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UK firms falling behind on senior managers regime implementation

By Mary McDougall 2 April 2019

UK fund firms are falling behind on implementing the senior managers and certification regime as a result of Brexit.

Asset managers have had since July 2017 to prepare for the stringent personal accountability regime, which comes into force on December 9 this year, but Brexit preparations, Mifid II and the General Data Protection Regulation have left firms behind in their planning.

While some firms are well underway with implementing SMCR, there are firms that “have not made much headway” and “have not hit implementation start buttons” yet, says Uner Nabi, associate partner at consultancy EY.

Mr Nabi says implementation programmes will have to be compressed for firms that have not started and “it does not take a lot of imagination to see that Brexit is distracting quite a lot of firms”.

He says that, depending on the type of firm, eight months for implementing the regime is “doable”, but for a large firm it is not enough time.

Brexit has been a “massive distraction” to the compliance functions of asset managers, says Ronan Brennan, chief product officer at Compliance Solutions Strategies.

He says the uncertainty and scenario planning has “consumed vast amounts of headcounts and time”, and pulled resources from day-to-day regulatory processes.

Law firms are also struggling to cope, according to Mr Brennan, with “every available resource [being spent] on Brexit” other projects are being put on hold.

Emma Cleveland, managing director at legal advisory business Cleveland & Co, says some asset managers are “parking [SMCR] to the summer” as they focus on Brexit preparations.

However, Ms Cleveland says that for the small and medium-sized asset managers that have not yet started implementing processes, they can still make it in time if they start preparing with six months to go.

“For the smaller firms, the impact will be a lot less,” she says, and the larger firms “already have teams working on the regime”.

SMCR places more stringent requirements on asset managers with £50bn (€56.1bn) or more in assets under management, and does not apply to legal entities outside of the UK.

As a number of asset managers have set up management companies in other European countries and moved assets as part of their Brexit planning, this has complicated the application of SMCR, according to David Yim,

partner at KPMG.

“It gives the added complication of trying to consider what is in scope of regime and working out what requirements there are for moving business between those legal entities,” he says.

“The profile of the legal entity might change from enhanced to core or core to enhanced,” he adds.

Mr Yim says that with eight months to go until implementation, it is too early to call if firms are currently at risk of not being ready for the December deadline, but that broadly “they are covering the areas that I would expect them to cover”.

“Since Christmas, firms have been beginning to re-engage with SMCR,” he says, having been preoccupied with Mifid II, GDPR and the prospect of a no-deal Brexit.

He says that self interest from managers is helping to push SMCR up firms' agenda as the “potential ramifications [of SMCR] for individuals is undoubtedly causing nervousness”.

“Making sure programmes are in place is a good way of channeling those nerves.”

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