For People Development and People Regulation Personnel within Financial Services

T-C NEWS

COMPETENCE • EXPERTISE • PROFESSIONALISM

JULY 2019

IT and cyber security – Why IT matters and what should you expect of your software suppliers?

By Andy Nightingale, Managing Director, Worksmart Limited

IN THIS ISSUE


Assess
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Find out more
Incomplete
CPD
My Training Plan
Find Learning
My Team

T-CNEWS

JULY 2019

IN THIS ISSUE

Welcome to the July edition of T-CNews. It's a little after one year since the GDPR came into effect so we have taken a look at how firms are getting on with these regulations. For FCA solo regulate firms we are less that 6 months away from the implementation of the Senior Managers & Certification Regime (SM&CR). There is still plenty to address in this space. In this regard Worksmart share their expertise in the second of two articles that identify the things you need to consider when choosing a software provider. Claims Management Companies have recently come under the umbrella of FCA regulation – Unicorn Training share what to expect. We have a great mix of other articles that help keep you up to date with topical themes within financial services. Enjoy.

Jeff Abbott

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2be Development Consultancy Ltd,
12a Gourlay's Wynd, Duns, TD11 3AZ

Telephone 01361 315 003
Email editor@t-cnews.com Web site www.t-cnews.com

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Your Starter for Ten

1. Luzon is the largest and most populous island in which Southeast Asian nation?
2. *Prince Caspian*, *The Voyage of the Dawn Treader* and *The Silver Chair* are three novels set predominantly in which fictional world?
3. Who is the only man to serve two non-consecutive terms as US President, from 1885-1889 and 1893-1897?
4. In which language does 'spasíbo' (usually written in its native alphabet) mean 'thank you'?
5. The four 'fashion capitals' are usually considered to be New York, London, Paris, and which other city in southern Europe?
6. Which English band's music featured heavily in the best-selling soundtrack of the 1977 film *Saturday Night Fever?*
7. *Megatherium* is an extinct, 4-tonne, ground-based relative of which modern South-American mammal, infamous for its slow movement through the rainforest canopies?
8. In Greek mythology, which hero – the legendary founder and first king of Athens – is credited with having slain the Minotaur in the labyrinth of Knossos?
9. In which modern-day capital city was Archduke Franz Ferdinand assassinated by Gavrilo Princip in 1914, sparking the crisis that ushered in the First World War?
10. What links the Olympic events of the Decathlon, 50km walk and the 110m hurdles?
11. *I'll make a man out of you* and *A girl worth fighting for* are songs from the soundtrack of which 1998 Disney movie?
12. The Glorious Revolution of 1688 – an effective invasion of England – let to the only ever joint monarchy in British history, shared between which king and queen?
13. Which small country in the horn of Africa – whose capital has the same name – was formerly know, during the colonial period, as French Somaliland?
14. Which notorious figure of Norse mythology has – since 2011 – been portrayed by Tom Hiddleston in the Marvel Cinematic Universe?
15. Which artefact, discovered in the town of Rashid in the Napoleonic Wars and now displayed at the British Museum, proved crucial in the translation of Egyptian hieroglyphs?
16. Which term, of Central Asian origin, is used to refer to the vast northern snow forests of Russia and North America, the world's largest single biome?
17. Which Indian batsman is the highest run-scorer in test cricket history, finishing his career with just under 16,000 runs?
18. Which famous actor insisted on receiving a unique purple lightsaber for his role in the *Star Wars* prequels from 1999-2005?
19. The eruption of which Indonesian volcano in 1883 is commonly-cited as the loudest sound in recent human history?
20. Paprika is the predominant spice in which Hungarian meat and vegetable stew?

As another exam season approaches

John Reynolds from Expert Pensions

> "As a professional in the financial services industry you are constantly learning and being challenged by clients, regulators and governments.

As the next exam season approaches you may be asking yourself the following questions:

Where do I want to be?

Now is the time to write down your overall career goals - where do you want to be in two, five or 10 years' time. Then you need to commit to no more than three specific and achievable shorter term objectives, including the dates by which you want to achieve them.

What do I have to do to get there?

Look at your overall career goals, make a note of what you need to do to achieve them. This could include further training, taking exams, considering a job progression or even a complete change of career direction.

Set yourself some short term objectives, include the first step - what you can do today or tomorrow. For example, having someone to mentor you or guide you through your journey can be invaluable from finding out about how they achieved their career goals, to recommendations about learning solutions and finding the best and quickest route to career success.

So, is 2019 going to be your year for learning? It's time to get up close and personal, as we guide you through the methodology, the process, the problem solving and the structure to get you through these tricky exams.

Our Structured approach to your learning means we have managed your time for you - refer to our timetable, note all the key dates in your diary and follow our plan… simple? We know it's not and that's why we are always on hand to help… our team love to talk, in fact we positively encourage it! By getting to know you we can help you. We have developed the most powerful action-based learning package designed to help you pass.

Being successful in financial services demands that you keep up to date. As a professional in the financial services industry you are constantly learning and being challenged by clients, regulators and governments.

To keep abreast of new and important information you must keep up to date, but you will also know that a new skill isn't learned until it is practiced and implemented successfully…. several times over. And that means over and over and over…

And it's the same in exams. You must practice your skill. We will test your ability to **look** for what the examiner is asking you for and **apply** your knowledge using the right **technique**. This is so critical for exam success.

We believe that to exceed your studying expectations we need to provide a unique studying solution designed specifically for you. This is not about ticking a box; our study plans and Masterclasses are designed to develop your technical and practical understanding of subjects and products that you discuss with your clients. Action learning at its best - working on real problems, taking action and helping you and your organisation develop flexible and successful strategies to real life scenarios.

We are already looking forward to welcoming our new students for the October 2019 session and the CII October 2019 exam dates you need to know are as follows: **7th October 2019** AF1 – **8th October 2019** AF4 and AF7– **9th October 2019** AF5

If your aim is to gain knowledge as well as a thorough understanding and application of the exam process, then you need to get off to a good start. We have researched and evidenced that when you plan your time, have an expert to guide you, a variety of learning tools such as quizzes, exams style questions/model answers and video tutorials this can all lead to exam success. You need to know exam technique and where to maximise the number of marks you can pick up. That's where we come in – a programme designed with you in mind with comprehensive and concise study & revision notes, written by exam practitioners who know and understand these exams.

When should I review progress?

This step is a must!! You need to set a date in advance for review of the objectives you've set yourself. You can either do this from one exam session to the next or you can decide to review once every three, six or 12 months. Mark the time in your diary, write it down, commit and do it! This way the cycle of continuing professional development has begun.

If you have any questions or you would like to join us for the October 2019 exam session, then why not give us a call and let us make learning tough subjects easier and more achievable for everyone.

How to modernise your training and development using 10:20:70

6 simple yet effective strategies to completely modernise your learning provision in the corporate world. In this article, **Paul Archer** from Archer Training shares six strategies to completely change your L&D offering to make it fit for purpose for the third decade of the 21st Century.

> "Make available to every learner content that they can consume to achieve their learning goals. Curate, don't create.

How to Modernise Your Training and Development Using 10:20:70

2, 4, 6, 8 whom do we appreciate or is it 10, 20, 70 gives you longevity

Great title but I'll need to explain.

The world of corporate training and development has changed and evolved entirely in the last ten years. Gone are the days of the annual training course booklet put under everyone's nose and courses are chosen. "Just in case" was the mantra.

Nowadays successful corporate training departments engage learners by providing flexible, personalised, bite-sized, relevant, accessible and on-demand learning opportunities delivered across a variety of platforms and devices.

Here are the six pillars to make this happen:

Learning Pathways

These are suggested routes for someone who joins the firm and takes up a role. It contains the high-level learning requirements of a performing person. What they need to know, what skills they should be able to perform and to what degree of competence and success. There need to be pathways for every role in the firm, these should be perpetually in motion, relevant and directly linked to the performance objective of the role.

Dashboards

Driving a car is impossible without regular glances at the dashboard – speed, distance, temperature, time of arrival – this information allows us to navigate to our destination safely and comfortably. Your learner should have a dashboard to view every day. This can be of any type – Learning Management System based, paper diary, whiteboard on the wall – it doesn't matter. What counts is that they can view progression. Bronze, silver and gold levels each indicating evolution to the next level and the rewards this gives. Please don't spend too much time on this; keep it simple.

I've witnessed teams of trainers getting wholly enveloped in this, spending thousands on a Learning Management System when a paper diary would have done a better job. Keep IT out of learning and development – their world is vastly different with competing objectives and needs. While on the topic, request your CEO speak to IT and allow access to every website on the internet and learn to trust your learners.

Manager Toolkits

Each learner's manager needs to make it all happen, they are the trainers of old but they don't have the time or capability to be actively involved. Produce short, visually based "toolkits" for them so they can quickly run a coaching, quiz or teaching session or 1 to 1.An aide-memoir will give them the confidence to become intrinsically involved in the venture.

Aide-memoirs are an example of "just in time" learning. Don't drag them into a training course for two days entitled "How to Facilitate L&D", just the thought of sitting in a classroom for two days doing that will numb most managers.

Curated On Demand Content

Now the fun begins. Make available to every learner, content that they can consume to achieve their learning goals. Curate, don't create. Think librarian of old who could guide you to any book you sought. A modern-day Google. Teach them to google well; most only achieve this at 10%. Buy or license Automated Intelligent software that trawls the internet bringing up useful, relevant learning content of topics and competencies. Sign up a bulk deal with LinkedIn for its excellent LinkedIn learning, make available YouTube, Vimeo, Facebook and all sorts of resources. Build your library of multimedia resources from your experts in house or external.

Videos, podcasts.

Affiliate to your professional bodies for resources. In my sector, we have the CII who have cavernous digital resources available to members and corporate members. Harvard Business Review archives, industry journal archives, all indexable and searchable. You'll be amazed at how much you can curate for your learners.

Live Learning

Nothing can beat a live experience but keep these for the maximum impact. I can stream Coldplay on Spotify on any device and listen to their tunes all day long. Adventures of a Lifetime was streamed 322 million times in 2016. For me to see them live at the O2 or Glastonbury is a lifetime experience, one to savour and remember all your life. That's the analogy with live learning events. Fewer, more impactful, far more immersive and application based. Leave the knowledge acquisition to the curated content, use the live event for peer to peer sharing, simulation-based activities. Roleplay, case studies and let them practise in as real a simulation as possible. That's the secret. I've left the best to last. Topic Mentors or on the job gurus. Let those in your firm who are particularly useful at a topic and talented at dissipating it, do it. Let them go around the firm guruing. Train them to teach and let them explain live to one person, their expertise. They will be highly motivated to be a guru, who wouldn't want to be.

Self Directed Learners

I've spoken about this before, the modern workplace, learners will only succeed if they take responsibility for their learning. Back in 1986 I had an appraisal with my company and was given access to the course library, and I chose, with relish, some course I wanted to attend. That was my total involvement in the process. I've evolved since to become an entirely self-directed learner – setting my learning goals every five years and then every year. I seek out to achieve my learning goals like any other goal, using a variety of resources to assist. I take responsibility, I enjoy the learning and the results it gives me. That's what all your people need to think.

10:20:70 gives you longevity. 10% formal learning; 20% is on the job learning with mentors and managers and 70% learning as you go, dipping into knowledge, pinching a snippet, watching a video. Learning is an ongoing process which is just in time, not just in case.

Is personal data the new oil?

Personal data has fuelled the growth of some of today's leading companies. Risks and ethical dilemmas are increasing, threatening to derail this trend.

