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FCA Cryptoasset authorisation: Staffing Requirements and SM&CR.

A guide to the Senior Managers and Certification Regime, CASP SMF roles, prescribed responsibilities, fit and proper requirements and conduct rules.

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BEFORE YOU BUILD YOUR STRUCTURE

One regime, sector-agnostic

The Senior Managers and Certification Regime (SM&CR) applies to a CASP in exactly the same way it applies to any other FSMA authorised firm. The FCA has been explicit that it is not creating bespoke cryptoasset SMFs — this sector-agnostic approach means that an applicant CASP will need to map its senior leadership to the existing relevant SMF functions. This guide gives a practical overview of which SMFs a CASP will likely need, how they map onto a typical CASP organisation, and a high-level summary of the associated responsibilities, fitness and propriety requirements and conduct rules.

01

Sector-agnostic by design

The FCA has confirmed it will not create bespoke SMFs for cryptoasset firms. CASPs will need to allocate the same functions used across the rest of UK financial services (typically up to six SMFs).

02

Core, not Enhanced

Most CASPs will sit in the standard Core tier, requiring up to six SMFs. Very few firms will exceed the thresholds (both quantitative and qualitative) that would push a CASP into the more demanding Enhanced tier.

03

Three layers of accountability

Senior Managers (FCA approved under the Senior Managers Regime to perform SMF roles), employees whose roles have the potential to cause significant harm to the firm or its customers (Certified Staff), and everyone else who must abide by the FCA Conduct Rules. You will also need to consider the FCA's recently expanded rules on non-financial misconduct (see later in this guide).

Why this matters for your application: SMF holders need individual Form A approval alongside the firm's own authorisation. The FCA expects the "mind and management" of a CASP to be located in the UK, particularly the SMF16 (Compliance Oversight) and SMF17 (MLRO) holders, with a high probability of SMF1 (Chief Executive) and SMF3 (Executive Director) roles also being required to be located in the UK. Applicant CASPs should spend time ensuring that their staff organisation structure includes UK-based personnel sufficient to prove effective local governance. Changing Senior Managers mid-application will significantly slow the application process down - ensure that you have an appropriate staff organisation structure defined early on in your application preparation process.

SECTION 1 — THE FRAMEWORK

Three layers of accountability

SM&CR is built around three tiers of individual, depending on the harm their role could realistically cause to the firm or its customers, with each tier being subject to a different level of scrutiny. Understanding what staffing is appropriate for each tier is key to meeting UK mind and management and appropriate governance requirements. Understanding which roles reside in which tier will be essential for guiding recruitment, assessment, and training.

1

Senior Managers

The most senior decision-makers in the firm such as the executives and critical governance holders, for example the Chief Executive (SMF1), Compliance Oversight (SMF16), and the MLRO (SMF17). Each must be individually approved by the FCA before starting the role, via a Form A application, and must have a formal Statement of Responsibilities (SoR) that explicitly maps out what they are personally accountable for. Under FSMA, they hold a statutory Duty of Responsibility. If a regulatory breach occurs in their area, they can be personally sanctioned by the FCA if they failed to take "reasonable steps" to prevent it.

2

Certified Staff

This tier covers employees who are not Senior Managers but whose roles have the potential to cause significant harm to the firm or its customers, such as staff with access to safeguarded cryptoassets or those running algorithmic trading, however the FCA does not pre-approve these individuals. Instead, the responsibility shifts entirely to the firm which must internally assess, and certify annually, that these employees are "fit and proper" to perform their duties.

3

Everyone else

This is the baseline layer designed to enforce a minimum standard of behaviour and improve culture across the entire financial services market. These are practically all other employees (within the regulated entity), spanning from front-line staff to back-office operational teams. Individuals must abide by the FCA Conduct Rules (e.g., acting with integrity, due care, skill, and diligence). Only ancillary staff with no connection to financial services activities (such as receptionists, security, or catering staff) are exempt. The firm is legally required to train all relevant staff on how these rules apply directly to their specific roles and must report certain Conduct Rule breaches to the FCA.

