

Conduct Supervision – A Revised Approach



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Background

- Enhanced focus has been placed on supervisory work relevant to prudential risks and supervision of conduct has been covered generically and reactively under TCF
- Increased focus internationally and domestically:
 - GFSC's published approach to insurance regulation in January 2018
 - FCA's discussion paper on transforming culture in financial services in March 2018
 - EIOPA's published COB strategy April 2018 and programming document strategy lists its No1 strategic objective as 'to strengthen the protection of consumers'
 - FCA's published business plan for 2018/19 categorising governance and culture as a key priority
 - Implementation of the IDD October in 2018
 - EIOPA's published framework for assessing conduct risk through the product lifecycle in February 2019

Objective, Desired Outcome and Approach

Objective - The implementation of a risk based and proportionate conduct of business supervisory approach based on promoting the requirement for firms to implement and maintain strong internal practices by delivering clear conduct expectations.

Outcome - Obtain a more consumer-centric approach in firms ensuring transparency, simplicity, accessibility and fairness for consumers.

How

- Expectations papers and self assessments
- Desk based reviews
- SICR requests and automation / KRI's
- Thematic reviews

Conduct of Business Categories

- Culture
- Conduct Risk Management Framework
- Product Development
- Product sales and distribution
- Services and post sales handling including Complaints Management
- Outsourcing/delegated authority

Culture

- Foundation of good conduct
- Clear known link between poor culture and conduct
- Don't over engineer
- Unique to each firm
- Not an HR issue
- Tone from the top
- Reflected throughout
- Customer centric

Conduct Risk Management Framework

- Conduct must feature
- Define risks
- Appetite
- Roles and responsibilities
- Policies and procedures
- Systems and controls
- MI & effectiveness

‘Moving from an approach focused on ensuring compliance with rules, to an approach that encourages firms to do the right thing in respect of their customers and the markets they operate in’