Paul Bryant reports.

> "The risks of using personal data are significant, and rising, but some firms and investors have been apathetic.

Clive Humby, architect of Tesco's Clubcard and chief data scientist at Starcount, a consumer insights consultancy, first coined the phrase 'data is the new oil' in 2006. He said: "It's valuable, but if unrefined it cannot really be used … data must be broken down, analysed for it to have value." Some, and in particular technology giants such as Amazon, Google and Facebook, have mastered this data refining process and created enormous value. (See boxout)

But alongside the commercial opportunities presented by personal data come risks, such as prescriptive new regulations and ethical questions, such as selling products that cause harm.

Companies using personal data now need to deal with new data collection and usage constraints imposed by the General Data Protection Regulation (GDPR), as well as emerging consumer activism such as the #DeleteFacebook movement. GDPR imposes strict rules that dictate how personal data should be gathered, managed and protected, with onerous consequences for not complying.

On the question of ethics, social media platforms and smartphone companies have been accused of designing addictive products and causing mental health issues.

Investors who saw the commercial potential of personal data, and were able to pick the winners, have been richly rewarded. Since listing on public markets, investors in Amazon have enjoyed compound annual returns of 41% (over 20 years), Google 25% (over 15 years) and Facebook 32% (over six years).

Financial services companies are also ramping up the sophistication of their use of personal data. In early 2018, Legal & General (L&G) launched a new 'Customer risk and opportunity management' data programme to improve the customer insights it provides to intermediaries selling life insurance products.

L&G now combines and analyses its own data with data from external partners, such as customer segmentation providers. Traditional life insurance metrics about policy lapses or claims are analysed alongside 'lifestyle data', such as digital channel preferences, financial attitudes or life stage.

One early insight was that the birth of a first child was not triggering a life insurance purchase by parents to the extent expected. But, far more frequently, the birth of a second child was. This tendency could then be conveyed to intermediaries to make first-time parents aware of a common oversight.

Rob Gaunt, head of commercial management and distribution quality management at L&G, says that it's too early to quantify the benefits of the programme. But his goal is clear: "What we want is to very quickly start producing a list of consumer insights that, when presented to a group of intermediaries, 90% of them will say: 'I wouldn't have expected that'."

Investors are also using big data, including personal data, to inform their investment strategies. In its 2017 Global hedge fund and investor survey – of 106 hedge funds and 55 institutional investors – EY finds that 78% of hedge funds currently use, or expect to use in the next 6–12 months, 'non-traditional' data, such as social media data, credit card data and search trends. In the 2016 survey, the proportion is less than 50%.

Institutional investors are buying the idea. They told EY that 24% of the hedge funds in which they invest currently use non-traditional data and they expect that proportion to rise to 38% within three years.

The risks of using personal data are significant, and rising, but some firms and investors have been apathetic.

In July 2017, Equifax, the consumer credit scoring agency, discovered that it had been the victim of a hacking attack that compromised sensitive personal data of 143 million US consumers. It took more than a month for Equifax to publicly disclose the breach.

A week later, its share price had dropped 37%. The CEO, chief information officer and chief security officer stepped down. Equifax later confirmed it was party to more than 240 consumer class action lawsuits, as well as financial institution and shareholder class action lawsuits. And as of 30 June 2018, US$314m of expenses had been recorded related to the incident.

Equifax and its investors had been warned. MSCI, an agency that rates companies on their environmental, social and governance (ESG) performance and risk exposures, downgraded Equifax to its lowest possible ESG rating in August 2016. It reported that Equifax was "vulnerable to data theft and security breaches".

Investors largely ignored the warnings. The Equifax share price gained over 25% between December 2016 and September 2017, when the breach was announced. Following the plummet in the immediate aftermath of the incident, the share price has regained some ground but, as of 2 August 2018, still trades at around 12% lower than the level before the incident was announced.

This is not an isolated case. In 2015, UK telecommunications company TalkTalk had its systems breached, compromising the personal data of 157,000 customers. In its 2016 annual report, TalkTalk reports that due to the breach, it has incurred £42m of exceptional expenses and lost 95,000 (or just under

The value of personal data in 2018: shifting sands

Personal data is sometimes bought by organisations in a straightforward commercial transaction with an explicit value. And sometimes it is collected in exchange for a service, where the value exchange is not as clear. Both of these models are likely to undergo change.

Clive Humby, chief data scientist at consumer insights consultancy Starcount, says traditional 'data brokers', which sell lists of consumer data for marketing purposes, have been disorientated by GDPR. Some of their previous data collection methods are no longer legal. Nor can they store some of the data they did in the past.

He says: "Even pre-GDPR, at the very top end, lists very rarely cost more than 50p per name, perhaps £1–£2 per name with a pre-qualification process, such as knowing the consumer is looking to buy a new house. Post-GDPR, the quality of this data is likely to drop, and so will its value."

Clive thinks organisations need to focus more on collecting their own proprietary data. So, a mortgage broker might create useful content for potential customers about moving house. Those interested can sign up, grant consent, and their browsing or download behaviour can be used to offer targeted, useful messages.

When customers receive a 'free' service in exchange for allowing an organisation to use their data, the value exchange can be opaque. Clive says that LinkedIn is a case in point.

A financial adviser might create a marketing list from the connections of a wealthy client who he or she is connected to. There is a strong likelihood that many on this list would be in the target demographic of the adviser. But the client has received no compensation.

End of the 'Faustian pact'

For its *2018 Trends* report, Mindshare Futures, a media and technology research agency, surveyed 6,000 UK consumers and found that two-thirds knew their data had value but did not know how to use it to their advantage.

Jason Smith, co-founder and former CEO of social media data analysis firm Blurrt, thinks the 'pay-with-your data' model is on its way out. "I can't see this 'Faustian pact' continuing where a consumer gives a company their data in return for a service and the company gets to do what it wants with the data. There is going to come a point, and the younger generation are closer to this point, when people say 'this is not fair'."

This view is in line with the Mindshare Futures research, which finds that 69% of millennials view their own personal information as 'bargaining chips' to enhance their lives.

2.5%) of its broadband customers. The Information Commissioner's Office imposed a record fine of £400,000, with Information Commissioner Elizabeth Denham saying: "TalkTalk's failure to implement the most basic cyber security measures allowed hackers to penetrate TalkTalk's systems with ease."

Today, in a 'live' GDPR environment, for companies handling the personal data of EU consumers, these consequences could be even more severe. The fines associated with this legislation – the greater of €20m or up to 4% of annual revenue – have been well publicised and have the potential to dwarf previous fines imposed for failing to adequately protect personal data. According to cyber security firm NCC Group – which created a model to determine what tier of fine would have applied to TalkTalk under GDPR legislation – the £400,000 fine might have been £59m.

MSCI says the risks are particularly severe for the financial sector. Writing on the MSCI website, Matt Moscardi, executive director, ESG Research, says: "Of the companies with revenues in the EU that MSCI ESG Research identifies as particularly at risk of privacy and data security issues, 40% were in the financial sector."

The Equifax and TalkTalk events illustrate some of the harsh financial, legal and reputational consequences of inadequate personal data management. But the reactions of consumers are not consistent. While TalkTalk experienced a quantifiable consumer exodus, in the aftermath of the Cambridge Analytica saga, Facebook didn't. Despite a relatively high-profile #DeleteFacebook campaign and extensive press coverage about consumer outrage, daily active users (DAUs) continued to increase during the first half of 2018 (5% more DAUs compared to 31 December 2017). In Europe, DAUs did decline by 1% in Q2 2018, but this change to Facebook's European growth trend (DAUs were previously growing by around 1% per quarter) has been attributed to the introduction of GDPR as well as reputational and privacy concerns.

In a study of users' reactions to the Cambridge Analytica event, research company AppOptix concluded: "It is clear that declines in short-term Facebook app use were non-existent. That is, consumers shrugged off the incident and have maintained their usage patterns."

Ethical pressures mounting

Companies and investors also have to grapple with ethical questions. Speaking in November 2017, Sean Parker, an early Facebook investor, said: "The thought process that went into building these applications, Facebook being the first of them, was all about: 'How do we consume as much of your time and conscious attention as possible?' God only knows what it's doing to our children's brains."

Facebook itself has acknowledged the dangers. A December 2017 Facebook Newsroom article – 'Hard questions: is spending time on social media bad for us?' – states: "In general, when people spend a lot of time passively consuming information – reading, but not interacting with people – they report feeling worse afterward … A study from UC San Diego and Yale finds that people who click on about four times as many links as the average person, or who like twice as many posts, report worse mental health than average in a survey."

Big data algorithms have also been accused of reinforcing discrimination. In her 2016 book, Weapons of math destruction, data scientist and former hedge fund quant Cathy O'Neil says big data algorithms have seen the poor being caught in a "death spiral of modelling".

One such example is that poor people are more likely to have bad credit and live in high-crime neighbourhoods. Because of this, algorithms used in recruitment score the poor as high-risk and block them from jobs. Other algorithms access this information and increase the cost of credit and insurance, making their financial position even more precarious and driving their credit score down further.

The upside for consumers

But it's not all downside for the consumer. They benefit from having their personal data used to create and refine products. In wealth management, moneyinfo provides financial advisers with a personal financial management (PFM) and client portal tool to offer to clients. The app links to and analyses data from credit cards, bank accounts, mortgages, investments, pensions, and even insurance policies. Clients see a complete, up-to-date picture of their finances; can access tools such as spending pattern trackers; and receive a more sophisticated service from their advisers.

Although consumers may think that their adviser has simply presented them with a new set of digital tools (the moneyinfo app will be branded by the adviser), multiple parties are required to make these modern tools function. And consumers now need to be made aware of how their data moves around and where it is stored – for example, it is common for companies to store their data 'in the cloud' at an outsourced data centre. Consumers can take some solace from knowing that these data centres, if storing the data of EU consumers, must also be GDPR compliant.

The personal data landscape of 2018 typifies the extremes of the digital economy. Enormous commercial opportunities exist alongside potentially destructive risks and disturbing ethical dilemmas. One misstep under the tough new GDPR regulations could leave a firm reeling from the financial and reputational damage of mishandling personal data. Investment decisions – such as picking winners, losers and ethically sound investments – are only going to become more complicated.

This article was originally published in the Q3 2018 edition of the CISI members' magazine, *The Review*. Republished with permission.

Welcome CMCs to the fold

It was no April Fools Day joke for claims management companies (CMCs) as the FCA assumed regulation of the industry on the first. But how are CMCs, who have never considered themselves as financial services, ensuring they meet FCA approval? **Richard Whittington**, Product Owner at Unicorn Training, takes a look.

Remember that accident you didn't have when you sustained that injury you never got, which that cold caller said you could make a claim for? We've all had them.

From PPI to personal injury, until April CMCs could pop up at will to try to milk the opportunity of making some quick cash by latching on to the latest consumer concern. Package bank accounts, credit cards, mortgages, you name it and there was a cowboy CMC ready to claim compensation for you to get their cut.

You just didn't always know how much of that compensation you would receive, the timeframe of the claim, whether you were paying unfairly high prices, that you had the right to go elsewhere for advice for free or even if you were bordering on committing fraud… basically all absolute FCA no-nos.

It meant well run, ethical CMCs were typically tarred with the same brush as the opportunists, and understandably they too were sick of it.

On 1 April, the FCA announced that more than 900 CMCs had registered for 'temporary permission' to continue operating while they go through the full authorisation process.

