



A response by **AFME & UK Finance** to the

**Prudential Regulation Authority (PRA) on:
Review of the Senior Managers and
Certification Regime (SCMR) CP 18/25**

7 October | 2025

1. Introduction

- 1.1. AFME¹ and UK Finance² are pleased to respond to the PRA consultation paper [CP 18/25 'Review of the Senior Manager Certification Regime \(SMCR\)'](#) (~~CP 18/25 'Review of the Senior Manager Certification Regime (SMCR)'~~~~CP 18/25 'Review of the Senior Manager Certification Regime (SMCR)'~~~~CP 18/25 'Review of the Senior Manager Certification Regime (SMCR)'~~~~CP 18/25 'Review of the Senior Manager Certification Regime (SMCR)'~~~~CP 18/25 'Review of the Senior Manager Certification Regime (SMCR)'~~~~CP 18/25 'Review of the Senior Manager Certification Regime (SMCR)'~~ the CP or proposals). [the CP or proposals](#).
- 1.2. This response should be read in conjunction with our responses to the FCA's CP25/21, and HM Treasury's (HMT) consultation on Reforming the SMCR. AFME and UK Finance members who are regulated by the FCA and/or PRA, and comply with the SMCR, have contributed to this response.
- 1.3. We³ have been supported by Kroll⁴ in our response.
- 1.4. We have split our response into three sections:
 - 1.4.1. **Section 2** - Key Messages and Recommendations – In this section we outline several thematic messages. These include areas which cut across multiple areas, as well as observations which are not addressed by any specific questions in the CP.
 - 1.4.2. **Section 3** – Response to CP Questions by Section – In this section we have structured our response along the same format as the CP, providing feedback against each of the 18 questions contained in the CP.
 - 1.4.3. **Section 4** – Additional Recommendations and Observations – In this section we have included our views on any additional proposals we think would assist with alleviating unnecessary burden.
- 1.5. More broadly we note that the proposed changes in HMT's Consultation Paper will require changes to primary parliamentary legislation, which by its nature introduces the risk of potential changes, and delays in implementation timelines, creating a dependency on taking forward any Phase 2 recommendations, potentially including further consultation.
- 1.6. Many of our messages and recommendations will also impact the HMT and PRA's consultations, and likewise our feedback to those consultations may impact FCA's consultation. We therefore encourage you to read our response to all three CP's.

2. Key Messages and Recommendations

- 2.1. We support the government's proposal to reform the SMCR regime as outlined in the three CPs, whose collective aim is to reduce the burden of the current regime by 50% without compromising the substance of the legislation with the objective to ensure high standards of conduct and accountability in the UK financial services sector.

¹ AFME: represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

² UK Finance is the collective voice for the banking and finance industry. Representing 300 firms, we are a centre of trust, expertise and collaboration at the heart of financial services, championing a thriving sector and building a better society

³ 'We' refers to the joint AFME and UK Finance working group comprised of over 150 members across over 80 different firms across the banking and finance industry.

⁴ Kroll helps clients detect, manage and mitigate enterprise risk and make strategic and informed financial decisions to achieve an enduring competitive advantage.

- 2.2. We believe that achieving this objective will require fundamental change to the design and operation of the regime as follows:
- 2.2.1. Phase 1 – while welcome, the current package will only bring limited savings (5%) in the regulatory burden. We therefore urge the government and regulators to go as far as possible in making changes in this phase.
 - 2.2.2. Phase 2 – while the proposed changes are potentially more far reaching, these will need to be at the extensive end of the spectrum to achieve meaningful savings, for example the removal of the need for pre-approval of almost all SMF roles and the rationalisation of the certified roles.
 - 2.2.3. Interim State (Post Phase 1) - any interim state is sustainable must be sustainable over the long-term given the two-phased approach and dependency on the successful passing of parliamentary legislation for the Phase 2 and consequent risks of delay. Where possible firms should be given the flexibility to retain existing arrangements during an interim period.
 - 2.2.4. Complexity and alignment –the regime is complex with a wide range of regulatory rules and obligations in both the FCA and PRA frameworks. There are several areas of marginal differences in requirements and processes between the regulators. We therefore highlight that these differences should be minimised or ideally eliminated, with particular focus on groups with a combination of solo and dual regulated entities.
 - 2.2.5. Process and technology enablement – the efficacy of the current processes is poor, for example the Connect system data upload and extraction does not lend itself to easy reconciliation or bulk processing, and in several instances the input screens do not match the format of the paper reports. This results in unnecessary administrative overheads and significant delays. Overhauling the systems and processes is a key enabler in achieving the savings sought.
 - 2.2.6. Benefits – in addition to lower direct costs associated with the administration of the regime, we believe the primary benefit to be the reduction in business and operational risks by allowing firms to more easily and rapidly change individuals in key roles without compromising the effectiveness of business decision making.
- 2.3. At this stage, we do not foresee any major implementation challenges, provided that the changes are well managed and communicated. This includes sufficient investment in the Connect system to accommodate the changes. We would welcome clear outward communication from the regulators, including transitional guidance and final rules being made available well in advance of any compliance deadline to enable firms, especially foreign branches, to prepare accordingly.
- 2.4. Finally, our members would welcome the opportunity to provide further input into the work with HMT, FCA and PRA in developing the details of any new arrangements, be it through working groups, reviewing of draft documentation or user input into new process and systems. UK Finance and AFME would be more than happy to help facilitate this engagement.

