

## Conduct Rule Training

SM&CR goes live on 9<sup>th</sup> December 2019 with Conduct Rule training required for Senior Managers from day 1. Firms have until 9<sup>th</sup> December 2020 to implement Conduct Rule training for all other staff (except certain ancillary staff as specified by the FCA) though many firms will bring this date forward to ensure readiness.

### Conduct Rules

All staff (including Certified Individuals) are subject to the 5 Conduct rules:



*Rule 1:* You must act with integrity.

*Rule 2:* You must act with due skill, care and diligence.

*Rule 3:* You must be open and cooperative with the FCA, the PRA and other regulators.

*Rule 4:* You must pay due regard to the interests of customers and treat them fairly.

*Rule 5:* You must observe proper standards of market conduct.

### Senior Manager Conduct Rules

Senior Managers are subject to the 5 Conduct Rules above, plus an additional 4 Conduct Rules:



*SC1:* You must take reasonable steps to ensure that the business of the firm for which you are responsible is controlled effectively.

*SC2:* You must take reasonable steps to ensure that the business of the firm for which you are responsible complies with the relevant requirements and standards of the regulatory system.

*SC3:* You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate Individual and that you oversee the discharge of the delegated responsibility effectively.

*SC4:* You must disclose appropriately any information of which the FCA or PRA would reasonably expect notice.

### Training

Firms are required to train all staff in the Conduct Rules in a way that is relevant to their role.



Due to the differing size and complexity of solo-regulated firms, a proportionate approach should be taken in developing training depending on the firm's risk appetite.

Senior Manager training will likely involve direct training and include scenario-based case studies to fully explore responsibilities, reasonable steps and conduct requirements.

Certified Individual training is likely to be tailored and may involve large group sessions, though it is only the 5 Conduct Rules that apply, firms will likely wish to provide further training due to their increased responsibility.

Conduct Rule staff training is likely to be more generic and based largely on departments or business functions. This may take the form of an online training and assessment with further follow up where needed.

### Communicating Conduct

It may aid firms to include Conduct messaging in their existing corporate communications.



Using the vision, mission and values to reflect good conduct outcomes are useful to promoting desired thought processes.

Providing examples of desired behaviours, at a company and a business function/seniority level is also a useful exercise and allows for measurement against those behaviours which can assist in the assessment process.

### Bring it Home

It may be useful to allow staff to identify what the Conduct Rules mean in each business function/seniority level.



Creating statements for the 5 Conduct Rules within business functions provide an individual link to 'what it means to me', particularly where at first glance the particular Conduct Rule may not seem to apply.

E.g. An individual working in IT may not initially understand how Conduct Rule 5 may apply to them, they may create a statement like '*ensuring systems are maintained and operate correctly to allow trades to be placed in a timely manner and records are stored correctly*'.

### Walk the Talk

To maintain credibility, leaders, Senior Managers and corporate messaging needs to provide a consistent message about the importance of the Conduct Rules. The most powerful messaging is in the visible behaviour of leaders.



### Measurement Provides Success

There must be a follow through from the training into business as usual, ongoing measurement of Conduct is required by FCA and also key in keeping focus on the Conduct Rules.



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