From what we have heard in the sector, CMCs are struggling with bringing staff up-to-speed with, in particular, the requirements around the FCA's Principles for Businesses and the new Claims Management Conduct of Business (CMCOB) and that the extent of what required is an ongoing challenge.

So, although CMCs have not seen themselves as financial services organisations, it is financial services specialists that can help ensure their staff are competent, and the provider can meet and maintain FCA standards to gain full authorisation.

What the regulator wants

The FCA wants to see providers up their game in terms of the service they offer, making it high value, good quality and that it helps customers pursue legitimate claims of redress to the benefit of the public interest. The Financial Ombudsman is now responsible for resolving disputes between CMCs and the public too.

There are six regulated claim management activity sectors – financial services and products, personal injury, housing disrepair, specified benefit, criminal injury and employment – and across these the regulator is looking at three key areas.

1. Customers – that customers are empowered and confident in choosing value-for-money services that are appropriate for their needs.
2. Getting redress – that CMCs are able to do that fairly, not fraudulently or by being overly persuasive, making sure their marketing is clear and customers are directed to free ombudsman services.
3. The regulation rules – promoting high standards, particularly around the professional conduct of staff and with a focus on protecting customers and improving public confidence in CMCs to provide a really good service.

And it doesn't end there as in December, CMCs will join c.50,000 other regulated firms that must comply with the FCA's Senior Managers and Certification Regime (SMCR).

Meeting the challenge

Any CMC now needs to be able to train their staff and ensure they are competent and confident on what their requirements are under the FCA regime. But these are all areas CMCs have barely had to give a second thought to legally, if not ethically.

Things like what the FCA is and its role, conduct risk, treating customers fairly, financial promotions, culture and ethics, the Client Assets Sourcebook (CASS), vulnerable customers, countering bribery and corruption, information security, GDPR, conflicts of interest, complaints handling, whistleblowing, fraud - this list is substantial.

For CMCs it is a potential training minefield. Where do you even start? But this is not something that fazes financial services solution providers like Unicorn.

We've been supporting and advising clients with topics like these for the last 30 years. Take SMCR for example, we already have a well-established suite of content, as part of our Governance, Risk and Compliance offering, that is being tailored and updated for CMCs. In addition, a new CMCOB course has been created, covering the code of business.

So whether someone is a senior manager or a claims handler, the resources are there for any individual who works in the sector to undertake the training relevant to them and to be able to evidence continuing professional development (CPD) and the level of competency they need to be able to continue to operate within the sector.

The regulatory claims management landscape will be unrecognisable by the end of 2019, with the overarching principle to educate and inspire staff at all levels to take personal responsibility for their actions to improve conduct across the business and drive up industry standards.

> "Although CMCs have not seen themselves as financial services organisations, it is financial services specialists that can help

Well-run, ethical CMCs, that were already complying with FCA best practice and demanding accountability in the sector, are now getting the formal training and certification in place to continue operating and securing fair outcomes for customers.

But the cowboys? It's now time for them to shape up or get out of town.

Want to know more about how Unicorn can help you? Visit unicorntraining.com or get in touch at enquiries@unicorntraining.com or on 0800 055 6586.

INDUSTRY NEWS

CISI and MThree Consulting partnership helps fintech graduates turn their degrees into a career

Global consultancy MThree has agreed a partnership with the Chartered Institute for Securities & Investment (CISI) which will support the UK financial services professional talent pipeline.

MThree is a global specialist in the financial services technology talent sector, operating in six countries across three continents. Its graduate Alumni programme places smart, engaged graduates from leading UK universities including **Loughborough**, **Imperial College**, **Lancaster**, **Leeds**, and **UCL** with financial services firms to complete a two year fast-track scheme.

The arrangement confirms CISI Affiliate Membership for MThree's fintech Alumni graduates, which includes access to CISI's Young Professionals Network. In addition, MThree will sponsor these Alumni to complete the CISI Level 3 Awards or other relevant CISI professional qualifications.

The graduates will have access to CISI's Revision Express modules to support their learning and to CISI's Continuing Professional Development (CPD) portal, featuring videos, over 150 Professional Refresher modules to update sector knowledge and the opportunity to attend Young Professionals Networking events.

The partnership offers CISI Gold Corporate Supporter firm status for MThree, combined with Accredited Training Provider (ATP) status.

Jim Winter, CISI Regional UK Director said: "We are delighted to be working with MThree to support their graduate Alumni programme. With their connection to more than 50 universities across the whole of the UK and their strong global financial services employer relationships, the synergies will offer a competitive edge for both our members and the MThree graduates.

"MThree's key role in bridging the gap between graduates and employers, building soft skills to complement tech skills, will help secure and develop the talent pipeline for our dynamic profession."

Alex Headley, CEO of MThree said "We are excited to be partnering with CISI because of the value it can offer our Alumni. The partnership enables us to continually upskill the Alumni and provide them with the professional qualifications they need to succeed in their careers. Additionally, it is important for our clients to know that the expert training we deliver has been developed in conjunction with the CISI, is accredited and fully relevant to the Alumni we place with them."

MThree Consulting's clients include some of the biggest investment banks in the world as well as tech giants and government agencies. Of the graduates on the MThree Alumni programme 50% hold Physics, Maths, Engineering or STEM degrees, 33% Computer Science or Software Engineering degrees, 12% Business or Economics degrees and 5% Finance degrees.

When a PROD in the right direction is required

Julia Kirkland,
Partner in FSTP

> "I wondered how the firm in question was demonstrating its understanding of the requirement of the PROD sourcebook, introduced at the same time as MiFID II.

I heard a very interesting anecdote a couple of weeks ago about a large asset management (who will remain nameless) and their attitude to distribution. Asked what they did for their distributors in terms of supporting knowledge of their products they replied… "We don't know who our distributors are, most of our business comes through platforms, so we don't even need business relationship managers anymore."

Why did I find this interesting?

fstp
financial services training partners

Well, for a couple of reasons, firstly having come from an asset management background and having worked with rafts of salespeople, employed to cultivate the relationship with distributors, I wondered if they had all retired or been put out of work. Secondly, I wondered how the firm in question was demonstrating its understanding of the requirement of the PROD sourcebook, introduced at the same time as MiFID II.

PROD is the FCA's sourcebook "Product Intervention and Product Governance Sourcebook" and it outlines rules for manufacturers and distributors with the purpose of improving product oversight and governance. I like to think it is formulising the development, maintenance and distribution of products as it applied to products manufactured and distributed after 3rd January 2018 and distribution of existing products after this date.

I should point out it is only guidance for products such as AIF and UCITS but we all know guidance in the eyes of the regulator is there for a reason and deviation requires explanation.

For manufacturers PROD requires an audit of the product governance lifecycle and should demonstrate Board level accountability and oversight of that lifecycle i.e.;

1. Idea generation
2. Design
3. Distribution Strategy
4. Product Approval and Launch
5. Marketing and distribution strategy
6. On-going maintenance
7. Maturity/Withdrawal from the market

(You may remember my piece early this year on the Value for Money Assessment which forms part of the Asset Management Market Review and for funds being distributed – this is point number 6.)

One might wonder in which case how the asset management firm mentioned and as distanced as they freely admit they are from their distributors are going to, for example;

- ❑ Show how the products objectives are likely to meet the needs of the end customer
- ❑ Show the risk/reward profile is consistent
- ❑ Show how the product is driven by the features that benefit the end customer
- ❑ Show how the costs and charges are appropriate, transparent and unlikely to undermine return expectations

I expect they will say that they have manufactured products which are clearly "labelled" and priced accordingly, but how do you develop products aligned to customers needs if you are so distanced from them? The cynics amongst us might say they will only develop products they want to sell or think they can sell. Same old, same old??

Where the onus of PROD may become tricky for them going forward is the expectation of oversight, which is now explicit rather than implicit. Have the Board evidenced in product design stage that;

- ❑ The defined the investment objectives, policy, performance, risk targets, time horizon, liquidity, complexity and position within existing product/service range has been scrutinised and these are compatible with and transparent enough for the Target Market
- ❑ All potential risks of the products have been identified and assessed
- ❑ Sufficient scenario testing been performed? How may the product/service perform in a range of market conditions with the assessment of how customers be affected
- ❑ An assessment of poor customer outcomes and the circumstances in which they occur has been preformed under both positive and negative conditions

Boards need to bring themselves up the curve on this and watch out for the planned supervisory visits after the AMMS is introduced in September 2019, there could be some difficult questions to answer.

Should we fear the arrival of SM&CR?

By **Vince Harvey** from Compliance Cubed

We're seeing a range of businesses offering courses and consultancy around the Senior Managers and Certification Regime. My view is that for larger organisations this may well be helpful but for most firms, if they are already reasonably well organised, there shouldn't be a great deal to change.

With implementation due by 9 December there are still a few months to identify any challenges and adopt some key measures – as usual watch out for the potential unintended consequences that may arise as you go through the implementation process.

> "One thing to be clear about is that SM&CR doesn't mandate additional reporting and monitoring mechanisms and certainly shouldn't lead to an increase in compliance or T&C costs. That is, for firms which are already well-organised!

1. Impact of statements of responsibility

Senior managers will have their names placed alongside specific responsibilities. Some people have concerns that this may change the way in which they work, particularly their interactions with those above and below them in the hierarchy. If they adopt a more focused oversight of areas for which they are accountable, there is a risk that those with previously devolved responsibility may find themselves in an environment where they have less autonomy.

Firms should look at what works currently and only bring in closer management or stricter processes where they serve a business purpose. Inappropriate changes and increasing bureaucracy, particularly with experienced staff, can lead to resentment if their scope for decision making is reduced.

I think it is helpful to remember that the SM&CR was originally brought in at a specific point in response to the financial crisis and applied to large organisation such as banks and insurance companies. It was felt that in many of these businesses there was a lack of accountability; when something went wrong it was too easy for senior managers to say that it wasn't their responsibility. Now there will be a document that confirms exactly who is responsible for what.

One thing to be clear about is that SM&CR doesn't mandate additional reporting and monitoring mechanisms and certainly shouldn't lead to an increase in compliance or T&C costs. That is, for firms which are already well-organised!

Calm down and carry on as the slogan goes. The senior managers of firms should already have a proportional approach which encourages people to build their knowledge and skills. The required training is to ensure that senior managers have an understanding of the Conduct Rules.

New Conduct Rules

A new two-tier set of conduct rules have been developed:

Tier 1 applies to all employees subject to the conduct rules, and they are as follows.

- ❑ Rule 1: You must act with integrity.
- ❑ Rule 2: You must act with due skill, care and diligence.
- ❑ Rule 3: You must be open and cooperative with the FCA, the PRA and other regulators.
- ❑ Rule 4: You must pay due regard to the interests of customers and treat them fairly.
- ❑ Rule 5: You must observe proper standards of market conduct.

Tier 2 applies to senior managers in a senior management function, and they are the following:

- ❑ Rule 1: You must take reasonable steps to ensure that the business of the firm for which you are responsible is controlled effectively.
- ❑ Rule 2: You must 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.
- ❑ Rule 3: You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person and that you oversee the discharge of the delegated responsibility effectively.
- ❑ Rule 4: You must disclose appropriately any information of which the FCA or PRA would reasonably expect notice.

Given that it takes seconds to read these I imagine that this training will take the form of a discussion rather than death by 'powerpoint'. For example: What does integrity look like in our business? Perhaps a more challenging debate will be had around 'reasonable steps' in three of the four rules for senior managers.