3. Responses to proposals in the PRA consultation

3.1. Chapter 2 Senior Manager approval process

3.1.1. SMF approvals, industry responses and process enhancements

- 3.1.1.1 We acknowledge the work undertaken by the PRA to improve the SMF approval process and the additional resourcing put in place to clear the backlog that arose between 2021 and 2023, and welcome further efforts to improve these processes, including the creation of an SMCR policy index and key policies section on the website to signpost users to where relevant information can be found.

- 3.1.1.2 We believe further improvements could be made, including a fast-track SMF approval process for current SMFs or those with significant experience which is currently not proposed in the CP. This could be combined with a less onerous Short Form A application. At present the Short Form A requires the same level of information as the Long Form A, except for the F&P questionnaire, which creates an unnecessary burden for firms and the candidates.
- 3.1.1.3 More broadly, we welcome the proposed changes to the SMF regime outlined in the HMT CP (Phase 2), including reducing the number of SMF approvals through rationalising the roles requiring pre-approval to focus only high-risk roles, as well as potentially reducing the number of SMF roles for example the use of SMF3 for dual regulated firms, as well as increasing the reliance on firms' assessment of candidates' fitness and propriety. In addition, in the case of SMFs not requiring pre-approval, we believe the details provided in the MRMs could be less detailed in nature.
- 3.1.1.4 As noted in our response to the FCA CP, we believe there are several areas where the SMF approval process could be enhanced, both through greater flexibility in the rules, improved usability of the Connect system and removing inconsistencies in forms and templates.

3.1.2. 12-week rule

- 3.1.2.1. As noted in our response to the FCA CP, we believe there are several areas where the amount of detail provided could be streamlined. This includes greater use of short form reports, and potential rationalisation of some of the forms.
- 3.1.2.2. We note the proposal to not allow the allocation of PRs to an individual who is not an existing SMF who will be appointed under the 12-week rule. We propose that regulators have the flexibility to allow this in certain circumstances, to avoid a potential situation where a PR is assigned to an individual who is not suitably placed to oversee the responsibility.
- 3.1.2.3. We agree in principle that the person performing the SMF function under the 12-week rule should be subject to the Senior Manager Conduct Rules, but it must be recognised that given their interim appointment they may not have all the management levers available to a fully approved SMF and expectations of what they are able to do must be calibrated accordingly.
- 3.1.2.4. It should be noted that several of our members would like to see the 12-week period extended to 6 months, as this would better accommodate instances of external hires and international transfers.

3.1.3. Clarifications on fitness and propriety tests

- 3.1.3.1. We welcome the proposed changes to SS28/15 (para 4.6) and SS35/15 (para 4.2) providing clarity that the PRA will consider a candidate's approval in another regime as well as previous SM&CR experience as an SMF holder in another firm.

