



Client briefing:
FCA SM&CR Phase 1 reforms
Impact on regulated lenders, hire firms and brokers

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Source basis: This briefing is based on FCA Policy Statement PS26/6, Senior Managers & Certification Regime Review (April 2026), including Appendix 1, the Individual Accountability (SMCR Review) Instrument 2026 (FCA 2026/17), and FCA PS25/23 materials for the non-financial misconduct guidance referred to in PS26/6.

Purpose and scope

This document summarises the FCA's Phase 1 reforms to the Senior Managers and Certification Regime (SM&CR) as finalised in PS26/6. It is framed for clients that are FCA-regulated lenders, hirers and brokers, including consumer credit lenders, consumer hire firms, credit brokers and intermediary businesses already within the SM&CR. The document is factual in nature and does not set out recommended implementation steps.

PS26/6 applies to all solo-regulated and dual-regulated firms already in scope of the SM&CR, including third-country branches. Dual-regulated firms are also addressed by the PRA's corresponding policy statement.

Executive summary

- The FCA has finalised a first phase of SM&CR reforms intended to make the regime more efficient and proportionate while maintaining individual accountability.
- Most Phase 1 changes came into force on 24 April 2026. Further changes on 10 July 2026 include revised enhanced-scope threshold figures, the ability for solo-regulated firms to allocate any FCA-prescribed responsibility to an SMF18 or SMF22 holder where appropriate, and the removal of overlapping multiple certification roles. COCON changes aligned with PS25/23 come into force on 1 September 2026.
- The 24 April 2026 changes include amendments or guidance on criminal record checks, the 12-week rule, SMF7, SMF18, prescribed responsibilities, Statements of Responsibilities, Management Responsibilities Maps, certification, Directory updates, regulatory references and Conduct Rules notifications.
- The 10 July 2026 changes include a 30% increase to certain Enhanced SM&CR financial thresholds, including the thresholds for total intermediary regulated business revenue and revenue generated by regulated consumer credit lending.
- The reforms are not sector-specific. Their relevance to lenders, hirers and brokers depends on the firm's SM&CR classification, permissions, reporting obligations, group structure and whether it meets an Enhanced SM&CR qualification condition.

Commencement timetable

Date	Source	Changes commencing
24 April 2026	PS26/6 Table 1; FCA 2026/17 commencement clause C	Most Phase 1 changes: CRCs and disclosure; 12-week rule; SMF7 and SMF18 guidance/rules; prescribed-responsibility guidance; SoR/MRM submission timing; certification guidance; Directory timing; regulatory reference guidance; Conduct Rules notification guidance.
10 July 2026	PS26/6 Table 2; FCA 2026/17, Annex C Part 2	SMF18s at solo-regulated firms may hold any prescribed responsibility; selected Enhanced SM&CR thresholds increase by 30%; 5-year threshold-indexation mechanism starts; overlapping multiple certifications are removed.
1 September 2026	PS26/6 paragraphs 1.17 and Table 1 note; FCA 2026/17, Annexes D/F Part 2; PS25/23	COCON and related notification guidance aligned with the FCA's non-financial misconduct reforms, including SC4 guidance on disclosure of matters relevant to fitness and propriety.

Changes taking effect on 24 April 2026

Senior Management Function assessment process

- The FCA states that it is making changes to streamline and expedite the SMF application process while keeping the assessment process robust.
- The FCA states that it is working to simplify online forms, reduce and consolidate supporting documents and update wording in some questions. It says it plans to make these changes under Phase 2.
- PS26/6 reports that the FCA's most recent quarterly metrics showed 99.7% of applications determined within the current 3-month statutory deadline and 94.7% within the Government's proposed 2-month statutory deadline.

Criminal record checks and disclosure

- The validity period for criminal record checks obtained for an SMF candidate is extended from 3 months to 6 months.
- A new criminal record check is not required in specified internal or intragroup SMF move scenarios, including where the candidate is already performing and approved to perform a designated senior management function for the firm or another firm in the same group, or was doing so within 1 month before the application, or where the firm has already obtained the relevant information for the candidate in connection with a non-SMF board director appointment in the same group and the candidate is still performing that role or was within 1 month before the appointment.
- The FCA notes that the relevant forms will not be updated until 10 July 2026, so for a short period the form wording will not match the revised requirements.
- For non-SMF board directors, the rules require firms to be satisfied that the individual is fit and proper, and to obtain the fullest criminal record information lawfully available before appointment, subject to the exemptions in SYSC 23.4.4R. The information must be no older than 6 months at the time the appointment takes effect.