2. Impact on staff

I accept that there may be concerns here: do your employment contracts cover the issue of someone failing to maintain competence or meet the fitness and propriety requirements? Again, good firms have invested a lot of resource into building the quality of the team and shouldn't have major issues in this area. Does the outcome of a breach of the conduct rules need to be explained further – or documented in an amended employment contract?

Good firms will already have mechanisms in place to minimise the likelihood of unfair dismissal claims or challenges over the content of references – note more detail has to be provided under SM&CR than just job title and dates. As ever good record keeping is at the heart of this. T&C/compliance personnel should be having a conversation with their colleagues in HR to ensure a joined-up approach.

3. Impact on the firm's risk appetite

This takes us back to the training: how does the firm's overall view get reflected in the style and preferences of each manager? Given personal accountabilities, senior managers are closer to the business activities they are responsible for and are likely to be best placed to identify the key risks to them. The larger the business, the greater the effort to make sure senior managers and certified individuals are able to communicate in a way that builds and is aligned to the overall risk appetite framework.

The strapline of my business from its inception has been right people, right systems, right outcomes. SM&CR is built on this idea – clarifying that those people need to be in the right roles. In achieving the right balance firms should consider whether responsibility and accountability are spread across an adequate number of people. Some of my clients illustrate the humour generated by the FCA taking an idea that was built for very large organisations with multiple layers and applying it to one man bands – with a list of specified responsibilities to allocate: who gets to do what??

Summary

As I have tried to indicate regulated firms will have existing processes and procedures in place that can support SM&CR implementation and compliance. Many are doing what is required already – so use the existing infrastructure with a few tweaks rather than engage in massive disruption.

Remember proportionality, look at your own business and what reassurance you need that the firm is being well managed with the interest of clients at its heart. The rest is paperwork – have fun designing the certificate for each person covered by the certification regime.

INDUSTRY NEWS

FCA calls on consumers to act now as PPI complaints deadline pressure builds

With just over two months to go until the 29 August 2019 PPI complaints deadline, the FCA is urging all UK consumers to make a decision, before it's too late, about whether to complain about PPI.

As part of this final leg of the campaign, the FCA has recruited its own 'Pressure's on Panel' of ambassadors. The hand-picked panel come from a range of backgrounds and will be leading the charge in reminding consumers across the country that they need to make a decision on PPI before it's too late. The panel features 90s icon Mr Motivator, partners such as the Money and Pensions Service, personal finance expert Sarah Pennells, and expert bloggers like Skint Dad – all of whom will be providing support across the summer.

The campaign comes as FCA figures released today, show the regulator has had more than 3.9 million users access the PPI website and 44,000 calls to their dedicated contact centre. On top of that, a total of £334.3m was paid in April 2019 to customers who complained about the way they were sold PPI. This takes the amount paid since January 2011 to £35.3bn.

To emphasise how pressing the deadline is, the FCA has brought back the animatronic head of Arnold Schwarzenegger for the final time in a campaign that will run nationwide across the summer. These latest ads feature Arnie in a hydraulic press, urging people to take action on PPI before it's too late. As the deadline approaches, the series of advertisements will gradually reveal Arnie's fate.

Emma Stranack, FCA's PPI Deadline Campaign Lead, said: "With just over 10 weeks to go, time is running out to claim back money for PPI. Simply put, if you haven't complained to your provider by 29 August 2019, you won't be able to claim money back for PPI – so you should make your decision as soon as possible. Checking if you had PPI is simple and free. Don't worry about paperwork, you only need your date of birth and relevant previous addresses. Search FCA PPI or call 0800 101 88 00 to find out how."

Personal finance expert and consumer champion, Sarah Pennells said: "The PPI deadline is fast approaching – so now is the time to contact your bank, loan or card company as soon as possible. You can complain to them directly for free and you can use the FCA's website for more information. You don't have to use a claims management company as providers are supposed to make sure that complaining about PPI is straightforward. I am working with the FCA to help remind consumers that now is the time to decide whether or not to make a complaint before the deadline on the 29 August 2019."

Consumers who haven't complained to their provider by 29 August 2019 won't be able to claim money back for PPI. FCA support is available online at fca.org.uk/ppi or by calling the FCA helpline on 0800 101 8800.

Back to the future

Simon Thompson, Chief Executive from Chartered Banker Institute

Since 1875, the Chartered Banker Institute – the oldest institute of bankers in the world – has played a leading role in helping finance professionals develop and demonstrate the traditional banking values of stewardship, thrift, prudence and professionalism.

In fact, in the very first article, in our very first Institute journal, our then President wrote – in elegant Victorian prose:

There has been no time in the history of banking more interesting than the present to the student of the great science of finance, no period more filled by problems theoretical and practical. It seems as if … we stand at a parting of the ways, when only the ethical principles … are to remain to us as the perpetual foundation on which new ideas and modes of practice are to be raised, superseding many of the old ways of accountancy, trade methods and profit-making, and replacing the old by new and improved plans.

Our early appreciation of the importance of strong professional and ethical values in banking has established us as a trusted and distinctive voice in the UK and internationally.

More recently, the global financial crisis demonstrated, by their absence, just how important these traditional – universal - values are if, as a finance profession, we are to rediscover our sense of social purpose and reconnect finance with the customers, communities and societies we serve.

One of the ways we can best do this, in my view, is for our profession to support the transition to a sustainable, low carbon, socially just world, by putting sustainability and stewardship in the broadest sense at the heart of finance. By stewardship I mean going well beyond being a steward of depositors' funds, as our Institute's founders would have seen it, and being responsible stewards of our natural resources and planet for current and future generations.

With this in mind, endorsing, promoting and encouraging the adoption and embedding of the Principles for Responsible Banking (PRB) across the banking sector is something that we, as a professional body are fully supportive of. The Principles will not only help embed sustainability within our sector but will demonstrate in a very practical way the social purpose of banking and help reconnect banks and society.

The six PRBs that banks commit to, for those readers who are not already familiar with them, are as follows:

1. **Alignment:** We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks. We will focus our efforts where we have the most significant impact.
2. **Impact:** We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services.
3. **Clients & Customers:** We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.
4. **Stakeholders:** We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.
5. **Governance & Target-setting:** We will implement our commitment to these Principles through effective governance and a culture of responsible banking, demonstrating ambition and accountability by setting public targets relating to our most significant impacts.
6. **Transparency & Accountability:** We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

> “... is for our profession to support the transition to a sustainable, low carbon, socially just world, by putting sustainability and stewardship in the broadest sense at the heart of finance

So – what does it take to successfully deliver the Principles?

Change in banking and financial services needs alignment at the industry level, at the institutional level, and at the individual level. If we want to deliver, and embed, the Principle, we need to work at all three levels:

- At the industry level, with relevant global and national industry bodies leading a collective approach to endorsing and implementing the Principles;
- At the institutional level, with banks leading by example and sharing good practice; and
- At the individual level, with professional bodies and educators such as the Chartered Banker Institute, bringing the Principles to life for their members, embedding them in our professional standards and qualifications, and setting out how the Principles can be demonstrated in day-to-day professional banking practice.

Change is led, ultimately, by individuals getting to lead their institutions and, ultimately, their industry.

The change we seek in mainstreaming responsible, sustainable finance in general, and the Principles for Responsible Banking in particular, needs to be led by increasing numbers of finance professionals with an understanding of the critical role of financial services in supporting the transition to a sustainable, socially just world. Professionals with the knowledge and skill of finance to be able to develop and deploy products, services and tools that will mobilise capital to support that transition, address climate-related and societal risks, and help customers and communities direct investment to responsible and sustainable finance opportunities. Professionals such as those who have joined Bankers For Climate (https://www.bankersforclimate.com/), leading by example. Join us if you haven’t done so already!

And what does this mean in practical terms for the Chartered Banker Institute? Well, last year, we launched the world’s first benchmark qualification for Green Finance Professionals, the Green Finance Certificate. It sets the standard for green and sustainable finance professionals worldwide by providing an overview of and introduction to the underpinning science, principles and practice of green and sustainable finance. This year’s revision also includes the Principles for Responsible Banking

We are also currently revising our benchmark Professional Banker Certificate – our foundation banking qualification. It embeds a responsible, professional approach to banking throughout already, but when the revised version is released later this year it will cover the Principles for Responsible Banking too, providing a professional banking qualification for a responsible and digital age of banking.

And, as our main Chartered Banker and associated professional qualifications are updated over the next 3 or so years, we will be integrating sustainable finance – including significant coverage of the Principles – into our core professional qualifications. Responsible banking and sustainable finance will join credit, risk, regulation, operations, technology and professional ethics as core topics that all future Chartered Bankers will study, and be assessed in.

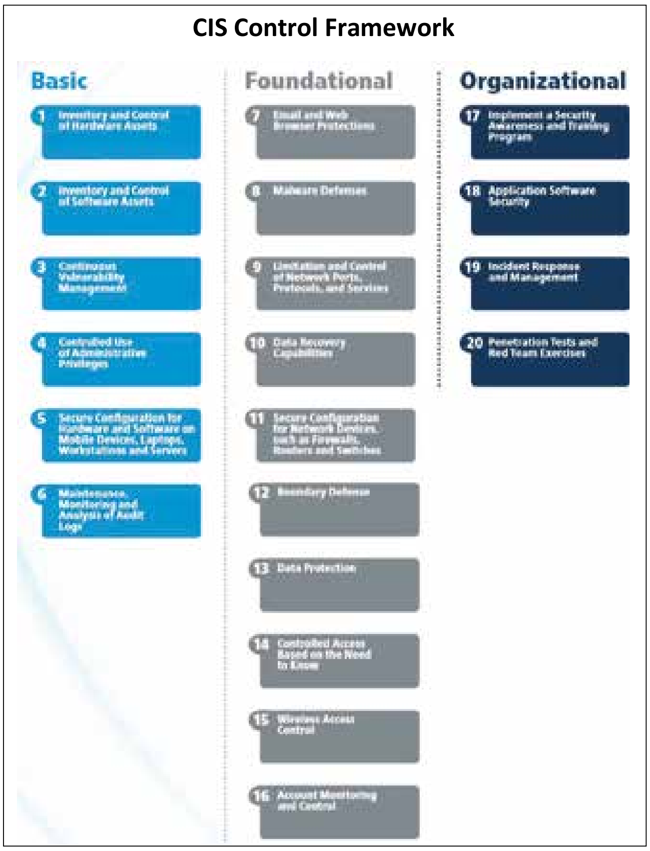
It’s what I like to think of as the Marty McFly approach – we’re going Back to the Future. Nearly 150 years ago, banks and bankers thought of themselves – and were thought of – as responsible citizens and trusted stewards. Prudence and professionalism were givens. At least some parts of banking, and some bankers, seem to have lost their way in recent years – the Principles for Responsible Banking can and will play a key role in reconnecting banks and society, and supporting a more sustainable and responsible approach to finance.

IT and cyber security – Why IT matters and what should you expect of your software suppliers?

By **Andy Nightingale**, Managing Director, from Worksmart Limited

In the April edition of T-CNews, I wrote about the regulatory and economic changes that were affecting the financial services industry and the subtle, but important, impact this was having for software suppliers to the sector. In summary, I argued that financial services firms were now expecting their software suppliers to really understand these changes and respond by offering pragmatic and high quality, market proven software solutions.

Building on that article, in this edition of T-CNews I want to stay on the subject of the changing expectations of financial services firms but this time, focus on the key area of IT and cyber security and what that means for both financial services firms and their software suppliers.



"It was so simple then..."

