**A guide to the Certification Regime for Solo Regulated Firms.**

The Senior Managers and Certification Regime comes into force for Solo Regulated firms on 9th December 2019.

The Certification Regime will apply to employees who, because of their role, could cause significant harm to the firm, it’s customers and/or market integrity. These roles are called Certification Functions. These people will not need to be approved by the FCA but the firm will need to check and confirm (‘Certify’) that they are fit and proper to perform their role at least once a year. The most simplistic way to do this is to tie it in with appraisals.

It is feasible that small firm’s will not have anyone on the Certification regime. If you are in any doubt please do not hesitate to contact a member of the COBRA Network Compliance Team.

Firms must take reasonable care to ensure that no employee performs an FCA Certification Function unless the employee has a valid certificate issued by that firm to certify that they are fit and proper to perform the role.

Firms must obtain references from previous employers when planning to appoint someone to perform a Certification Function. This will form part of the assessment as to whether that person is fit and proper.

The Certification of staff must be done at least once a year and firms should take into account whether the individual:-

* Has obtained a qualification
* Has undergone or is undergoing training
* Possesses the appropriate level of competence
* Has the appropriate personal characteristics

Certificates issued by the firm should:-

* State that the firm is satisfied that the person is a fit and proper person to perform the Certification Function
* Set out the aspect of the firm’s business in which the individual will be involved

Certificates are valid for 12 months from the date of issue. They can be issued for a shorter period if appropriate but the period cannot exceed 12 months.

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| **Certification Function** | **Overview** |
| Significant Management function (Current CF29) | The function of acting as a senior manager, with significant responsibility for a significant business unit is a certification function (SYSC 27.8.4-27.8.9). This is not limited to revenue generating business areas. |
| CASS Operational Oversight Functions  (CF10a) | This covers oversight of the operational effectiveness of a firm’s systems and controls for client money and assets. This applies to a CASS medium and or CASS Large firm to which CASS 6 and / or CASS 7 applies (CASS 1A.1). This Certification Function is not required for firms holding client money in accordance with CASS 5 (Insurance Mediation). |
| Function subject to qualification requirements | e.g. mortgage advisers, retail investment advisers and pension transfer specialists. (SYSC 27.9.10 – 27.8.12) |
| Anyone who supervises or manages a Certified Function (directly or indirectly) but isn’t a senior manager. | This ensures that people who supervise certified employees are held to the same standard of accountability. It also makes sure there is a clear chain of accountability between junior Certified employees and the Senior Manager ultimately responsible for that area. E.g. if a firm employs a customer-facing financial adviser, every manager above them in the same chain of responsibility will have to be certified until the Senior Manager approved under the SMR is reached. |
| Client Dealing Function  (CF30) | This will be expanded from the current CF30 Function to apply to any person dealing in or arranging investments with clients, including retail and professional clients and eligible counterparties. *(This does not apply to non investment insurance contracts)* |
| **Not all of the functions in this table will apply to all firms and firms are only required to apply those that are relevant. If none of the roles apply, your firm will not have any certified staff. If this is the case you do not need to apply the Certification Regime. The Senior Managers Regime may still apply.** | |

It is possible to carry out more than once Certification Function. However, if this is the case a firm must certify that the person is fit and proper to carry out each function. There might be different competencies required for the different functions so firms must assess that person as fit and proper to do each role but, this could be done as part of a single assessment process.

If a Senior Manager is performing a Certification Function that is very different to what they are doing as a Senior Manager Function (SMF) they must also be certified. E.g. a Senior Manager performing SMF3 Executive Director Function who also meets the definition of the Client Dealing Function or a Function Requiring Qualification would need to be certified for the Certification Function. Firms can undertake a combined fitness and propriety assessment.

If the firm considers that a person is not fit and proper and the firm decides not to issue a certificate the firm must give the person notice in writing stating:-

1. What steps if any the firm proposes to take in relation to the person as a result of the decision and
2. The reasons for proposing to take those steps.

If the firm is not issuing a certificate it might be necessary to notify the FCA if there’s been a breach of the Conduct Rules.

In cases where a Certification employee’s role changes part way through the 12 month period the firm will need to assess whether the employee is fit and proper to perform the role before they start. The firm may need to reissue the certificate if the role has different requirements relating to:-

1. Personal characteristics
2. The level of competence, knowledge and experience
3. Qualifications
4. Training.

The firm may not need to issue a new certificate if no reassessment is required or the certificate is drafted broadly enough to cover the new FCA function.

The firm must maintain a record of every employee who has a valid certificate issued by it. Information about certificated employees will need to be entered by the firm onto a central directory.