The 12-week rule

- The rule is changed so that a firm has 12 weeks to submit a valid and complete SMF application, rather than needing the application to be submitted and approved within 12 weeks.
- Where the relevant valid and complete application is made within the first 12 weeks, the temporary replacement can continue performing the function until the application is finally determined.
- Senior Manager Conduct Rules apply to non-SMFs covering SMF roles under the 12-week rule. The FCA also makes changes so breaches of Senior Manager Conduct Rules by such persons are reported via SUP 15 as soon as practicable rather than through collated annual Form H / REP008 reporting.

SMF7 – Group Entity Senior Manager

- The FCA adds guidance on when an individual is within the scope of SMF7 at solo-regulated firms.
- The guidance includes examples involving a group chief financial officer. A group CFO limited to strategic functions, such as setting broad financial policies and monitoring their application, is unlikely to be performing SMF7. A group CFO responsible for implementing group strategy in the firm or day-to-day management of the firm's financial resources or finance function is likely to be performing SMF7.
- The guidance also addresses group committees. Where the firm's governing body has sufficient discretion in how it applies and responds to proposals from group committees, approval would generally not be required for individuals on such a committee.



SMF18 – Other Overall Responsibility

- The FCA removes proposed wording that would have required an SMF18 holder to have “equal status” with executive directors.
- The FCA guidance states that a person performing SMF18 should be the most senior individual reporting into the governing body and should be the most senior person in the firm with responsibility for the area being managed as part of SMF18.
- The corresponding seniority guidance also applies to SMF22, the Other Local Responsibility Function for branches.

Prescribed responsibilities

- The FCA adds Handbook guidance on allocating prescribed responsibilities to SMFs and on circumstances in which splitting a prescribed responsibility may be appropriate.
- The general position remains that a prescribed responsibility should be allocated to the most suitable SMF manager, depending on the circumstances of the firm.
- The new guidance says a firm should not normally split a prescribed responsibility between more than one SMF manager unless this is appropriate and can be justified. Where a split occurs, all parts of the prescribed responsibility are to be clearly allocated without gaps.
- The FCA states that splitting a prescribed responsibility will generally be more appropriate for a larger firm with more complex arrangements, and that splitting between more than two SMF managers will generally not be appropriate.

Statements of Responsibilities and Management Responsibilities Maps

- The FCA’s policy allows firms to submit revised Statements of Responsibilities, and MRMs where relevant, on a six-month cycle rather than after each significant change, although firms must keep their internal records current throughout.
- Where more than one change has occurred during the period, the firm only needs to submit the latest version of the relevant SoR or MRM. This approach applies to both solo-regulated and dual-regulated firms.
- The legal instrument retains the requirement to prepare a revised SoR internally immediately when a significant change occurs. The new timing flexibility concerns submission to the FCA, not whether the firm keeps its own records current.
- A firm may submit revised documents earlier than the 6-month cycle.

Certification Regime guidance

- The FCA clarifies that a certificate can be provided digitally rather than in hard copy.
- The FCA also clarifies that firms can embed annual recertification within existing processes and can conduct recertification proportionately where there has been no change from the previous year.
- The text states that certificates do not need to be physical documents and may be issued by email. The FCA’s guidance says a certificate should specify its dates of validity and be provided to the certification employee.



Directory reporting

- The deadline for most Directory updates is extended from 7 working days to 20 business days.
- The 7-business-day timing is retained for specified departure/leaver updates.
- The legal instrument applies the updated Directory reporting timing to certification employees, non-SMF director Directory persons, sole trader Directory persons and appointed representative Directory persons.