Ten years ago, the norm was for software suppliers to offer just that, i.e. regulatory software that, once configured, could be installed on customer sites and, barring any upgrades, left to run. Change began with some software suppliers offering additional services, typically 'downstream' implementation training or 'upstream' regulatory consultancy. However this seldom, if ever, included hosting as an offer. There were several reasons for this such as data centres being in the early stages of development, however by far the biggest reason was corporate IT policy. For corporate IT, data security was everything and trusting software suppliers, even the most trusted suppliers, with their data was deemed too big a risk.

Slowly however, things changed.

First came the rising cost of IT infrastructure and as these costs increased, alternatives were developed, e.g. offshore corporate data centres. Although offshore data centres brought their own challenges, they served to begin unfreezing the mindset of corporate IT. This was further helped by global software suppliers, e.g. SAP, having the confidence to offer hosted or SaaS solutions. The final factor which changed the mindset of corporate IT from dismissing hosted and SaaS solutions to positively favouring them was the growing cost of data security and the rise in the incidence and complexity of cyber threats. Although other factors no doubt played their part, e.g. new regulation such as GDPR and the rising expectations of the regulator, these factors were arguably the key drivers towards favouring the outsourcing of regulatory software.

As this mindset changed towards positively favouring outsourcing the hosting of regulatory software, so came a significant change in financial services firms' expectations of their software suppliers. First came a deepening of the relationship as buying an ongoing service was very different to the previous simple, 'purchase and install' relationship. Secondly, corporate IT expected their software suppliers to mirror or exceed their own high standards of security and service availability as well as maintaining alignment with the latest IT industry standards.

For software suppliers, this was a 'game changer'.

For Worksmart, this has meant a single hosted offering for a major high bank in 2008 developing into a mature hosting offer that complements our traditional on-premise offer for all our products and, for our new SM&CR product Accord, a true SaaS offering. But what was the journey that has taken us to this point?

"It's very different now…"

Corporate IT now expects software vendors to meet a minimum set of standards. But what are these standards? There is a number of bodies, national and international, providing frameworks for IT and cyber security and guidance on how to implement these frameworks. The most well-known ones are; BSI (British Standards Institute), ISO (International Organisation for Standardisation) and CIS (Centre for Internet Security). The emphasis may differ, but all these frameworks provide guidance across a range of areas to help companies, i.e. financial services firms and software providers alike, to develop the required standards.

For Worksmart to ensure our software, particularly our hosted and SaaS propositions, remain credible to our customers, has meant a sustained focus on every part of our business, i.e. from the physical security of our data centres, to malware software and even HR policies. Adopting the Framework from the CIS in 2016 gave Worksmart the structure and standards to work towards and, importantly, to audit progress against.

Doing so has not been easy. It has required a significant effort supported by sustained investment and, equally important, management focus over the last three years to make happen. However, it must be done.

The evidence is clear that every business is at risk of a cyber-attack. The latest government statistics show over four in ten (43%) of all businesses and charities experiences a cyber breach or attack in the past year. IT and cyber security threats are continuously evolving, it's important for businesses to safeguard themselves by following global standards and recognised best practice for securing IT systems and data against attacks.

Alongside our investment in our software products themselves, our investment in our IT and cyber security and defences has enabled us to win and retain over 50 customers. It wouldn't be an understatement to say that implementing these controls has transformed Worksmart into being trusted partner to some of the UK's largest financial services brands.

What Does This All Mean?

Having software providers that offer a hosted or SaaS solution is attractive for financial services firms. It saves cost and passes responsibility for ensuring compliance with legal, e.g. GDPR, and security standards to their software providers. Conversely, for software providers, offering these services increases sales revenues and offers greater potential for building customer trust and retention.

Additionally, the regulator is now is making it clear that regulated firms have a clear responsibility to conduct rigorous due diligence on potential software suppliers and maintain this oversight throughout the life of their relationship.

However, this opportunity comes with the significant responsibility of not only providing regulatory software that enables our customers to both comply and gain business advantage when doing so. It also means 'going the extra mile' to ensure our customers software and the data held in that software is safe.

It is now common practice for firms when buying software to investigate its features, underlying architecture and product roadmap. Indeed, many firms now require technical questionnaires to be completed as part of the procurement process. These questionnaires touch on the software supplier's capability to protect the software and data held in that software. In our experience however, the degree of investigation into data and cyber security varies wildly between financial services firms. Moving forward, thorough investigation into data and cyber security should, and will likely, be as commonplace and thorough as investigating software functionality and roadmap.

Therefore, the key question for prospective software suppliers alongside functionality and roadmap should be; 'if we buy your software, how do you intend to protect it and our data held in it?' The clarity and thoroughness of the response will tell you everything you need to know about your prospective software partner.

GDPR: One year on

By **Ian Ashleigh** from Compliance Matters

During the first quarter of 2018 we were inundated as consumers with an acronym that almost seemed to define our lives: GDPR, the General Data Protection Regulations that came into force on 25th May 2018. They were enacted into UK Law by the Data Protection Act 2018. We were being asked if we were happy to continue to receive emails and if we were happy for businesses to hold out information and we were being sent data privacy statements as if all of this would help the business comply with the new regulation.

> However, the number of data subject access requests continues to increase unabated.

Consent was king, it seemed none of these organisations had tested whether there was a legitimate business reason for controlling and processing the data.

Under GDPR, personal data is any information relating to an identified or identifiable natural person, which means someone who can be directly or indirectly identified.

What else has happened in the last year, what impact has GDPR had and are there any lessons to be learned from the last 12 months?

This was a Europe-wide regulation so let's start with a summary of the whole picture across Europe, source iapp.org:

- ❏ GDPR enforcement actions have resulted in fines in excess of €56,000,000
- ❏ Over 280 cases have involved cross border activity
- ❏ There have been 64,000+ data breach notifications to DPAs
- ❏ Over 94,000 individual complaints have been received
- ❏ Data Protection Agencies have received over 200,000 cases
- ❏ Over 375,000 organisations have registered a Data Protection Officer

It can be seen that GDPR has had an affect across the EU. The UK's Data Protection Authority (DPA), the Information Commissioners Office, has been busy too. In addition to publishing and updating guidance on its website, it has been involved in enforcement actions, one of which is highlighted below. Despite the guidance from the ICO, many businesses felt overwhelmed by the sheer volume of information they received about GDPR that they could not assess how the new regulation affected them. However. With the onslaught of similar communications from disparate organisations, the public grasped the essence of the new regulation resulting in an increase in complaints about data breaches to the ICO by 160% in the first six weeks of the new regulation alone.

In October 2018, the ICO issued its first enforcement notice under GDPR. This was against the Canadian data services firm, AggregateI Q (AIQ).

AIQ's breaches of the GDPR relate to its use of personal data of UK individuals in connection with its business of providing data services to political organisations. Specifically, AIQ used this data to target individuals with political advertising on social media. This is linked to the issues surrounding Facebook and Cambridge Analytica.

The specific GDPR breaches were as follows, AIQ processed personal data:

1. without a lawful basis for that processing (principle a);
2. in a way that the data subjects were not aware of, for purposes which they would not have expected (principle b); *and*
3. that was incompatible with the purposes for which the data was originally collected (principle b).

Recurring themes

The recurring themes of complaints to the ICO, and DPAs in general are transparency and consent. In financial services, we have a legitimate business reason to control and process client data. Many firms in our sector have updated their terms of business to incorporate the requirements of GDPR, we are, in this respect, in the mindset of a highly regulated industry and geared to reacting to changes in regulation.

It is worth looking at a couple of examples from outside of financial services to understand how other sectors have not implemented the regulation as DPAs expected:

1. In September 2018 an internet browser filed a complaint with the ICO and the Data Protection Commission (the Irish DPA) regarding the advertising industry. The main thrust of the complaint was a lack of transparency information provided to website users about how data collected was used to build profiles and target advertising.
2. In November 2018, Privacy International filed complaints in the UK, France and Ireland in respect of two data brokers, two credit reference agencies and three advertising technology companies challenging the valid legal basis for these companies to be processing data based on the transparency information provided to individuals.

One of the key themes is the level of detail that is expected to be included in the transparency information provided to data subjects. For example, in its statement on the Google fine, the CNIL (the French DPA) said that Google's "purposes of processing are described in a too generic and vague manner", and "that the information about the retention period is not provided for some data". An Italian lawyer was quoted as saying *"it is likely that a number of businesses are similarly vague in their privacy policies (if not more so); businesses should be looking again at their privacy policies in light of the CNIL's decision to see if there is any scope for making them more specific".*

Data Subject Access Requests

As we are aware, GDPR granted our clients greater rights over their personal data, including:

❑ rights of access;

❑ rights of erasure;

❑ rights of portability

❑ rights of rectification; and

❑ rights to be informed

After the inception of GDPR there was a perceptible increase in the number of requests from individuals for erasure of their data which slowed down at the turn of the year. However, the number of data subject access requests continues to increase unabated. As a reminder, a data subject access request needs to be responded to within 30 days and unless requests are repeated and vexatious, no charge can be levied for providing the information.

Who is a data subject?

It is worth pausing to remind ourselves that it not just our clients or customers who are data subjects. A data subject under GDPR is any person whose personal data is being collected, held or processed. Therefore, the following groups are potentially data subjects:

❑ Staff

❑ Clients and customers

❑ Contractors

❑ Consultants

❑ Suppliers

What to consider

As regulated firms in Financial Services, we have two regulators looking at our compliance with GDPR, the ICO and the FCA. There is no room to rest on our laurels. The final graphic illustrates five issues you should consider, both now and on an ongoing basis.

GDPR has been with us for a year and best practice will evolve over time, keep this in mind when reviewing the processes and procedures, systems and controls in your firm. Make sure everyone knows their responsibilities and accountabilities.

Check Policies and Procedures

❑ Do they reflect best practice?

❑ Do they need updating regarding transparency?

❑ Does your Terms of Business need updating?

❑ Do they include provisions for processing DSARs?

Review Contracts with suppliers

❑ Do they comply with the requirements of GDPR?

❑ Do they incorporate the rules about transferring personal data outside of the EU?

Privacy Impact Statements

A key philosophy of GDPR is privacy by design

❑ Have you undertaken privacy impact assessments where relevant?

❑ Do these require periodic updating

Staff Training

❑ Is data security part of regular ongoing training?

❑ Do your staff need a refresher?

❑ Is the training tailored so that staff that regularly handle personal data receive a more in-depth course or module?

Security breaches

❑ Are you comfortable that staff know what to do in the event of a security breach?

❑ Do they know who to report to, does everyone know who the DPO or equivalent is

❑ Has this been discussed at Board or Senior Management level so that everyone knows their responsibilities?

The importance of leadership

Article by **Richard Galley**, Director of Learning from FSTP

For fear of stating the bloomin' obvious, there are now fewer than six months to go before solo-regulated firms become subject to the Senior Managers and Certification Regime (SMCR). This should not come as a surprise to anyone reading this article; I sincerely hope not anyway!

> "The FCA is driving leaders in the industry towards promoting and maintaining 'healthy' cultures

While firms are busying themselves addressing the practicalities surrounding the likes of Certification, function-specific Conduct Rules training and fitness and propriety assessments, one hopes that they also take some time to consider one of the corner stones on which the Regime is built. If one takes a moment to step back from the hurly-burly of activity and considers the FCA's pronouncements regarding individual accountability and healthy culture, one of the – if not THE – most prominent words is Leadership. It is the SMCR's binding agent and in the FCA's view it is one of the Regime's three core components.