Which tier applies to you? Most solo-regulated CASPs will sit in the Core tier (with up to six SMFs). Very small firms may fall into 'Limited Scope' (their business models carry less potential to cause widespread harm to consumers or market integrity) with the FCA applying a reduced, streamlined version of the SM&CR regime (often just requiring SMF29, plus SMF16 and SMF17 where relevant). Very few firms (around 1% of all authorised firms) are large or complex enough to be 'Enhanced', with a wider set of SMFs and additional Prescribed Responsibilities.

SECTION 2 — SENIOR MANAGEMENT FUNCTIONS

SMFs for a Core-tier CASP

The FCA has not created bespoke SMFs for cryptoasset firms — instead CASPs will need to designate the same functions used by other FSMA authorised firms. For a solo-regulated Core-tier CASP, that typically means allocating up to six SMFs, typically the five described below (unless the CASP is organised as a partnership in which case SMF 27 (Partners) are required).

SMF1 — Chief Executive

The most senior executive position responsible for running the firm's entire business — usually the CEO or founder.

SMF3 — Executive Director

Other individual executive directors who sit on the governing body (i.e. Board), beyond the CEO.

SMF9 — Chair

The non-executive chair responsible for leading the Board and overseeing its governance, if there is one.

SMF16 — Compliance Oversight

A required function for every Core firm. The individual responsible for oversight of the firm's compliance with FCA rules (e.g. Head of Compliance), reporting directly to the Board.

SMF17 — Money Laundering Reporting Officer (MLRO)

Also a required function for every Core firm. Responsible for the firm’s policies, controls, and compliance with the Money Laundering Regulations and reporting directly to the Board.

Combining roles: in smaller firms, SMF16 and SMF17 are commonly held by the same individual, and a sole director may hold SMF1, SMF16 and SMF17 all at once. The FCA specifically expects the SMF16 and SMF17 holders to be based at the firm's UK principal place of business.

SECTION 3 — STAFFING STRUCTURE

Mapping SMFs onto your staff organisation structure

This section connects directly to the staff organisational structure that should be drafted early in the application preparation process, as covered in Guide 6 (Preparing your CASP Regulatory Business Plan). The requirements of SM&CR should be considered as part of the process to develop a suitable staff organisation structure and related governance arrangements.

— **Start from your staff organisation chart** — the SMFs you will maintain should map directly onto the roles and reporting lines that you are setting out in your staff organisation chart (and describing in your RBP). Considering the SMF roles described previously should help inform the development of the staff organisation structure. Agreeing your final staff organisation structure will be an iterative process.

— **One person, multiple hats** — any one individual could perform several roles, including those that are SMFs. This is particularly relevant for smaller CASPs where this is somewhat expected. You should document this clearly in each person's Statement of Responsibilities so overlapping accountabilities are unambiguous.

— **Allocate the Prescribed Responsibilities** — assign specific mandatory oversight duties (Prescribed Responsibilities) amongst the SMFs that effectively run that area of the business. Most UK CASPs fall into the Core tier and are required to allocate 5 core Prescribed Responsibilities.

— **Bring in the Certification Regime** — identify roles below Senior Manager level that could cause significant harm (e.g. staff with access to safeguarded cryptoassets or private keys, algorithmic trading staff) and bring them into the Certification Regime. Develop a process for annual fitness and propriety assessment so that these individuals can be certified internally.

— **Keep "mind and management" in the UK** — the FCA's general expectation, reinforced for SMF16 and SMF17, is that the substantive decision-making for a CASP sits in the UK. This can be a point of friction where the UK entity sits within an international group and will be tested by the FCA during their assessment of the application.

— **Review as you grow** — revisit the staffing structure, SMF allocation and Prescribed Responsibilities as headcount grows or the business activities increase in size or complexity. Build checks into your Compliance Monitoring Programme.