Regulatory references

- The FCA changes Handbook guidance so that a firm is normally expected to issue a regulatory reference within 4 weeks of being asked, instead of 6 weeks.
- The change is guidance rather than a rule.
- New guidance addresses suspected misconduct where an employee leaves before an investigation concludes. The guidance says firms should consider including details of suspected misconduct, taking account of materiality, the grounds for the belief, fairness, and privacy, employment and other legal constraints.
- The guidance also states that a firm should not include information about suspected misconduct unless it has taken sufficient steps to verify the information.

Conduct Rules notification guidance

- The FCA reiterates that only Conduct Rule breaches where specified disciplinary action was taken by the firm need to be notified under section 64C of FSMA and SUP 15.11.
- The FCA highlights that notification requirements under SUP 15.11 are separate from other notification requirements, including SUP 15.3.

- The FCA clarifies the reporting treatment of suspensions used while misconduct is investigated, and the treatment of reductions or recoveries of remuneration where the reason is not misconduct amounting to a COCON breach.
- The FCA removes proposed expanded guidance on circumstances in which Conduct Rule breaches should be reported under SUP 15.11, and amends proposed guidance on Senior Manager Conduct Rule 2 by removing the phrase “report the matter without delay”.

Changes taking effect on 10 July 2026

Enhanced SM&CR thresholds

From 10 July 2026, certain financial thresholds for becoming an Enhanced SM&CR firm increase by 30%. The changes are confined to the financial thresholds listed below. PS26/6 states that the Significant IFPRU threshold and the threshold for mortgage lenders or administrators are not increased in Phase 1, although the FCA says it may consider further changes to thresholds in Phase 2.

Enhanced firm qualification condition	Previous threshold	New threshold from 10 July 2026	Notes
Assets under management	£50 billion or more	£65 billion or more	Calculated as a 3-year rolling average.
Total intermediary regulated business revenue	£35 million per annum or more	£45 million per annum or more	Calculated as a 3-year rolling average. Relevant to firms within the relevant intermediary revenue test.
Annual revenue generated by regulated consumer credit lending	£100 million or more	£130 million or more	Calculated as a 3-year rolling average. This is the most directly relevant threshold for consumer credit lenders.

Automatic 5-year adjustment mechanism

- The new automatic adjustment mechanism applies to the three financial figures listed above.
- Inflation is calculated using the CPI annual rate published by the Office for National Statistics.
- The first 5-year period starts on 10 July 2026. Each period ends on the fifth anniversary of its start, or at month-end if that date is not the end of a month.
- Adjustments are rounded up to the nearest £1 billion for the assets under management threshold and to the nearest £1 million for the other thresholds.
- There are no downward adjustments from the figures in force on 10 July 2026 or from any subsequent higher figure.
- The legal instrument states that an adjustment does not affect an averaging period that ended before the end of the 5-year period. It applies to the whole of the averaging period current at the end of the 5-year period.

SMF18 and prescribed responsibilities

- From 10 July 2026, solo-regulated firms may allocate any FCA-prescribed senior management responsibility to an SMF18 or SMF22 holder where appropriate.

- The guidance states that a prescribed responsibility should be given to the SMF manager who is the most senior person responsible for the relevant activity or area.
- The FCA notes that in some cases it may be appropriate for an SMF18 holder to hold a prescribed responsibility, including where the firm has unusual management arrangements, where an absent SMF manager's prescribed responsibility is being allocated, or where the prescribed responsibility is closely related to the overall responsibility allocated to the SMF18 holder.

Removal of overlapping multiple certifications

- The FCA removes certain overlapping requirements to certify the same individual for multiple functions.
- The FCA estimated in PS26/6 that this will reduce the number of certification roles by around 15%.
- The relevant changes concern the significant management function, managers of certification employees, and material risk takers certification functions.
- The FCA states that it will remove the relevant duplicate roles from the Directory itself. Transitional rules say firms must not notify the FCA under SUP 16.26 merely because a person ceases to carry on one of those certification functions as a result of these amendments.

Changes taking effect on 1 September 2026

PS26/6 notes that some new COCON guidance on notification requirements and Senior Manager Conduct Rule 4 comes into effect on 1 September 2026, aligned with PS25/23, Tackling non-financial misconduct in financial services. The related FCA materials state that the new rules and guidance on non-financial misconduct come into force on 1 September 2026.