So why does the FCA set such great store by leadership? Well, according to Jonathan Davidson, FCA's Director of Supervision',

"Whichever way you look at it, leadership is vital to ensuring a firm's purpose is the right one and setting the tone for the rest of the organisation and putting in place systems, controls, governance and training, and incentives to drive them through."

Quite a long and rather breathless sentence, maybe, but the gist is clear. There is an inseparable bond between effective leadership and 'healthy' culture. The FCA is driving leaders in the industry towards promoting and maintaining 'healthy' cultures with much of the initial heavy lifting being achieved through SMCR's implementation. Although the FCA does not and will not tell firms what sort of culture they should have, it does provide us with some quite clear pointers on what it expects to see. In doing so, it refers back to conversations it's had with leaders in firms which are already within SMCR's scope. From this feedback the FCA is of the view that mindsets are shifting, with the more enlightened amongst industry leaders recognising that culture is not – and must not be positioned as being – just a compliance exercise.

These leaders acknowledge the need to encourage and foster working environments in which diversity is seen as being valuable and, in consequence, valued and where employees feel comfortable challenging the status quo and speaking up when they feel the need to. These are environments where leaders are willing and enthusiastic role models who 'walk the walk' having 'talked the talk' when it comes to demonstrating the attitudes and behaviours they expect others to exhibit and where the onus is placed – individually and collectively – squarely on doing the right things right.

There has to be absolute authenticity in this. Any paying of lip service to the notion of 'doing the right things right' and of putting the customer at the heart of decision making will quickly be identified and emulated by those in subordinate roles – in short, the likelihood is that the behaviours and attitudes modelled by those at the top will be imitated by those lower down, to a greater or lesser extent.

"Leaders have to be beyond reproach in the example we set, and unfortunately I fell short of that standard …"

Jonathan Friedland – ex-Head of Communications, Netflix
Fired for using racially offensive language, June 2018

So with the increased emphasis on the fundamental importance of leadership, comes the need for firms to consider what this means in terms of training and development. Speaking in very general terms, firms have traditionally focused their attention and the bulk of their resources on management development. However, the fact that someone is a capable manager does not automatically mean that they are also an effective leader – and vice versa. There are subtle differences between the two.

"You manage things; you lead people"

Rear Admiral Grace Murray Hopper

A balance has to be struck with each firm determining its own requirements in relation to the management / leadership mix at organisational, as well as functional levels.

So, firms need to be giving thought as to how they may best develop and nurture their existing leaders, as well as those who will move into leadership positions in the future – i.e. the emerging talent. This is not a straightforward process and may be subject to variances caused by a number of internal and external factors.

To help stimulate discussion perhaps firms might take as their starting point the FCA's endorsement of the concept of adaptive cultures and, by association, adaptive leadership.

What does 'adaptiveness' look like?

In a nutshell it can be summed up as:

- ❑ Clarity around and acceptance of individual accountability
- ❑ A desire for norms and the status quo to be challenged constructively
- ❑ A willingness to embrace change and enable innovation
- ❑ The ability to adapt quickly and effectively to internal and external pressures
- ❑ Maintaining a balanced focus on success of customers, employees and share holders / investors
- ❑ Engendering a sense of shared responsibility across all levels of the organisation
- ❑ Being prepared to learn from experience(s) – even the bad!
- ❑ Ensuring delegation is effective, with resourcefulness & initiative being actively encouraged
- ❑ Openness and transparency being reflected in all communications (i.e. the 'what, when, who and how')

In developing effective and adaptive leaders time should also be taken to address areas such as personal resilience and authenticity, given that the most effective leaders will very often be those who understand their personal limitations and stress tolerances, and who are able to engage and motivate others in a natural and genuine way. If this comes across as being all a bit 'airy-fairy', remember – it's not that long ago that 'culture', 'personal accountability', 'vision' and 'values' were also terms that were often treated with varying degrees of derision in certain quarters (perhaps they still are by some) – and just look at where we are now!

INDUSTRY NEWS

FCA announces further action on defined benefit transfers

The Financial Conduct Authority has today published the results of the data it has received from firms carrying out Defined Benefit (DB) transfers and set out the next steps in its supervisory work related to transfers.

The FCA has repeatedly made clear its expectations of financial advisers as well as strengthening the rules around pension transfer advice. Despite this, too much advice the FCA has seen to date is still not of an acceptable standard.

The FCA is concerned that firms are recommending that large numbers of consumers transfer out of their defined benefit pension schemes despite the FCA's stance that transfers are likely to be unsuitable for most clients.

Megan Butler, Executive Director of Supervision, Wholesale and Specialists at the FCA said:

'We have said repeatedly that, when advising on DB transfers, advisers should start from the position that a transfer is not suitable. It is deeply concerning and disappointing to see that transfers are still being recommended at the levels we have seen.

'Deciding whether to transfer out of a DB scheme is one of the most complex financial decision a consumer may have to make and it is vital customers get high quality advice. Our ambition is for pension transfer advice to reach the same standard as that of the rest of the financial advice market.'

The FCA surveyed 3,015 firms and found that between April 2015 and September 2018:

- ❑ 2,426 firms had provided advice on transferring their DB pension.
- ❑ 234,951 scheme members had received advice on transferring.
- ❑ Of those 162,047 members had been recommended to transfer out and 72,904 had been recommended not to transfer.
- ❑ The total value of DB pensions where transfer advice had been provided was £82.8bn with an average value of £352,303.
- ❑ 1,454 firms had recommended 75% of more of their clients to transfer. One reason a firm may be recommending a large number of clients to transfer is if the firm has a robust initial guidance service triaging clients. 1,346 firms reported data on the total number of clients who had not proceed past the firm's initial guidance. The total number of clients reported as not proceeding to advice was 59,086. When these triaged clients are factored in 55% of clients were recommended to transfer.

Although the data are not an assessment of the suitability of advice, they give the FCA the information it needs to focus its supervision work to drive up the quality of advice.

The FCA has already started visiting some firms, starting with those most active in the market. These visits will allow the FCA to complete a full assessment of the firms' approach to DB advice, focusing on key aspects of firms' business models and processes which could give rise to harm.

The FCA will also be writing to all firms where the potential for harm has been identified in the data the firm has supplied. This will set out the FCA's expectations and the actions firms should take.

Financial services apprenticeships – Lessons learned

By **Lydia Romero,** Apprenticeships Director at Fitch Learning

As an approved Training Provider and particularly since the introduction of the Apprenticeship Levy in May 2017, Fitch Learning has developed its provision so that we give guidance not just to the Learners but equally as important, to the Employers. That guidance covers a number of areas such as role suitability, learner eligibility, Ofsted, ESFA requirements as well as navigating the contractual arrangements with the Employer.

“A common misconception is that the mandatory 20% off the job learning requirement means employees have to be out of the office for one day a week

For Training Providers across the board, one of the many challenges the new Apprenticeship Standards and Levy have presented is how we ensure that the messaging is transparent and correct without deterring employers and learners from taking advantage of the opportunities that these Professional and Personal Development training programmes offer.

Fitch Learning has been working in the Apprenticeship space for over five years. We are now delivering a range of Apprenticeship Programmes, specifically for the financial services industry. In that time, we have seen and learned a lot. The way we deliver Apprenticeships has been and continues to be shaped by our experiences with Employers and Regulatory Bodies alike. Here are some “lessons learned” from Fitch Learning which you may wish to consider if you are thinking about using the Levy to train your employees.

Know what you’re signing up for!

Using Levy funding for training is a great opportunity to improve the skillset of your employees but do your research! In the Financial Services space, many programmes have a professional qualification embedded within them. That qualification, be it IAD, IOC, CWM or CFA, can be very attractive to the majority of FS firms and if it can be covered by the Levy, what’s not to like? But – and it’s a big but – the fact is that Apprenticeship programmes involve a lot more than just the professional qualification. At Fitch Learning, our first step is to ensure all the stakeholders are fully informed even before learners enroll. We deliver information or “Insight” sessions for managers and learners to ensure that everyone knows the commitment involved in these programmes before sign-up. That way, there are no nasty surprises further down the road and we can try to limit attrition which negatively impacts on Levy drawdown.

Eligibility is key

The new Standards are role based not qualification based. This means that prospective apprentices must be in roles which align to the chosen Standard. There must be enough of a skills gap for the Programme to be of value to the apprentice. Your training provider should carry out a skills scan on all apprentices to ensure that they are on the right programme and that learner progress can be evidenced.

Myth busting

Some of the language used in the Standards and Assessment Plans can be misleading. At Fitch Learning, one of our goals is to help clear up any misconceptions which have arisen as a result of ambiguous terminology so let’s try to debunk one of the most common ones:

20% “off the job” learning

This is a big one and rife for misinterpretation in financial services. A common misconception is that the mandatory 20% off the job learning requirement means employees have to be out of the office for one day a week. In fact, making up the 20% learning requirement is much more straightforward than it sounds and certainly does not mean your employees will be away from their desks for a whole day.

Whilst the rules dictate that the 20% must be completed during their contracted working hours, there are many ways of achieving this.

Many of our clients are surprised by what can be included in the 20% off the job learning, making it much more achievable. Basically, any **new** learning counts, be that in the form of:

- ❑ internal CPD
- ❑ lunch and learns
- ❑ industry updates
- ❑ mandatory CPD from a professional body
- ❑ client meetings
- ❑ seminars and conferences

The list goes on. Apprentices need only be clear about what they have learned and how they might apply it in their roles.

Anyone can be an apprentice!

The range of Apprenticeship programmes spans from entry level through to Degree and Master's level apprenticeships so don't assume they're only suitable for your new joiners. You can use the programmes to train graduates *and* existing employees. Just make sure their roles align to the Standard and that there is sufficient development for them on the programme – again, your Training Provider should be able to work with you to identify development needs and map these to the Standard Assessment Plan.

The key element is **NEW** knowledge, skills and behaviours. It can be difficult to evidence that an existing employee with five plus years' experience is gaining new knowledge. So think carefully about who you accept onto the programme.

Don't lose sight of why this initiative was introduced

Apprenticeships offer a wealth of opportunities to our industry: widening participation, improving "soft" skills as well as enhancing technical knowledge; access to an independent skills coach to work with apprentices on their development; support from the employer and the training provider not to mention what will undoubtedly become an industry standard qualification. These are just some of the benefits of the programmes. However, it requires commitment from not just the training provider and the learner but also the line manager and the employer. Apprentices must be given the space to gain the new learning offered on the programme. Lack of support for the apprentice throughout their learning journey will inevitably lead to failure.

Supporting apprentices and the apprenticeship initiative can yield high returns for the financial services industry in terms of quality of the future workforce but only if we agree that, as an industry, we must support the professional and personal development of those in financial services.

INDUSTRY NEWS

Young people choosing a financial planning career can look to CFP™ certification for an holistic pathway to doing the right thing for consumers, says CISI

Young people choosing financial planning as a career can be supported in their need to do the right thing for consumers, helping them achieve personal and financial freedom, by choosing the global CFPTM certification, says Jacqueline Lockie, CISI Head of Financial Planning.

The new, improved CFPTM certification, following two years of extensive review will, at Level 7 on the UK National Qualifications Framework, be the UK's highest level qualification for financial planners.

The CFPTM certification is considered the global standard of excellence in financial planning being the international recognised licence overseen by the Financial Planning Standards Board Ltd. (FPSB) in Denver, USA. It demonstrates to the consumer that the CFPTM practitioner is committed to professionalism and that she or he has meet rigorous competence, ethics and professional practice standards to provide comprehensive financial planning services. At the end of 2018 there were 181,360 CFPTM professionals worldwide, with organisations delivering or preparing to deliver CFPTM certification in 26 countries and territories.