SECTION 4 — PRESCRIBED RESPONSIBILITIES

Prescribed Responsibilities

The FCA requires a set of mandatory oversight duties (“Prescribed Responsibilities”) to be assigned to the most senior individuals that are effectively running the business, i.e. to SMF holders. Since most UK cryptoasset firms will fall into the “Core” tier we have focused on the Prescribed Responsibilities that apply to those Core firms.

(a) SMR Compliance

Responsibility for the firm's performance of its obligations under the Senior Managers Regime — getting SMFs approved, keeping Statements of Responsibilities accurate and notifying the FCA of changes.

(b) Certification Regime

Responsibility for the firm's obligations under the Certification Regime — identifying certified roles, assessing fitness and propriety at least annually and issuing certificates.

(b-1) Conduct Rules

Responsibility for the firm's compliance with the Conduct Rules — training staff, embedding the rules in the business and reporting breaches to the FCA.

(c) Responsibilities Map Enhanced firms only

Required for Enhanced firms. Core firms are not required to maintain a Management Responsibilities Map, but a simple one is good practice and helps evidence clear allocation.

(d) Financial Crime

Responsibility for the firm's policies and procedures for countering the risk that it is used to further financial crime. Often sits with the SMF17 (MLRO) holder.

(z) CASS & Custody / Safekeeping

Activity-specific

Responsibility for the firm's compliance with the client asset (CASS) rules, including safeguarding of client cryptoassets. Relevant where the CASP holds client assets.

Key allocation rules and best practice

- **Seniority rule:** allocate each responsibility to the most senior SMF responsible for that activity or area of the business.
- **Executive vs non-executive:** responsibilities for running the business should generally sit with executive SMFs, not with a non-executive such as the Chair (SMF9).
- **Single vs shared responsibility:** a single named owner is clearest. Where a responsibility is shared, document the split explicitly so there are no gaps or overlaps. Sharing between multiple people is only acceptable in rare, well-justified circumstances.
- **Update Statements of Responsibilities:** each SMF's Statement of Responsibilities must show their Prescribed Responsibilities, and be updated and resubmitted to the FCA when the allocation changes.
- **Duty of Responsibility:** the SMF holding a responsibility is personally accountable for it, and can be held to account if they failed to take ‘reasonable steps’ to prevent a breach.

Enhanced firms have a longer list of Prescribed Responsibilities including Business Model Development, Risk Control Oversight and Compliance Oversight. Enhanced firms must also maintain a Management Responsibilities Map.

SECTION 5 — FIT AND PROPER

Fitness and propriety checks

Every Senior Manager and every Certified employee must be assessed against the same three broad tests before they can be approved or certified. Assessments must be reviewed on an ongoing basis to ensure that fitness and propriety is maintained.

Honesty, integrity and reputation

Includes criminal record and civil proceedings checks, regulatory or professional disciplinary actions, financial crime, dishonesty and fraud.

Competence and capability

An assessment of whether the individual has the necessary qualifications, skills, experience, and knowledge to effectively perform the specific role. Includes relevant qualifications and training received benchmarked against the requirements of their role.

Financial soundness

Information required to examine the individual's financial standing, including personal bankruptcy, history of financial difficulty (e.g. County Court Judgements or Voluntary Arrangements) that would call into question the individual's ability to manage their own affairs, let alone the firm's.

Two different processes with one underlying standard: for Senior Managers appointed to SMF roles, the fitness and propriety requirements are part of the formal FCA authorisation process via submission of Form A. For staff that are performing roles that meet the Certified Staff classification, the fitness and propriety requirements should form part of the internal process operated by the firm for initial self-certification and annual review. For both, the recruiting firm is required to obtain regulatory references from previous employers, covering the past 6 years and using the FCA's standard mandatory format.

PRACTICAL GUIDANCE

1. Senior Managers (SMF roles)

Candidates for SMF roles should be asked to complete a Form A as part of the internal recruitment due diligence process, ultimately leading to submission of the Form A to the FCA if the individual is recruited (or transitions to the SMF role).

