibly to questions. So, Sam contacts a number of potential providers across all three groups asking for expressions of interest including resumes of the individuals that will deliver the training. Initial screening will be based on the two major required attributes:
 - a) The training experience of successfully running professional tailored, interactive sessions.
 - b) The gravitas and compliance capability of the proposed trainer, ideally in relation to conduct, ethics and the SM&CR.
 - **The outcome** – Responses from the interested providers and initial screening sees the general training providers fall away due to a lack of compliance specialism. The professional services firms do not meet the brief that is looking for an individual with the training experience to deliver an engaging and motivating session. The only potential provider ticking both boxes is a compliance specialist training provider that has put forward a hugely experienced ex-practitioner who has been training for a number of years and will bring the gravitas, professionalism and the practical angle that Smith & Cromer is looking for. It also looks likely that the chosen training provider will be able to help with the wider conduct rules training that will come later. This will facilitate consistency of message and potentially enable re-use of some of the cases developed for the senior managers.
- Sam asks for a detailed programme from the training provider and, following subsequent discussions and consultation, agrees a suitably tailored 2-hour session to be delivered to the senior managers following the next board meeting.

KEY TAKEAWAYS

The selection of the training provider should follow the following three steps:

- 1 Carefully consider your requirement before inviting a reasonably wide group of potential training providers to pitch based on a training brief.
- 2 Put in place logical screening measures to narrow the field of potential training providers.
- 3 Make the final decision based on the refined screening results and agree a tailored outline for the training session.

Our case study will continue next month with 'Fitness and propriety of certification staff'

In the next instalment, Sam will assess the fitness and propriety of certification staff and identify the steps needed to address any shortcomings.



TRAINING

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

eLearning | Face to Face | Train the Trainer