Latest statistics show impact of SMCR

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Following the FCA's recent publication of its proposals to extend the Senior Managers & Certification Regime (SMCR) to all financial services firms from 2018 (read more here), a report issued by consultants Duff & Phelps has highlighted a rapid increase in the proportion of its fines that are against individuals.

The SMCR has applied to banks and PRA-designated investment firms since March 2016. Statistics compiled for the report demonstrate that in 2016 almost two thirds of the enforcement

notices issued by the FCA were against regulated individuals rather than firms. This is up from just 37% in 2014.

This increase can be attributed to the effects of the implementation of the SMCR, which has as its core aim an increased focus on the conduct of individuals and holding them to account. With the pending extension of the SMCR to all financial services firms regulated by the FCA, these trends in respect of individuals are very likely to continue in the coming years.

However, firms that will be affected by the regime's extension would be well-advised to take note of comments made earlier this year by the FCA's Director of Enforcement and Market Oversight, Mark Steward, in a speech delivered at New York University. He noted that, although the advent of the SMCR marks an important and decisive shift in tackling issues of individual's misconduct, it does not represent a 'free pass' to the firms themselves, who may still be the subject of heavy financial penalties from the regulator in the event of breaches in compliance.

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