

7 October, 2025

Correspondence Team
HM Treasury
1 Horse Guards Road
London, UK



Japanese Bankers Association

JBA comments on the Consultation: “Reforming the Senior Managers & Certification Regime”

Dear Sirs/Madams:

The Japanese Bankers Association¹ (JBA) appreciates the opportunity to provide our comments on HM Treasury’s (HMT) Consultation: “Reforming the Senior Managers & Certification Regime,” released on 15 July 2025.

The JBA welcomes HMT’s initiative to reform the Senior Managers & Certification Regime (SM&CR) as part of the Financial Services Growth and Competitiveness Strategy to enhance the competitiveness and development of the UK financial markets. While we support efforts to streamline regulatory frameworks and reduce administrative burdens, we respectfully propose several points as discussed below to make this reform more meaningful and enhance the attractiveness of the UK financial market for foreign financial institutions.

Q1: Do you agree that the Certification Regime should be removed from FSMA 2000?

We agree with HMT’s proposal to remove the certification regime from legislation in order to grant the FCA and PRA additional flexibility to amend the regime to be more proportionate and responsive, without requiring Parliament agreement for all changes.

We also agree that any Phase 2 changes to the certification / replacement regime must ensure broad consistency of interpretation and application across the industry and take into account the impact on the industry – in terms of time and cost – of making significant changes to policies, processes and systems which are currently embedded in organisations.

Q2: Do you agree that the Regulators should consider developing a more proportionate approach, that would replace the existing Certification Regime?

We support a more proportionate and risk-based approach. We believe the current framework could be revised to exclude low-risk roles. Streamlining could also include removing Material Risk Takers (MRTs) from the scope, or relying on internal HR controls for less sensitive roles. The implementation cost of these changes

¹ The Japanese Bankers Association is the leading trade association for banks, bank holding companies and bankers associations in Japan. As of 1 July, 2025, JBA has 112 Full Members (banks), 3 Bank Holding Company Members (bank holding companies), 76 Associate Members (banks & bank holding companies), 49 Special Members (regionally-based bankers associations) and one Sub-Associate Member for a total of 241 members.

should be weighed against the potential long-term benefits and cost savings.

Q3: Do you believe there are risks or unintended consequences if the Certification Regime is removed from FSMA 2000, and replaced with regulator rules? For example, how would it impact consumer protection, market integrity, safety and soundness, and policyholder protection?

We agree the importance of ensuring consistent interpretation and application of the Certification Regime across the industry. However, we believe statutory requirements are unnecessary in this case. Removing the specific requirements from the legislation will allow the regulators to establish the regime without being restricted by the current legislative requirements, such as annual recertification.

Q5: What are the critical elements for any replacement regime to achieve the government objectives of a lower cost, more proportionate and competitive regime?

We welcome removal as this will reduce the obligation on firms. We also support HMT's proposed changes to remove the statutory requirement for annual recertification.

We suggest that critical elements include:

- Clear regulatory guidance and consistency in application;
- Streamlined documentation and simplified and more proportionate annual reassessment processes;
- Removal of MRT duplication with other regimes, such as remuneration; and
- Use of technology and automation in recordkeeping.

Q6: Do the regulators currently have the necessary powers and tools to deliver a replacement regime or are further powers required?

The regulators largely have the necessary powers under FSMA and other regulatory legislation to deliver a proportionate replacement. However, if the regime is removed from FSMA, it should be ensured that the PRA and FCA operate the regime in a flexible and proportionate manner.

Q7: Do you have any comments on the likely costs and benefits of removing the Certification Regime from legislation and replacing it with a more proportionate regime, at this stage?

We welcome streamlining the existing regime, as replacing it with a new regime may incur cost of transitional implementation, necessitate internal framework revisions and staff retraining, and potentially lead to legal or supervisory uncertainty.

Q8: Do you agree with the proposal to give the regulators more flexibility to reduce the overall number of senior manager roles?

We support the proposal. The current requirement on the overall number of senior manager roles can be overly prescriptive and may not reflect actual risk or governance structures. Allowing more discretion to tailor this

requirement could enhance proportionality.