- COCON 1.3 guidance is amended to state that COCON does not generally cover private or personal life, but that a senior conduct rules staff member may still need to disclose private or personal life matters under Senior Manager Conduct Rule 4 if they are material to fitness and propriety under FIT.
- COCON 4.2.33G guidance is amended to state that SC4 is not limited to information about the SMF manager's firm. It also covers information about the SMF manager themselves, including matters relating to personal life as well as work life.
- The examples in COCON 4.2.33G include prosecution or conviction for specified offences, other events or circumstances relevant to honesty, integrity and reputation or competence and capability, and insolvency or related proceedings.
- The FCA's official non-financial misconduct page states that the new COCON rule for non-banks will extend the scope of the conduct rules to bullying, harassment or violence against colleagues where there is a sufficient work-related link, and will not apply retrospectively.

Factual relevance to regulated lenders, hirers and brokers

Business type	Factual relevance of PS26/6 changes
Consumer credit lenders	The Phase 1 threshold changes include an increase in the Enhanced SM&CR threshold for annual revenue generated by regulated consumer credit lending from £100 million to £130 million, calculated as a 3-year rolling average. Other general SM&CR changes also apply where the firm is within scope of the relevant SM&CR requirement.
Consumer hire firms	PS26/6 applies to SM&CR firms generally. The specific threshold increase for consumer credit lending refers to regulated consumer credit lending revenue. PS26/6 does not identify a separate consumer-hire revenue threshold increase in Phase 1. General changes such as the 12-week rule, Directory timing, regulatory references and certification guidance apply according to the firm's SM&CR status and permissions.
Credit brokers and other intermediaries	The Phase 1 threshold changes include an increase in the Enhanced SM&CR threshold for total intermediary regulated business revenue from £35 million to £45 million per annum, calculated as a 3-year rolling average. The scope of the intermediary calculation depends on the Handbook conditions and reporting requirements.
Broker networks and appointed representative principals	The legal instrument includes Directory timing provisions for appointed representative Directory persons. The regulatory-reference provisions in SYSC 22 continue to include specific treatment for appointed representatives and principal firms.
Groups and multi-entity structures	The SMF7 guidance, the criminal record check changes for internal or intragroup moves, and the SMF18/overall-responsibility guidance are relevant to group structures where management or support functions sit above or outside the authorised firm.

Source references

Source	Relevant material used	Link / reference
FCA PS26/6, Senior Managers & Certification Regime Review, April 2026	Scope, policy summary, commencement tables, responses and final policy changes.	PS26/6 paragraphs 1.1-1.19 and Chapter 2.
FCA 2026/17, Individual Accountability (SMCR Review) Instrument 2026	Legal commencement provisions and Handbook rule/guidance amendments.	PS26/6 Appendix 1; commencement clause C; Annexes C, D, E and F.
FCA PS25/23 and FCA non-financial misconduct materials	1 September 2026 COCON and FIT guidance referred to in PS26/6.	PS25/23; FCA non-financial misconduct webpage; Non-Financial Misconduct (No 2) Instrument 2025.
FCA press release on SM&CR changes, 22 April 2026	Cross-check of overall changes: more time for SMF applications, reduction of overlapping certification roles, certification streamlining and 30% increase in many Enhanced Firm thresholds.	FCA press release: "FCA and PRA confirm changes to streamline senior manager accountability and boost growth".

How Auxillias can help

The Phase 1 reforms may appear operational in nature but many of the changes have wider implications for governance, accountability, role allocation, certification processes and SM&CR oversight. Firms may also need to reassess whether existing structures, statements of responsibilities, prescribed responsibility allocations and governance frameworks remain appropriate as the regime develops further.

Auxillias supports regulated lenders, brokers and hire firms across the full SM&CR framework including governance reviews, SMF mapping, prescribed responsibility allocation, statements of responsibilities, certification processes, conduct rules investigations and regulatory reference issues. We also support boards and senior managers with wider governance, Consumer Duty and FCA accountability requirements including in relation to non-financial misconduct developments and evolving regulatory expectations around culture and oversight.

If you would like to discuss how the Phase 1 reforms may affect your business or governance arrangements, please get in touch with the Auxillias team (details below).



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