

The SMCR Compliance Checklist

For Small Financial Firms

Stay Compliant Without the Stress

This guide is for you if you're:

- A mortgage broker navigating FCA requirements
- An Independent Financial Adviser (IFA) managing compliance
- A wealth manager ensuring your team stays certified
- Any small regulated firm wanting clarity on SMCR obligations

We understand the pressure. You're busy serving clients, growing your business, and keeping up with ever-changing regulations. SMCR compliance shouldn't keep you awake at night.

This practical checklist breaks down exactly what you need to do, when you need to do it, and how to document it properly. No jargon. No overwhelm. Just clear, actionable steps.

1. What is SMCR?

The **Senior Managers and Certification Regime (SMCR)** is the FCA's framework for individual accountability in financial services. Introduced to replace the Approved Persons Regime, it ensures that senior individuals take personal responsibility for their actions and the areas they manage.

The Three Pillars of SMCR

Pillar	What It Covers	Who It Applies To
Senior Managers Regime	Pre-approval by FCA for the most senior roles. Clear accountability through Statements of Responsibilities.	Directors, Partners, Compliance Officers
Certification Regime	Annual certification that staff are 'fit and proper'. Firms (not FCA) certify these individuals.	Advisers, traders, anyone who could cause significant harm
Conduct Rules	Individual rules of behaviour that apply to almost all staff.	Nearly everyone in your firm

Why Does It Matter?

SMCR means individual accountability. If something goes wrong in an area you're responsible for, you could personally face enforcement action. But don't panic – the regime is designed to be proportionate. Get your processes right, keep good records, and you'll be well protected.

■ FCA Reference: www.fca.org.uk/firms/senior-managers-certification-regime

Your Notes

2. The Three SMCR Tiers

The FCA applies SMCR proportionately based on your firm's size and complexity. Most small financial advice firms fall into the **Core** tier. Here's how to identify which category applies to you:

Tier	Criteria	SMFs Required	Additional Requirements
Limited Scope	Sole traders, limited permission consumer credit firms, internally-managed AIFs	3 SMFs	No Prescribed Responsibilities Simplified requirements
Core (Most firms)	Does not meet Limited Scope or Enhanced criteria	6 SMFs	Standard requirements No Responsibilities Map required (but recommended)
Enhanced	Revenue £35m+ (3-year rolling average) OR Consumer credit lending £100m+ OR 10,000+ mortgages outstanding	17 SMFs	Full Responsibilities Map required Prescribed Responsibilities Additional oversight requirements

Quick Self-Assessment

- Are you a sole trader? → Likely **Limited Scope**
- Is your firm's regulated revenue under £35m annually? → Likely **Core**
- Do you have fewer than 10,000 mortgages outstanding? → Likely **Core**
- Are you part of a larger group with Enhanced requirements? → Consider **opting up** for consistency

■ **TIP:** You can voluntarily 'opt up' to a higher tier if you want more rigorous governance (for example, if your parent company is Enhanced). This cannot be selective – all requirements of the higher tier will apply.

■ *FCA Reference: SYSC 23 Annex 1 – Categorisation of solo-regulated firms*

Which tier is your firm? Notes:

3. Senior Manager Functions Checklist

Senior Management Functions (SMFs) are the key leadership roles that require FCA pre-approval. The specific SMFs that apply depend on your firm's tier and structure. Here are the most relevant for small financial advice firms:

SMFs for Core Firms (Most IFAs, Mortgage Brokers, Wealth Managers)

SMF	Role	When Required	Typical Holder
SMF1	Chief Executive	If you have someone performing this function	Managing Director, Principal
SMF3	Executive Director	Directors with executive responsibilities	All executive directors
SMF9	Chair	If separate from CEO	Non-executive Chair
SMF16	Compliance Oversight	Investment firms and debt management firms only	Compliance Officer
SMF17	Money Laundering Reporting Officer	All firms	MLRO (can be combined with other roles)
SMF27	Partner	Partnerships and LLPs only	Partners with management duties

Documentation Checklist for Each Senior Manager

- FCA approval obtained before starting the role
- Statement of Responsibilities (SoR) completed and signed
- Fit and Proper assessment completed
- Criminal records (DBS) check completed
- Regulatory references obtained from previous employers
- CV on file with relevant qualifications evidenced
- Training on Conduct Rules completed and recorded
- Annual fit and proper re-assessment scheduled

■ **TIP:** One person can hold multiple SMFs. If so, create a single Statement of Responsibilities covering all their functions. Remember: the SMF16 (Compliance Oversight) is NOT required for firms that only conduct mortgage and non-investment insurance business.

■ FCA Reference: SUP 10C.4 – Senior management functions

4. Certification Regime Checklist

The Certification Regime covers employees who aren't Senior Managers but whose roles could cause **significant harm** to your firm or clients. Unlike SMFs, the FCA doesn't approve these individuals – **your firm** must certify them as fit and proper.

