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Leading on Investments and Savings

**TISA Response to: GC18/4 –
Senior Managers and
Certification Regime –
Proposed guidance on
statements of responsibilities
for FCA firms**

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About TISA

TISA is a unique, consumer-focused membership organisation. Our aim is to improve the financial wellbeing of UK consumers by aligning the interests of people, the financial services industry and the UK economy. We achieve this by delivering innovative, evidence-based proposals to government, policy makers and regulators.

TISA's growing membership comprises over 200 firms involved in the supply and distribution of savings and investment products and services. These members represent all sectors of the financial services industry, including asset managers, insurance companies, fund managers, distributors, building societies, investment managers, third party administrators, FinTech, consultants and advisers, software providers, financial advisers, pension providers, banks and stockbrokers.

Current themes of TISA policy work include:

- Brexit: developing proposals for government that will enable the savings and investments sector to prosper on a global scale
- Digitalisation: a digital identity for consumers of financial services, innovation, standards and data responsibilities
- ISA's: LISA, simplification of the regime
- Retirement saving: the Auto Enrolment review, self-employed and pension tax relief
- Housing: the use of property to supplement retirement income
- Guidance: developing a framework and services to make guidance more widely available
- Education: supporting the education of young people to make them aware of the impact of finance on their life.

TISA also provides support on a range of operational and technical issues targeted at improving infrastructure and processes, standards of good practice and the interpretation and implementation of new rules and regulations. TISA has a successful track record in working cooperatively with government, regulators, HMT, DWP and HMRC to improve industry effectiveness by reducing cost and risk and to enhance customer outcomes. This work currently includes: MiFID II, CASS, the UK Fund Settlement initiative and Payments Strategy Forum. TISA Exchange (TeX) is providing a model for transfers and re-registrations.

Introduction

We welcome the provision of guidance, particularly with examples, from the FCA on Statements of Responsibility (SoRs) for all firms and for Enhanced firms on Responsibilities Maps. The extension of the Senior Managers & Certification Regime to all solo-regulated firms impacts on some 47,000 companies, ranging from multi-national group organisations to one-man operations and we feel this guidance goes some way to explaining how the SoRs requirements apply at the various levels.

Our response is split into two parts, Part 1 provides general feedback around the SoRs requirements and Part 2 provides a response to the consultation paper questions.

Part 1 – General Feedback

We understand the FCA's desire to have succinct, clear and accurate SoRs which reflect individuals' accountability and responsibilities and feel a 'guiding principle' would be beneficial to the introductory text to be used when approaching SoRs, for example 'ARCS' could be used as follows:

Statements of Responsibility should be:

Actionable – by the FCA, identifying clear accountability and responsibility

Reflective – of the role, responsibility and work of the individual in relation to that firm

Clear – clearly described accountability and responsibilities

Succinct – only containing relevant information (e.g. not an entire job description)

We would welcome further guidance and clarity on how long past versions of SoRs should be retained for. The guide (July 2018) refers to the general record keeping requirements which do not give a definite end date for this. We anticipate this will cause issues for firms under GDPR in the justification of retaining documents with no end date.

Response to GC18/4 questions

Q1: Do you think we have suggested the relevant key questions for preparing SoRs? If not, what other considerations could we add?

In the Prescribed Responsibilities section for Core and Enhanced firms, an additional question should be added in relation to divided responsibilities to ascertain whether they have been divided to an appropriate person and whether the correct level of ownership is recorded.

For Core firms, the Other responsibilities section appears to be broadly similar to the Overall responsibilities section for Enhanced firms. We cannot identify a no gaps requirement for Core firms and would appreciate additional explanation and/or examples of the types of responsibility the FCA

would expect to be populated in that section and the reasons behind that, including clarification of any Reasonable Steps requirements.

For Enhanced firms, the Overall responsibilities section would benefit from a starting prompt list of examples of the scope of unregulated activities as this is a new consideration for firms.

Q2: Do you think the suggested examples are clear in demonstrating good and poor practices of preparing SoRs? If not, please explain why.

The examples provided in the proposed guidance are helpful with well laid out information on good and poor practice.

We feel this could be further improved by:

- Providing examples of individuals job descriptions and SoRs to illustrate the FCAs expectations of the level and type of information to be carried across (or not).
- Providing 'clean' examples of good and poor practice – currently each example calls out good and poor practice areas.
- Providing some examples of poor practice and how they could be amended to make them good, with relevant explanations.
- Providing examples of firms with both regulated and unregulated activities and how they would expect that to show on the SoR.
- Providing examples without the no gaps principle.

Even with the examples provided in the proposed guidance, there is a danger that firms will attempt to ensure compliance by including all relevant information. For example, a Limited Scope firm with one executive responsible for all but one SMF could reflect that as such in their SoR as that clearly defines their responsibility though it is likely that the executive would list all relevant SMFs to ensure compliance. We suggest further examples of wording the FCA 'could' accept in similar cases to be provided in the guidance.

Q3: Do you think the suggested examples are clear in demonstrating how to formulate a Responsibilities Map (Enhanced firms only)? If not, please explain why.

Enhanced firms are diverse with unique structures it is difficult to provide examples and guidance that is useful while not overly prescriptive.

Those suggested do give a flavour of expectations and we feel could be further enhanced by the inclusion of an organisational structure chart with a Responsibilities Map overlay to show the level of management and responsibility expected by the FCA.

Additionally more complex maps would be welcomed by our members where group structures are quite common. In particular a map for a group with matrix management with both Core and Enhanced firms would be useful as an example of how the FCA may expect this to look.