

The International COO Community

SMEF24 Dinner and Debate

20th June 2023

Hosted by State Street



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Host



Barbara Diette
UK COO
State Street

Guest



David Blunt
Former Head of Conduct
Specialists, Supervision
FCA

Guest



Georgina Philippou
Former COO
FCA

“We are very grateful to Barbara for hosting the Q3 SMF24 roundtable, and for the guest appearances of David Blunt and Georgina Philippou, whose experiences when at the FCA related to the Senior Manager’s Regime added extra depth and context to the debate.

The request by the attendees to set two further roundtables before year end, which David and Georgina have agreed to attend, aim to support the SMF24 community as it runs into 2024 and the much-anticipated assessment of progress related to this regulation.”

Maurice Evlyn-Buften

CEO
Armstrong Wolfe

In attendance:



The SMF24 role, which may be associated with the Chief Operating Officer (COO) or another position within an organisation, faces several challenges within the Senior Managers and Certification Regime (SMCR)

An objective assessment of the evening's debate:

"It was clear from the discussion that individual accountability - and, especially in the light of the TSB Abarca case, what constitutes "reasonable steps" - is a key focus area for SMF24s as they lead their firms through technological, regulatory and business change.

Three further themes came through clearly: data, divergences, and dependencies.

The challenges around data - in terms of volumes, accessibility and reliability - remain significant and, for many, as subject to multi-year programmes; the divergencies which are clear today between countries and regulators pose significant challenges for international firms on many fronts, with the lack of common approaches to ESG standing out as a case study for those challenges; and dependencies by firms on third parties for infrastructure and many other requirements pose sectoral challenges which no single firm is able to address unilaterally.

In short, the significance of the COO role - and the challenges which SMF24s face - are undiminished, and in many respects are growing, with the focus on operational resilience focusing the minds of COOs on the three Ds of data, divergencies and dependencies." (David Blunt)

- » **Wide-ranging Relationships:** The SMF24 role involves interacting with varied elements within the organisation, particularly Risk and Audit functions, and hence encompasses multiple parts of the organisation.
- » **Evolving Approach:** SMF24s have transitioned from extensive record-keeping to a more outcomes-based perspective, focusing on operational resilience and demonstrating reasonable steps taken during major crisis events.
- » **Flexibility and Differentiation:** The SMF24 role is not standardised and varies across organisations. Industry-wide conversations among SMF24s are important to ensure coverage of different approaches and responsibilities.
- » **Decision Making and Influence:** Strong decision-making skills and the ability to influence decision makers are crucial for an effective SMF24. They must provide evidence of their priorities and steps taken in line with the reasonable steps requirement.
- » **Networking and Influence:** SMF24s must network, communicate, and collectively influence colleagues to effectively manage personal risk and be accountable for major crises.
- » **Geographic Variation:** Organisations with different geographical presences face unique challenges, requiring SMF24s to address varying regulatory requirements in varying regions.
- » **Operational Resilience:** The SMF24, often responsible for operational resilience, needs to embed regulatory requirements within organisational practices and align them with global policies in the wider organisation. Keeping pace with technological advancements and cybersecurity is also a key concern.

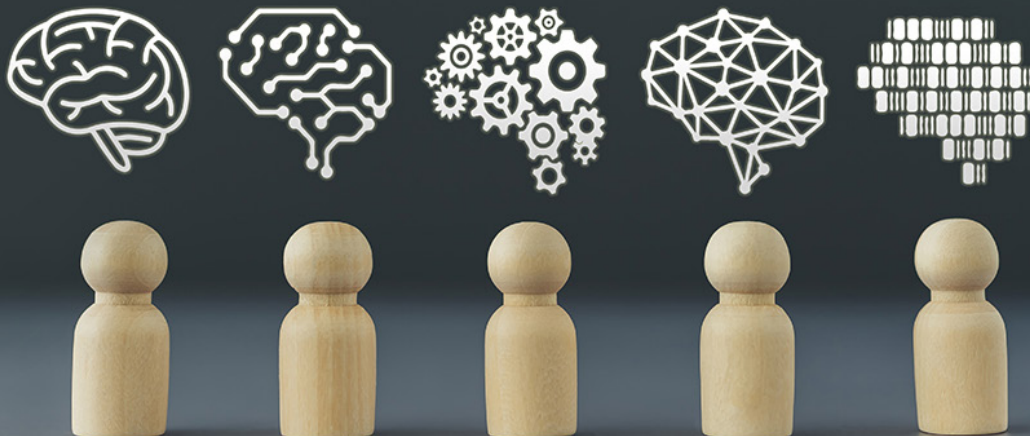
- » **ESG Integration:** Integrating Environmental, Social, and Governance (ESG) factors into operational resilience poses challenges, as ESG thinking, and support may in some cases be less advanced than that surrounding operational resilience. However, considering ESG concerns is important due to their impact on clients and their concerns around investing.
- » **Testing Operational Resilience:** Tabletop exercises and scenario testing are key methods for testing operational resilience frameworks. Priorities have shifted recently, and finding the right balance between resource allocation and testing effectiveness is crucial.
- » **Overlapping Roles:** There may be overlap between the COO role and the risk function within the organisation, requiring coordination and clarity, chiefly lead by the influence of the SMF24.
- » **Supervision and Accountability:** The SMF24 regime focuses on supervision and holding senior managers accountable for failures. Personal liability and reputational damage have proven more impactful than financial fines in modifying behaviour.
- » **Third-Party Resilience:** The resilience of third-party vendors and managing relationships with them during crisis events is a critical concern.

Maintaining open communication among SMF24s across the industry is of paramount importance.

The SMF24 role itself is not standardised, and its responsibilities can vary between organisations. Therefore, by fostering industry-wide conversations, SMF24s can gain valuable insights, exchange best practices, and tackle common challenges collectively.

Open communication allows SMF24s to share knowledge and experiences, enhancing their ability to address operational resilience, decision-making, and the embedding of regulatory requirements effectively. Furthermore, maintaining open communication among SMF24s cultivates a supportive network that can provide guidance during times of crisis or major events.

Focusing the minds of COOs on the three Ds of data, divergencies and dependencies



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