Who Needs Certification?

Function	Examples in Your Firm
Client-dealing function	Financial advisers, mortgage advisers, investment managers
Algorithmic trading function	Anyone with authority over trading algorithms
Significant management function	Managers of certified staff, department heads
Functions requiring qualification	Roles requiring specific FCA qualifications
Material risk takers	Staff who can commit the firm to material risk
CASS oversight function	If you handle client money/assets

Annual Certification Requirements

- Identify all staff in certification functions
- Complete fit and proper assessment for each person
- Verify relevant qualifications are current
- Review competence and capability for the role
- Check for any conduct rule breaches
- Assess honesty, integrity and reputation
- Obtain/update regulatory references where applicable
- Issue certificate confirming fit and proper status
- Record assessment rationale and evidence
- Set reminder for next annual assessment

The Fit and Proper Test – What to Assess:

Honesty, Integrity and Reputation: Criminal convictions, regulatory discipline, civil proceedings, complaints history, association with failed firms

Competence and Capability: Relevant qualifications, experience, CPD records, performance in role, understanding of regulatory requirements

Financial Soundness: County Court Judgments, bankruptcy, IVAs (primarily for senior roles)

■ FCA Reference: FIT – The Fit and Proper test for Approved Persons

5. Conduct Rules Overview

The Conduct Rules are individual standards of behaviour that apply to almost everyone in your firm. There are two tiers: rules for **all staff** and additional rules for **Senior Managers only**.

Individual Conduct Rules (Apply to All Staff)

Rule	What It Means in Practice
Rule 1: Act with integrity	Be honest and straightforward in all dealings
Rule 2: Act with due skill, care and diligence	Do your job properly; maintain competence
Rule 3: Be open and cooperative with regulators	Don't hide information from the FCA
Rule 4: Pay due regard to customer interests	Put customers' needs appropriately into decisions
Rule 5: Observe proper standards of market conduct	Don't engage in market abuse or manipulation

Senior Manager Conduct Rules (Additional)

Rule	Your Responsibility
SC1: Effective control	Ensure your area of business is controlled effectively
SC2: Regulatory compliance	Take reasonable steps to ensure regulatory compliance in your area
SC3: Proper delegation	Delegate appropriately and oversee delegated responsibilities
SC4: Disclose information	Report anything the FCA would reasonably expect to know

Conduct Rules Compliance Checklist

- All staff notified of applicable Conduct Rules
- Training provided on Conduct Rules (and documented)
- Staff understand practical application to their role
- Process for reporting potential breaches established
- Senior Managers trained on additional SM Conduct Rules
- Breach reporting process to FCA understood (7 days for SMs)
- Annual conduct rules breach log maintained

■ **TIP:** Conduct Rule breaches that result in disciplinary action must be reported to the FCA annually. For Senior Managers, serious breaches must be reported within 7 business days. Keep detailed records of all conduct-related matters.

■ *FCA Reference: COCON – Code of Conduct sourcebook*

6. Record-Keeping Requirements

Good record-keeping is the foundation of SMCR compliance. If you can't evidence it, you can't prove it. The FCA expects 'orderly records' that demonstrate your compliance processes are working.

Essential Documents to Maintain

Document	Retention Period	Purpose
Statements of Responsibility	6 years after departure	Evidence of accountability allocation
Fit and Proper assessments	6 years after departure	Evidence of certification decisions
Regulatory references (given/received)	6 years minimum	Support for hiring decisions
Criminal records checks	As per DBS guidance	Part of F&P; assessment
Conduct Rules training records	6 years after departure	Evidence of training compliance
Conduct breach records	6 years minimum	Required for references and FCA reporting
Responsibilities Map (if Enhanced)	6 years after change	Governance evidence
Disciplinary records	6 years after departure	Required for regulatory references

Record-Keeping Best Practices Checklist

- Centralised, secure storage for all SMCR documents
- Clear naming conventions for easy retrieval
- Version control for updated documents
- Access controls (who can view/edit what)
- Regular backup procedures
- Retention schedule documented and followed
- Process for secure destruction after retention period
- Audit trail of document changes

Regulatory References – Special Requirements

When someone leaves your firm, you may be asked to provide a regulatory reference. You must also update references if new information comes to light after they're issued.

- Template regulatory reference in place
- Process for handling reference requests promptly
- Procedure for updating previously issued references
- Records of all references given and received

■ **TIP:** The FCA expects references to be provided promptly – ideally before someone starts a certified role at their new firm. Build this into your offboarding process.

7. Annual Compliance Calendar

SMCR compliance isn't a one-time exercise – it requires ongoing attention throughout the year. Use this calendar to schedule key activities and never miss a deadline.

