

7 October 2025

**Governance Remuneration and Controls Team
Prudential Regulation Authority**

20 Moorgate
London EC2R 6DA

Submitted by e-mail to: CP18_25@bankofengland.co.uk

Dear PRA Team,

CFA UK letter in response to CP18/25 – Review of the Senior Managers and Certification Regime (SM&CR), Phase 1

We welcome BoE/PRA's further consultation on reforming the SMCR regime. Many members of our society are connected in some way to the regime in their professional careers, and we have an interest in supporting **process simplification while retaining the core principles of accountability**.

CFA UK had also responded to the 2023 Discussion Papers from FCA/PRA and HMT and note that the current proposals are aligned with a few of our previous suggestions, including:

- Addressing the issue of approvals and references taking too long;
- The need for speedier investigation of complaints of poor behaviour and concrete enforcement action.

As we have parallelly responded to specific questions posed by the FCA and HMT on the same topic, we are replicating some of the responses below that are relevant to the headings covered in PRA's CP.

The 12 week rule

We support relaxation of this rule but suggest considering a more significant simplification, for example to six months. This is due to the relative frequency of personnel changes in the sector and the long lead time to recruitment and starting of new joiners. It would also allow UK firms to be nimbler and more adaptive to change, as well as develop UK finance sector leadership through interim appointments.

Alternative proposal:

- Interim appointments to be permitted a tenure up to 6 months without the need for SMF approval.

- Interim appointments to be conditional on being approved by an appropriate SMF and/or the Board, in addition to what you have already noted (i.e. the firm conducts a fit and proper assessment, and the appointee is subject to SM conduct rules).
- Assumption of PRs by interim appointees to be permitted during their tenure, to avoid overlaps and confusion about responsibilities. The concept of another SMF taking the PRs while not actually performing that role is questionable.

Individuals in scope

We agree with more flexibility, however a reduction in roles should be applied judiciously.

- While quality should prevail over quantity, key responsibilities should not be overlooked only to achieve a lower number of senior managers
- The managerial and oversight bandwidth of individuals should be kept in mind when reducing roles
- New developments may also require consideration, for example Technology and AI related changes are likely to have a significant impact in the coming years, including client facing aspects. We suggest reviewing whether housing responsibility for assessment and impact within the general SMF18 category will suffice to ensure rapid and safe adoption of technology.

We emphasise the distinction between the existence of SM roles and regulatory preapproval of SM roles. The former is core to the accountability regime, whereas the latter reaches more into process and compliance.

We accordingly support a reduction in the number of senior manager roles requiring preapproval. As long as appointment conditions and expectations are clear, such as fit and proper checks, regulatory references, and CRC, and provided that appointments are a responsibility of the Board and/or another preapproved senior manager (ideally the CEO), the majority of appointments can be left to firms to execute without regulator preapproval.

Statements of Responsibilities (SoRs)

We agree with allowing regulators the flexibility of streamlining non-essential processes.

For example, we support the FCA proposal to submit SoRs (if there has been a significant change) every 6 months rather than at the point of change as a practical simplification measure. Submission of all changes in the past 6 months potentially adds less by way of oversight, while increasing overall paperwork.

The latter may also incentivise firms to merge and implement all changes over six months into a single instance to manage timing and admin burden, with the potential for negative consequences.

Regulatory References and Criminal Record Checks

We support the proposed simplifications such as criminal record checks not necessary annually, and time frame improvements, as they do not compromise the underlying principles.

Conduct Rules and overarching framework

We agree with streamlining of the conduct rules related processes, but caution that conduct rule breach reporting should not dilute the basic checkpoints of breach monitoring, recording, reporting and escalation. Any significant removal of such checks and balances would yield little by way of efficiency gains while disproportionately increasing systemic risk. We agree that all conduct rule breaches are not equal, but the yardstick of “disciplinary action” opens the door to inconsistency and arbitrariness and requires further clarification.

The overall legislative / regulatory framework – comprising of Conduct Rules, the Duty of Responsibility, and the Consumer Duty - is potentially still complex and could be simplified for long term effectiveness.

Certification Regime

We agree with the legislative change, as moving into the regulatory perimeter would allow for consistent framing and application of regulation relating to conduct and accountability.

We however caution against diluting a credible process for individuals to assume key responsibilities. Excessive relaxation risks promoting inconsistency and reducing the quality, qualifications based expertise, and ethics of this critically important pool of people in maintaining competence and integrity in the system and competitiveness of the UK. For example, we do not support the FCA’s proposal of removing certification as a manager (if the person is otherwise certified).

We support proposals to clarify the requirements around form of the certificate (digital permitted) and leveraging existing performance management processes. With regard to duplication, we support removing the PRA v FCA duplication possibility, and the SMF vs MRT possibility.

Further enhancement areas

In addition to further consideration of Technology related responsibilities, we suggest enhancements by way of guidance and clarification related to:

- a) Consumer duty obligations: while these are implicit in all roles, we suggest explicit accountability for SM and certified roles in a firm. This will bring sharper individual accountability, given the removal of the champion role.
- b) Enhancing the framework for delegation. Senior manager’s typically delegate or apportion many activities to others, while retaining the responsibility; this causes a degree of duplication. An alternative could be activity responsibility is

also delegated, with the SM being responsible for supervision, and delegation being limited to other SM's or certified persons.

Separately, we note FCA's recent consultation CP25/25 proposes applying SMCR to crypto-asset firms, which we support for consistency and clarity, and also recommend extension to other areas such as clearing and e-money.

We hope our comments are useful and would be grateful for the opportunity to meet and discuss our feedback.

Yours sincerely,

CFA Society of the United Kingdom

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With thanks for their contributions to our volunteers: Suzanne Hsu, and the oversight of CFA UK's Ethics & Professionalism Steering Committee.

APPENDIX I

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