Q9: In addition, do you agree with the proposal to give the regulators flexibility to reduce the number of roles within the regime for which pre-approval is required?

We support this proposal, as pre-approval can pose a significant operational impediment, and removing pre-approval requirements for low-risk or non-client facing roles can reduce delays and costs while maintaining overall accountability frameworks.

We believe a careful analysis should be conducted to determine whether the disadvantages of pre-approval, such as delays in appointments, delays in fully empowering appointees, and misalignment of responsibility assignments with the optimal positions, outweigh any benefits. Additionally, regulators should consider how often approval is refused, and whether the benefits in such cases justify the disadvantages of this cumbersome and costly process.

Q10: Do you have any comments on the likely costs and benefits of making such changes to the Senior Manager Regime?

We recognise that benefits include:

- Faster onboarding and approval processes;
- Less regulatory backlog; and
- Reduced administrative costs.

Q11: Are there any alternative approaches that government should consider to reform the approach to regulator pre-approval, which would still deliver the desired benefits?

One approach is to introduce a self-certification model for certain senior manager roles with post-appointment notification and the right for regulators to object. Alternatively, pre-approval could be restricted to roles with direct prudential or conduct risks, while others are subject to ex-post regulatory oversight. Additionally, pre-approval could be waived for senior manager roles who are currently approved and working within the firm/group.

Another approach would be to allow interim appointments and interim allocation of responsibilities pending approval. This could involve a short period in which regulators could object and request full pre-approval, provided that there are specific grounds for doing so.

Q12: Do you have any other comments or suggestions regarding these proposed changes?

We encourage regulators to:

- Provide advance notice and transitional guidance to firms;
- Consider industry roundtables to share best practices in implementation.

Q13: Do you agree with the proposal to remove prescriptive legislative requirements relating to provision, maintenance and updating of Statement of Responsibilities, with the aim of allowing regulators to adopt a more proportionate approach?

We welcome the removal. While SoRs are useful tools, current requirements can be overly rigid. Allowing regulators to set more proportionate rules, in particular for updates to reflect immaterial changes, will reduce an unnecessary administrative burden while maintaining transparency.

Q14: What are the types of change for which an update to the Statement of Responsibilities is currently required, that you consider to be disproportionate?

Examples include:

- Temporary or short-term delegation of responsibilities, such as sick leave;
- Minor changes to job titles or reporting lines with no impact on actual responsibility;
- Minor adjustments, minor changes, and/or additional responsibilities that do not affect regulated activities.

We propose that only material changes impacting risk, governance, or regulatory permissions should trigger an update.

Q15: Are there requirements in the legislation for the Conduct Rules which you consider create a disproportionate burden? What are these elements?

We consider the current notification obligations regarding breaches of the Conduct Rules to be overly burdensome, particularly for minor or technical breaches. The lack of clarity on thresholds for reportable breaches can lead to over-reporting, legal uncertainty, and significant internal efforts to assess reportability on a case-by-case basis. It appears firms have different approaches for assessing conduct that requires notification.

We recommend clearer guidance on materiality thresholds and de-minimis exclusions to ensure that resources are focused on more serious breaches and reporting is consistent across the industry.

Q16: Are there any further elements of the SM&CR legislation within which create unnecessary regulatory burdens on firms, the removal of which would not impact on the primary objectives of the regime?

Simplification is welcome in the following areas without compromising regulatory objectives:

- Annual Certification: For roles with no material change year-on-year, a biennial certification process may be more proportionate.
- SoR Updates: As mentioned previously, immaterial changes, such as title changes or temporary delegations, should not require formal updates.
- Overlapping Remuneration and Governance Requirements: Streamlining duplications between SM&CR, MRT rules, and remuneration code provisions could reduce compliance burdens while maintaining oversight.

Q17: Do you face, or have you faced, any specific obstacles in trying to recruit internationally for senior manager roles?

Exceptionally long and complicated remuneration deferral rules may disincentivise individuals from taking on senior manager roles responsibilities.

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We thank the HMT for the opportunity to comment on the consultation and hope our comments will contribute to further consideration by the HMT.

Yours faithfully,

Japanese Bankers Association