Month	Key SMCR Activities	Check
January	• Review annual compliance plan • Schedule certification renewals • Update training calendar	■
February	• Q4 conduct breach review • Update job descriptions if needed	■
March	• First wave of annual certifications (if staggered) • Review regulatory reference requests	■
April	• New tax year – update any financial soundness checks • Review SM Statements of Responsibility	■
May	• Mid-year compliance health check • Review training completion rates	■
June	• Second wave of certifications (if staggered) • Q1-Q2 conduct breach compilation	■
July	• Review and update Fit & Proper assessment templates • Check qualification renewals	■
August	• Holiday cover review – ensure SMF coverage • Document any temporary arrangements	■
September	• Third wave of certifications • Prepare for annual FCA submissions	■
October	• Review Conduct Rules training effectiveness • Plan next year's training	■
November	• Final certification wave • Annual conduct breach report preparation	■
December	• Year-end compliance review • Submit annual notifications to FCA • Archive completed assessments	■

■ **TIP:** Stagger your annual certifications throughout the year rather than doing them all at once. This spreads the workload and ensures you're never caught with expired certifications.

Your Key Dates and Deadlines

8. Red Flags to Watch For

These are the most common compliance gaps we see in small financial firms. Use this as a diagnostic tool – if any of these apply to you, prioritise addressing them.

Documentation Red Flags

- **Missing Statements of Responsibility** – Every SMF needs one, signed and dated
- **Outdated SoRs** – Must be updated when responsibilities change
- **No evidence of F&P; assessments** – If you can't prove it, you didn't do it
- **Certifications more than 12 months old** – Annual means annual
- **Missing regulatory references** – Required for all SMF and certified hires

Process Red Flags

- **No conduct rules training on file** – All staff need documented training
- **Senior Manager started before FCA approval** – This is a serious breach
- **Certified person working without valid certificate** – Must be in place before they start
- **No breach reporting process** – How would staff report concerns?
- **Unclear accountability** – Who is responsible for what should be crystal clear

Governance Red Flags

- **SMF holder with unrealistic scope** – One person can't oversee everything properly
- **No handover process for leavers** – Responsibilities must transfer cleanly
- **Gaps in SMF coverage** – All required functions must be filled at all times
- **No regular compliance reviews** – Set quarterly check-ins at minimum
- **Relying on memory, not records** – The FCA wants documented evidence

■■ Immediate Action Required If:

- A Senior Manager is performing their role without FCA approval
- Annual certifications have lapsed with no renewal in progress
- You cannot locate Statements of Responsibility for current SMFs
- There's no record of Conduct Rules training for any staff member

These are high-priority issues that could result in enforcement action. Address them immediately.

9. How Outsourcing Admin Helps Maintain Compliance

Running a small financial firm means wearing many hats. Compliance administration is essential but time-consuming – and it's exactly the kind of work that benefits from dedicated, systematic attention.

The Challenge for Small Firms

You're brilliant at advising clients and growing your business. But keeping on top of certification renewals, updating documentation, chasing training completions, and maintaining audit-ready records? That's a different skill set – and it takes time you don't have.

What Gets Outsourced	How It Helps You
Certification tracking and reminders	Never miss a renewal deadline again
F&P; assessment coordination	Consistent, documented assessments every time
Training record management	Always know who's trained on what
Document organisation and filing	Find any record in seconds, not hours
Regulatory reference handling	Prompt, compliant responses to requests
Calendar management for compliance tasks	Proactive scheduling, not reactive firefighting
Preparing for FCA visits or audits	Confidence that everything is in order

The Right Fit

A virtual assistant or bookkeeper who understands regulated financial services can be transformative. They speak your language, understand the stakes, and know what the FCA expects. The result? You spend less time on paperwork and more time on what you do best.

Signs You Could Benefit from Admin Support:

- You've missed certification renewal deadlines (or come close)
- Your document storage is a "system" of folders and email attachments
- You dread the thought of an FCA visit or compliance audit
- Compliance admin keeps sliding to the bottom of your to-do list
- You're not 100% sure all your records are complete and current
- You spend evenings and weekends catching up on paperwork

Your Compliance Pain Points:

Ready to Get Your Compliance Administration in Order?

Book Your Free Compliance Admin Audit

In a 30-minute call, we'll review your current SMCR administration and identify:

- * Quick wins to improve your compliance documentation
- * Gaps that could cause problems in an FCA review
- * How much time you could save with dedicated admin support

No pressure. No obligation. Just practical insights from someone who understands the unique challenges of running a small regulated firm.

To book your free audit, contact:

[Your Email Address]
[Your Phone Number]
[Your Website]

Mention "SMCR Checklist" when you get in touch.

This checklist is provided for general guidance only and does not constitute legal or regulatory advice. Always refer to FCA rules and guidance for definitive requirements. For firm-specific advice, consult your compliance consultant or the FCA directly.

Key FCA Resources:

- * FCA SMCR Hub: www.fca.org.uk/firms/senior-managers-certification-regime
- * SUP 10C - Senior management functions
- * SYSC 23 - Senior managers and certification regime
- * COCON - Code of Conduct sourcebook
- * FIT - The Fit and Proper test for Approved Persons