3.2. Chapter 3: Individuals in scope of the Senior Managers Regime

3.2.1. Group Entity Senior Manager (SMF7) and Extending SMF7 to controllers.

- 3.2.1.1. As per our response to 3.1.1, we are advocating to limit regulatory approvals to SMF1 and SMF9. This point applies to the SMF7 role, given these individuals are typically appointed to undertake a Group-wide role and are assessed by the lead regulator who is often overseas. The comments below therefore relate to a scenario where the PRA decides to retain the pre-approval of SMF7 but are also relevant to the SMF7 role even if it is amended to notification only.
- 3.2.1.2. We believe the responsibility of designating SMF roles, including SMF7, should be the responsibility of firms, based on clear guidance provided by regulators, rather than having

these roles identified by regulators who may not have the requisite understanding of the group's structure to make this judgement, in particular where changes are made to group-wide arrangements over and above the UK regulatory perimeter. Furthermore, including the ability of PRA Supervisors to require a firm to appoint a specific individual as SMF7 may have an adverse impact on the attractiveness of the UK market for International Firms who may be wary of being told by the PRA who needs to be in scope of the regime. We recommend that the guidance is clarified according to these principles.

- 3.2.1.3. We believe that the SMF7 role should be limited to those executives who have a direct involvement in the implementation of strategy for the regulated entity only and not bring in individuals whose remit is group-wide, for example Group CEO, COO, CFO or CRO's at a parent level. We believe an individual who has group level responsibilities and is a Director of a UK regulated entity but has Board level responsibilities for the UK regulated entity akin to a NED, should not be deemed to be an SMF7.
- 3.2.1.4. While we agree in principle to extend the scope to include a firm's controller, this should only be the case where their role meets the above criteria.
- 3.2.1.5. While not the intention, we believe that under the proposed new guidance more individuals are likely to be appointed as SMF7, which would have an adverse impact on the attractiveness of the UK market.

3.2.1. Resolution Administrators

- 3.2.1.1. We do not have any comments on this proposal.

3.3. Chapter 4 Senior Manager approval process

3.3.1. Statements of Responsibilities (SoRs) and Management Responsibilities Maps (MRMs)

- 3.3.1.1. We agree with the proposal to provide flexibility to allow firms to submit the revised SoR(s) anytime up to six months from the change and that these could be provided on an aggregated basis for solo-regulated firms.
- 3.3.1.2. We note that the aforementioned 6-month submission should also be applied to dual regulated firms, and the PRA's proposal to include all historical changes during the reporting period rather than at a point in time as is the case for solo regulated firms.
- 3.3.1.3. We believe it is imperative that there is full alignment in the reporting of SoRs and MRMs to both regulators to avoid any unnecessary confusion. Consequently, the FCA and PRA should adopt an identical approach to reducing the frequency of resubmission of SoRs. Currently the FCA's proposals in SUP 10C.11.6A to 10C.11.6. C go further and show more flexibility than the PRA's proposal. For example, 10C.11.6C (8) states that (6) and (7) don't apply to PRA- authorised firms who would be required to submit all relevant versions (not just the latest version) of the SoR.
- 3.3.1.4. Managing SMCR compliance in a dual-regulated firm has always been more burdensome than in solo-regulated firms. These must follow two sets of similar but not identical regulations and at times it's not clear which rules prevail. We urge the regulators to align regulations or provide relevant clarity.

3.3.2. Prescribed Responsibilities

- 3.3.2.1. While being in broad agreement with the proposals, we believe changes to the Prescribed Responsibilities should be undertaken in Phase 1, rather than Phase 2, which is contingent on parliamentary legislation.

- 3.3.2.2. We agree with the proposal to amend the rule to remove the restriction on Prescribed Responsibilities (PRs) being allocated to SMF18 for solo-regulated firms.
- 3.3.2.3. We believe the flexibility in relation to SMF 18 should be extended to dual regulated firms and also include SMF 22. This would provide greater flexibility where these need to be reallocated due to an absent SMF (i.e. when a role is being covered temporarily under the 12-week rule) or where there is an SMF18 / 22 who is better positioned to discharge a particular PR, such as a Head of HR who is responsible for a firms compliance with the certification regime or a Head of Investment Banking who oversees the firm's proprietary trading. Instead, these and other PRs are sometimes allocated to SMFs who are not appropriately equipped to discharge these responsibilities and therefore must put in place alternative arrangements that are not optimal. We do not see the rationale for preventing SMF18/22s from holding any type of PRs.
- 3.3.2.4. The PRA should allow the splitting of PRs to align with the FCA's rules. There are certain PRs which cover responsibilities held by two or three SMFs (e.g. PR for managing the allocation of capital, liquidity and funding). Splitting rather than sharing such responsibilities would align with the firms' internal governance arrangements instead of imposing an additional layer of governance or oversight that needs to be put in place to discharge a shared responsibility.
- 3.3.2.5. We agree in principle that the current broad level at which PRs are defined is appropriate and acknowledge the benefits and drawbacks of either further aggregating or splitting these. However, there is inconsistency in the level of detail across the list of PRs and some of them appear somewhat arbitrary. The list would benefit from a comprehensive review and potentially a periodic refresh process on an on-going basis of five years. Periodic refreshes should also consider responsibilities that are identified in Policy Statements outside of SMCR but require firms to identify a SMF with a specific responsibility, so that the list of PRs expected by the regulators is continuously kept up to date.
- 3.3.2.6. We welcome additional Handbook guidance on the allocation of FCA designated PR's noting this will provide greater transparency on the regulator's expectations.
- 3.3.2.7. Our members have seen an inconsistency between the PRA and FCA on SMF18/22 holding PRs. Clarity is also sought on how this proposal will work in practice, as SMF18/22s are approved by the FCA. Is it only PRA PRs that cannot be allocated to a SMF18/22 without a waiver. Members think that SMF18/22 staff should be able to hold PRs and that there should be a consistent approach between the regulators.