The CFPTM ethos is based on qualifying professionals to work with both individuals and families to help review all aspects of their financial affairs. The aim is to recommend to the consumer practical, easy-to-understand, holistic solutions for every life stage.

In a recent FPSB survey of over 3,500 CFP professionals across six global territories when asked about career advancement after receiving their CFP™ certification 72% of respondents reported increased satisfaction with their careers. In addition, 37% reported they had got a new job, earned a promotion or started their own practice.

The CFPTM course workbook is now available, with a sample exam paper ready in July 2019. The first exam sitting is 19 September 2019. An FAQ on the new CFPTM pathway, including all transitional information, can be found at cisi.org/cfp

FitchLearning

Knowledge | Skills | Conduct

Financial Services Apprenticeships

As a recognised leading provider of training solutions to the Financial Services sector, Fitch Learning is ideally placed to deliver your Apprenticeship training.

We offer an end to end solution for firms seeking expert Apprenticeship training.

Apprentice Standards We Offer

AREA	LEVELS	QUALIFICATIONS INCORPORATED WITHIN THE APPRENTICE STANDARD
Investment Operations	3	Investment Operations Certificate
	4	Investment Operations Certificate / Investment Advice Diploma / Investment Management Certificate
Compliance and Risk	3	Combating Financial Crime / Global Financial Compliance / Risk in Financial Services
	6	Diploma in Investment Compliance
Financial Services Professional	6	CFA Level I / Private Client Investment Advice and Management
	7	CFA Levels II & III / Chartered Wealth Manager

Features of a Fitch Learning Financial Services Apprenticeship

- Financial services specialists
- Qualification study via classroom, online learning portal and app
- Technical and behavioural skills training
- Dedicated skills coach
- E-Track online learning log
- Learner handbook
- Comprehensive onboarding process including Line Manager and Apprentice Briefings
- Approved Prep Provider for the qualifications offered

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Get in touch with our client relationship team for an individual meeting to discuss how we can help train your employees:

www.fitchlearing.com/tc-news

Making the levy work

How CSA Member, BW Legal, has used its levy to create jobs and upskill the business. By **Fiona Macaskill**, Head of Learning and Development from Credit Services Association

The Apprenticeship Levy has been in place for two years and whilst many of the larger organisations may have seen it as a tax by another name, SMEs appear to be approaching it with more enthusiasm and imagination. I have been encouraged by how CSA Member businesses are embracing the Levy as a key part of their business growth.

We are seeing more growing businesses qualify as an Apprenticeship Levy payer as their payroll hits £3m. Rather than see it as a cost, they are leveraging it to bring additional funding to invest in their people development. One such member is BW Legal, a debt recovery law firm with 265 staff based at its Leeds headquarters.

BW Legal's Learning and Development team embraced the chance to leverage additional funding and were planning for it even before the business qualified as a Levy payer. Today it has 20 Apprentices working across the business, where previously it had none. Six of those apprentices are doing the CSA's Level 3 Team Leader qualification, and another seven new recruits have joined BW Legal's growing collections department as Apprentice Agents studying the CSA's Level 2 Collector course.

"We have always taken a proactive approach to learning and development," says Samantha Cooke, BW Legal's Learning and Development Manager. "So we saw the Levy as an opportunity. It was giving us a pot of money that we had to make use of.

"Our strategy was to make sure that each department benefitted. Today that means we have an apprenticeship in nearly every single part of the business. The approach has been to make sure that we upskill our existing employees, as well giving new people an opportunity to begin their career."

This has meant a slightly different approach to ensure that BW Legal didn't simply 'bolt-on' an apprentice but rather created a job specifically for the apprentice which allows them to take ownership and accountability for tasks.

"Developing apprenticeship roles that benefit our existing employees has been very important," explains Samantha. "The majority of our team members moved up through the business as opportunities became available and they were able to demonstrate the right knowledge and behaviours for those roles.

"When we look at the most effective ways to develop them further we know that the apprenticeship route is ideal as they are able to continue with the hands-on working experience but combine it with off-the-job learning."

Other organisations might have shied away from having apprentices because of the need for 20% of their time to be spent learning away from their job.

We know that it has proven to be a major stumbling block for some larger businesses. However, it can be detrimental to think only in the context of lost time as you lose sight of all the benefits this type of learning and development can bring to the individual, their colleagues and the professionalism of the business as whole.

Samantha believes that with the right planning and structure, the off-the-job learning does not have to have a significant business impact. "When you hear the figure '20%', many people automatically think the individual needs to be away from their desk and normal duties.

> "Today it has 20 Apprentices working across the business, where previously it had none.

"However, on finding out what this 20% entails, it includes many elements which can be utilised within an individual's day-to-day role such as coaching sessions, 1-2-1 meetings, shadowing others, and gaining project insight which is a huge part of our culture and day-to-day activities already.

"When we break this time down weekly and have the support of team members and managers we reach this quota easily and our learners gain the development they require without any detriment their role or the business performance."

Samantha, who started her career some 10 years ago as an apprentice gaining her Level 3 in Business Administration, appreciates the benefits of an apprenticeship on a personal level. "The Apprenticeship Levy means that we are able to give someone with no previous experience the chance to start at the beginning of their career and to give our existing people a chance to grow and do more. It would be a waste if we didn't use it.

"In terms of the talent you can develop, and the range of skills our people are learning, we are seeing a massive improvement," she says. "Whether you are helping people to start their careers, or developing colleagues with existing skills, the combined result is a workforce that is more productive, flexible and understanding."

How do you deal with a challenge?

By **Jane Pitt** from RedTree Training

Whenever I start a new contract, I am always prepared to be challenged. When I say a challenge, I'm referring not only to the task in hand, but also the people I will be working with. Over the years, I've learnt that this comes with the territory and have found ways to quickly get to grips with who works where and with whom. I also know that learning how best to work with new personalities can take a little longer. But what happens if this continues to be a challenge and you just don't appear to be making any headway in bringing a person or group on board? What can you do when someone continuously challenges you to the point where you feel if you said it was black, they would most certainly say it was white? Worse still, they set about convincing everyone else of how wrong you are.

Well the first clue in what actions to take can be found in the words and phrases I used to describe the problem. Let's take another look at the sentence.

> 'someone **continuously** challenges you to the point where you **feel** if you said it was black, they would **most certainly** say it was white. Worse still, they set about **convincing everyone** else of how **wrong you are**'.

All the words in bold are either words to describe emotions or assumptions you are making. I am also going to make a sweeping statement here and presume that you are thinking that at this point I am going to suggest that you remove the emotion from the situation… but you'd be wrong. I think it is more important to acknowledge the emotions you are feeling and use them to your advantage rather than to dismiss them or 'put it to one side' as we are often told. The simple act of labelling what you are feeling goes a long way to validating it. As I often hear my yoga teacher say, 'every feeling is valid. You have the right to feel any emotion you want. You aren't being dramatic. You aren't exaggerating. You are feeling and that is ok.' By labelling the emotion, you move into the area of the brain reserved for rational thinking. It's been proven in brain imaging studies that applying rational words to any negative emotion disrupts its intensity….thus helping you to move forward.

In line with this, consider if how you are describing the person's actions is adding to the problem. Do they honestly 'continuously' challenge you? – Continuously would mean that they repeatedly do this without interruption or any gaps, or in other words they would challenge you every time you had an interaction with them. It is unlikely that even the most difficult person would test you on every point at every interaction. Are you therefore exaggerating the behaviours you are experiencing? By changing how we describe someone, we can actually lessen the impact they are having. If you don't agree with that, just try the opposite and see how quickly the person becomes at the forefront of your thinking. We've all done it, not able to stop yourself from wondering how they could potentially disrupt your day, how you are going to respond to every possible scenario they may challenge you on and thinking 'wouldn't it be nice if they weren't in today!'

Another step you commonly see written when researching 'how to deal with challenging behaviour' is to try and establish the reason behind their actions, for example are you undertaking a task that they hoped was going to be theirs or have you unknowingly overtaken a rising star? Whilst I agree it's always nice to know what their issue is, asking someone 'what is your problem' to their face can often be too confrontational and is prone to make the situation worse. Likewise, if you decide to try and find out about them from another team member, it can rapidly backfire – think gossip, think being accused of talking behind someone's back and you'll quickly recall all the reasons this can be a bad idea! So, I prefer to use the tools I have in my own tool kit and I think one of the most important and under used tools is acceptance. It is about accepting that not everyone is always going to welcome you with open arms and may never come on board. Also, not everyone is going to like the task you have been set…. or even you. Once you acknowledge this, it is much easier to continue.

I've also listed a further three simple actions you may like to consider:

1. **Are you really listening or just waiting to speak?** How frequently are you actually thinking about nothing else but the words that are coming out of the other person's mouth? If you are caught up in the emotion of the challenge, as we described earlier, it is highly likely that you are no longer actually hearing what they are saying. Resist the urge to respond and actively digest what they are saying.

2. **Try and understand their perspective –** similar to the above but have you really tried to understand their point of view? You can almost guarantee to engage with someone when they know that you are really trying to see an issue from their point of view and maybe more importantly, demonstrate this by asking the questions necessary to get there. If they feel that they have made their position clear, yet the other person isn't invested in helping, then things quickly turn to debate, and we move into the thoughts of victory for victory's sake, instead of getting to a point of genuine mutual understanding.

3. **Maintain the tone of the conversation even if its importance or intensity may escalate –** I appreciate that some people express themselves best through raising their voice or gesturing wildly, but generally colleagues don't respond well to that. Even if they can't, keep your tone even and instead use the occasional emphasised word to help get your point across.

Whilst I accept these suggestions may not overcome every challenging individual you come across, they can at least provide you with some rational ideas when you may feel like you are out of your own.

Helping insurance brokers rise to the client assets challenge

Regulatory responsibilities around handling client assets are a hot topic currently for many of the insurance broking firms to whom Searchlight provides training services. Under the terms of the Senior Managers and Certification Regime (SM&CR), there is increased focus on ensuring strong governance and a culture of accountability throughout regulated businesses. This means having a clear operational structure in terms of who's responsible for what within a firm, ensuring there are no gaps or grey areas, and that an appropriate culture is in place from the top down.

> "Senior management are often unable to articulate clearly exactly how CASS responsibilities are monitored and managed

All insurance broking firms who handle client money are required to nominate a single senior manager as the person primarily responsible for ensuring client assets are handled in compliance with CASS rules. This is one of the key 'prescribed responsibilities' under SM&CR that now apply to general insurance broking firms.

Selecting the right individual to carry out this role is vitally important. They'll require a particular combination of knowledge, skills and experience – and also sufficient responsibility to perform effectively in upholding compliant CASS practices across the business. Any gaps in knowledge can be addressed with the right training input – but there's no substitute for authority and experience.

Of course, assigning the prescribed responsibility is only one aspect of CASS compliance. We always stress when delivering CASS-related training that appointing responsibility to an individual in no way absolves board members of their CASS responsibilities and, indeed, that CASS responsibilities extend throughout a firm and should be explicitly reflected in job descriptions for all potentially affected roles.

This requires mapping and then monitoring CASS risks against practices, controls, policies, and procedures right across the business. A firm's governance model must take account of CASS risks at every stage in the product, service, and client lifecycle. Clearly this requires having a robust ongoing CASS training programme in place that includes in-depth face-to-face training for board members and senior managers – augmented with less intensive, but still thorough, training for other members of staff, perhaps delivered via e-learning.