PRACTICAL GUIDANCE

2. Certified Staff

The certification process must not be a perfunctory “rubber stamp” or purely data-entry exercise. Firms must demonstrate regular, objective, and consistent assessments of their Certified Staff (which can be incorporated into an annual staff appraisal cycle). Firms can develop an F&P Checklist to support and record initial and ongoing checks.

SECTION 6 — CONDUCT RULES

Conduct Rules for Senior Managers and Certified Staff

The FCA's Conduct Rules set the minimum standards of behaviour for individuals. Everyone in scope of SM&CR is subject to the Individual Conduct Rules which focus on basic professional integrity, market standards, and consumer protection. Senior Managers (i.e. individuals performing SMF roles) are subject to four additional Senior Manager Conduct Rules.

APPLIES TO SENIOR MANAGERS AND CERTIFIED STAFF

Individual Conduct Rules

1. Act with integrity.
2. Act with due skill, care and diligence.
3. Be open and cooperative with the FCA, the PRA and other regulators.
4. Pay due regard to the interests of customers and treat them fairly.
5. Observe proper standards of market conduct.
6. Act to deliver good outcomes for retail customers.

APPLIES ONLY TO SENIOR MANAGERS

Senior Manager Conduct Rules

SC1 Take reasonable steps to ensure that the business of the firm for which you are responsible is controlled effectively.

SC2 Take reasonable steps to ensure that the business of the firm for which you are responsible complies with the relevant requirements and standards of the regulatory system.

SC3 Take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person and that you oversee the delegation effectively.

SC4 Disclose appropriately any information of which the FCA or PRA would reasonably expect notice.

Non-financial misconduct: the FCA's expanded rules on non-financial misconduct (bullying, harassment and similar behaviour) took effect on 1 September 2026. Firms should expect these to feed directly into both Conduct Rules breach reporting and fitness and propriety assessments — evidence how your firm identifies and handles this alongside more traditional conduct issues.

WHERE THIS GUIDE FITS

A practical overview — not a substitute for the Handbook

This guide gives a practical, high-level overview of SM&CR as it applies to a CASP — the framework, the SMFs you are likely to need, how they map onto your staffing structure, Prescribed Responsibilities and the fit and proper and conduct standards. It is deliberately high-level and should be read alongside the relevant sections of the FCA's Handbook, including SYSC, FIT, SUP and COCON before you develop your policies and finalise your application.

Build from your organisation chart

Your SMF allocation / mapping should follow the staffing structure that you have already set out in your Regulatory Business Plan, not be designed as a separate compliance exercise.

Do not leave gaps

Every required function (SMF16 and SMF17 for Core firms) must be held by a named, approved individual — with no gaps, even during handovers or recruitment.

Use the primary sources

Refer to the SM&CR requirements detailed in the FCA Handbook sections including SYSC, FIT, SUP and COCON. FCA Senior Managers Regime guidance (see their website) should also be considered.

Get in touch

If you are preparing a CASP application and want help mapping your staffing structure to SM&CR requirements, feel free to get in touch!

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ABOUT PACNET

A starting point for payments and cryptoasset firms

The Payments and Crypto Network (PACNET) is a compliance community for UK payment institutions, electronic money institutions and cryptoasset service providers. This guide is designed as a first point of reference: use it to orient yourself, then go to the relevant sections of the FCA Handbook and published guidance to develop the detail that your application will need to include.

Free guides and articles

Practical breakdowns of regulation and guidance for the CASP regime as it develops, written by compliance professionals for compliance teams. All materials available for download at our website: www.pacnet.info

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PACNET is developing tools for finding job opportunities (PACNET Search) and obtaining quotes from service providers (PACNET Quote).

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The rest of this series

Previously published: The FCA CASP Authorisation Gateway, Published materials, Application of the FCA Handbook, Operational Resilience for CASPs, Application Requirements, Preparing your Regulatory Business Plan, and Financial Forecast and Capital Requirements.

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