3.3.3. Regulatory Reference

- 3.3.3.1. In our response to the FCA consultation, we agree with the principle that regulatory references should be provided as soon as is practically possible with guidance that this should be within a 4-week period and note that the PRA are not proposing a deadline.
- 3.3.3.2. We welcome guidance on what should be included, specifically when an employee leaves prior to the conclusion of an investigation into potential misconduct, as well as the proposed changes to SS18/14 (para 6.41) and SS35/15 (para 5.41)
- 3.3.3.3. We have observed that, in the case of collecting information from overseas, the availability of data and processes for collection varies significantly by jurisdiction. This should be factored into any future guidance.
- 3.3.3.4. Given the elapsed time required and dependencies on third parties where firms choose to submit applications pending the completion of regulatory references and criminal checks, we believe the application should be progressed as far as possible so that the approval process can be completed more rapidly

3.3.4. Criminal records checks and disclosure

- 3.3.4.1. We support all these proposals. In the case of extending the validity of a criminal record check from 3 to 6 months, we wish to retain the same existing flexibility to provide an explanation where this is not possible. We also concur with the observation that for some jurisdictions criminal checks can be more onerous but support the view that these remain an important requirement.
- 3.3.4.2. We note there is an inconsistency in approach between the FCA and PRA, where the FCA is proposing to allow reliance on existing criminal checks performed for an individual in relation to another entity in the group, whereas the existing PRA requirement is for the criminal requirement is for the criminal record check to have been in relation to the same entity.

3.3.5. Conduct Rules

- 3.3.5.1. We welcome the proposed additional guidance on how firms should apply the Conduct Rules.
- 3.3.5.2. We have provided further commentary in our response to Q14 in the FCA CP.

3.3.6. Certification Regime

- 3.3.6.1. We support the proposed changes to SS28/15 and SS35/15 which provide additional clarity on the PRA's expectations in relation to the certification process.
- 3.3.6.2. Our views on HMT's proposals to amend the statutory legislation relating to the Certification Regime and its potential replacement are outlined in our response to the HMT CP.

3.3.7. KFH and notifications

- 3.3.7.1. We are supportive of the proposed amendments to para 2.69 in SS35/15 but highlight that there is no equivalent paragraph in SS18/25. We urge the PRA to ensure consistency across both documents.

4. Additional Recommendations and Observations

- 4.1 While not raised within the consultation paper, we wish to ask an additional question in regard to remuneration. Our members would welcome a conversation with the PRA regarding individuals based overseas, for whom only a proportion of their role (and therefore their remuneration) pertains to the UK. It would be disproportionate to apply the UK remuneration rules in particular if local regulations are equally effective. Some guidance from the regulator on practical expectations would be welcome.

5. Engagement

- 5.1 We appreciated the opportunity to share our draft key messages at an industry roundtable on 30th September and would be pleased to facilitate further discussion with members.
- 5.2 UK Finance and AFME are content with the PRA publishing this consultation response on its website.

Responsible Executives



nala.worsfold@ukfinance.org.uk

jack.hughes@ukfinance.org.uk



+44 (0) 7384 212633



fiona.willis@afme.eu

louise.rodger@afme.eu

shalini.cautick@afme.eu



+44 (0)20 3828 2739

0203 828 2742

+44 20 3828 2734