The need for intensive training at senior levels is reflected in concerns expressed by many compliance specialists that senior management are often unable to articulate clearly exactly how CASS responsibilities are monitored and managed across different functions within their firms.

Another area of concern is around firms who are theoretically outside the scope of CASS rules because their business models do not involve holding client assets, they act purely on a 'risk transfer' basis, and do not have permission to hold client money. Problems can arise here if firms don't properly appreciate that any failure – knowing or otherwise – to hold monies precisely in accordance with one or more of the terms of business agreements (TOBAs) that they have in place with insurers, could effectively mean they're holding client money - and are therefore subject to CASS rules.

This underlines the importance of all firms understanding the full implications of CASS for their business. It can be challenging, of course, for smaller firms in particular to undertake regular (properly CASS-aware) reviews of their practices and procedures. But – with the regulator explicitly adopting a zero-tolerance approach to CASS enforcement, it's not something they can afford to ignore.

If you're operating on a pure risk-transfer basis, you'll need to be able to document fully that you're acting consistently in line with current TOBA conditions. If you do hold client money permissions, it's essential your senior management and all other relevant employees fully understand and act on the duties and responsibilities this entails. Without in-depth CASS-specific training, there are countless pitfalls for the unwary.

Common issues arising out of the handling of client money typically arise from but are not restricted to:

- ❑ Banking arrangements, including bank charges and establishing compliant bank accounts
- ❑ Reconciling accounts to bank statements
- ❑ Commission withdrawal arrangements
- ❑ Maintaining 'buffers'
- ❑ Premium finance recourse arrangements
- ❑ Client refunds, bounced cheques and accounting for bad debt
- ❑ Life commissions

Further information on issues can be found here in our Factsheet https://www.searchlightsolutions.co.uk/category/news/

Time for a change... Question mark

By **Len Horridge** from the Skills Exchange

> “ A 20 minute nap each day could make us all work more productively…

Recent research (I always cringe when that’s the first words of an article) shows that we know what we always knew but we now have statistics to prove it. Yes, most statistics come from the University of the Blindingly Obvious but, of course, what is common sense and what is common practise can be two different things. There you go, clichés galore to get us going...

There’s been a lot of stuff (this is a technical term) about work times this year; as an example, it was found that teenagers should go to school later in the day as they just aren’t built for early mornings (or much else, in my cynical experience!!) which, I feel, most teachers cold have told you. But school is not designed to meet the needs of its pupils (who are the ultimate customer and, in the end, how schools are measured) but puts the needs of parents and the teachers first. Yes.

Similarly, the traditional working day of 9-5 (remember Dolly Parton?) was designed for the owners of work places (mills, etc.) and designed around hours of light to get the maximum out of that, not our workers. Which goes back a bit, well, to before the invention of the light bulb. Up to date thinking again...

If we want to get maximum performance from our employees, a mad concept to start off with, then we need to realise some basic truths or at least basic research findings. The average human being really has around three and a half hour peak hours in them per day and, if you want to maximise this, and why would you, employers should minimise the hours people work. They don’t tend to do this as, well, I have absolutely no idea (I do but I’ve already been cynical once in this article).

In Sweden in 2016 there was a work experiment. This is what they did:

- ❑ Moved to six hour day
- ❑ “The eight-hour work day is not as effective as one would think, to stay focused on a specific work task for eight hours is a huge challenge. In order to cope, we mix in things and pauses to make the work day more endurable. At the same time, we are having it hard to manage our private life outside of work.“
- ❑ Productivity rose
- ❑ “During the trial all the staff had more energy. I could see that everybody was happy.”

So, it all worked! But, in 2017, most companies went back to 8 hours.

In the UK, a marketing company, Pursuit Marketing, did this in 2016:

- ❑ Gave employees Fridays off
- ❑ No reduction in pay
- ❑ 29% improvement in productivity over 2 years
- ❑ They noticed considerable health improvements
- ❑ They moved from £5m turnover to £15m projected this year

They kept with it, Sweden didn't (though Sweden still tend to be in the highest three of happy countries in the happiness survey each year; I won't tell you where the UK is) and... well, look at those results.

One comment from a company in Sweden was eye-opening: "The eight-hour work day is not as effective as one would think, to stay focused on a specific work task for eight hours is a huge challenge. In order to cope, we mix in things and pauses to make the work day more endurable. At the same time, we are having it hard to manage our private life outside of work."

And the still changed tack.

One swallow doesn't make a summer, of course, but it's a significant change, just one that employers may not be embracing fully, if at all.

Why? Well, we like to ignore the basic needs of the human metabolism. We feel tired after lunch, we encourage children to nap and in Japan they have nap pods. And the NHS said "A 20 minute nap each day could make us all work more productively…"

But...

They also said last year that "As a general rule, taking at least 30 minutes away from your desk will help you to be more effective in the afternoon" but people on average take only 26 minutes for lunch, eat it at their desk and tend to have the same thing every day.

We just plough on.

None of this aids productivity.

Which should be the driver to how we work, surely? Get people performing and...

We use a simple equation in our training which is P = CxM, i.e. productivity equals Competency (the ability to do the job) times Motivation (the desire to do the best work) and for many, motivation isn't always money (it seldom is) but the quality of their life. Which, for so many, is dictated by the hours they work.

Recent research (there I go again) shows that the UK is unhappier in its work outlook now than it was 5 years ago. Which means people are unhappy at work. Which is philosophic lly sad but also bad news for productivity, health and profits.

"It's not the hours you put in but what you put into the hour", so the cliché goes but clichés are clichés because they tend to have some truth in them. I like clichés...

So, maybe it's time to re-think hours and structure of work, if you haven't done so already. Or maybe we will just stick with rules made in the 18th Century. Which, let's face it, we loved...

To be or not to be …holistic

By **Andy Snook** from Performance Evaluations

I have, for many years, tried to encourage advisers try to become more holistic in their approach to giving financial advice. I think it's fair to say that this doesn't apply to all advisers. Many, of course, are holistic and provide an all-round financial service, but equally there are many don't see this in the same light.

There are, of course, a number of reasons for this. Firstly, it is so easy to deal with what's in front of you. This is known as "picking the lowest fruit from the tree". A client approaches an adviser and says they want pension advice. So that's what they're given. Pension advice.

> "Maybe they've forgotten how to explore certain areas because they've spent too long dealing with other areas of advice

Then, because that's what the client wants, some advisers are almost reluctant to explore other areas of advice. Perhaps this is because they feel it will put the client off from dealing with them and that by expanding the conversation this will be too much. So basic information will be acquired on the rest of the clients' circumstances. That's often just to make the file stack up on inspection.

Perhaps the adviser's own knowledge of certain areas of advice is not as good as it should be. Maybe they've forgotten how to explore certain areas because they've spent too long dealing with other areas of advice. Yes, I am talking about protection advice here. Protection is not as lucrative financially as lump sum investments, both initially or on an ongoing basis.

Which brings us to what, in my opinion, is the main barrier to being holistic. The environment in which many advisers work is all about getting funds under management, which gives an adviser an ongoing income and the potential to sell their business at some point in the future. Protection is excluded, and likewise regular premium business for any area of financial planning. Many firms have moved to a proposition where they have a minimum investment amount, therefore excluding a proportion of potential clients because they don't have sufficient funds to warrant the fees for the advice. That's fine. I get that. But it also excludes a number of other areas worth exploring further.

I'm not saying anything new here. We all know how it works. There's a good chance that a firms' client bank will be made up of a high proportion of retired or near-retired clients. For many firms the typical spread of business is likely to include protection as single figures as a percentage, and probably the same or less of regular premium business.

My question here is are we happy with this? If we are, then fine. I put it to any owner of a firm, or just working as a financial adviser, that in my opinion, they're missing a trick. Several tricks actually.

Let's dispense with the firm's proposition for a moment and consider what the role of a financial adviser is. I looked at Google for this and came up with various different answers. Likewise the FCA definition varies. It's down to our own individual interpretations. Mine is that a financial adviser considers a clients' overall circumstances, financially and aspirational, and recommends appropriate solutions that cover that clients' needs and objectives. In other words, holistic advice.

Now if I bring back a typical firms' proposition an adviser may find that their hands may be tied to being holistic for any number of reasons. What do they miss out on? Well, there's an income stream from lump sum investments below the minimum set by the firm, regular premium business and commission based business (there's that word "protection" again) that they won't be looking for, and therefore not getting. That could mean that they are also missing out on opportunities to build their client bank for both now and for the future. They're missing out on acquiring a more sustainable client bank by taking on clients perhaps in their forties and fifties, instead of the usual "clients with money", or the retired and semi-retired. They're also missing out on possible referrals from these clients that they have discarded whom could turn out to produce more lucrative business. They could be missing out on bringing on board clients because in their mind they're not ready yet, for example planning early for potential scenarios such as making provision for a potential Inheritance Tax liability. Probably most important of all from a Training and Competence perspective, they're not keeping their knowledge across all financial products up to speed.

Just on that last point why not have a look at your advisers CPD records. Pre this year, how much was covered by investments and pensions? It's a good job then that we have the new requirement for Insurance Distribution Directive CPD. Or you might be inclined to set specific protection-related competency tests covering the full range of protection products. Give it a go. The results will probably not be a surprise. But what both IDD CPD and protection tests will do is send a message that might hopefully refocus firm's propositions and encourage advisers to become more holistic. And that, surely, can only be a good thing.

FCA actions mean busy times for regulated firms

Nick Baxter from Baxters Business Consultants

> "This focus is not unique to the UK and culture change with an objective of better consumer outcomes is receiving global attention

The first half of 2019 has been an extraordinarily busy time for the FCA. So far we have seen, amongst other 'business as usual' outputs, consultations on mortgage advice and selling standards (CP19/17) and new responsible lending rules (CP19/14), a policy statement on 'overdrafts' (PS19/16 following CP18/42), the on-boarding and regulation of Claims Management Companies (including a very early 'warning shot across CMCs bows in the form of a 'Dear CEO' letter) and the recent announcement in respect of final rules for loan based ('peer to peer') and investment backed crowdfunding platforms (PS19/14 following CP18/20). While each of these activities will require significant management attention and corporate responses, including new policies and procedures it is the ongoing focus on transforming culture in financial services that will have most impact on individual behaviours.

This focus is not unique to the UK and culture change with an objective of better consumer outcomes is receiving global attention. For example, the Banking Executive Accountability Regime ['BEAR'] in Australia is not dissimilar to our Senior Manager and Certification Regime ['SMCR'] and encompasses small and medium banks from 1 July 2019 (having applied to large banks from 1 July 2018). Like SMCR in the UK, BEAR is a conduct focused accountability regime.

While SMCR already applies to banks and insurers, it should not have escaped anyone's notice that it will apply to almost all the firms the FCA regulates from December 2019. The greatest change will be for FCA solo-regulated firms who are currently regulated under the FCA's Approved Persons Regime ['APR'], which will be replaced by SMCR from the December date and with that cohort the most effected are likely to be 'limited scope' firms primarily due to the fact that this group includes limited permission consumer credit firms and sole traders; often this type of business has limited resources, no access to dedicated compliance departments and often one individual carries out more than one Senior Manager Function ['SMF'] . While the FCA acknowledges that SMCR responses are not intended to be 'one size fits all' and that there is flexibility as to how SMCR is applied, including the fact that limited scope firms will be exempt from some baseline requirements and have fewer SMF's, firms should plan for and implement SMCR.

While many limited scope solo-regulated firms will have a small number of owners/senior managers they may employ a number of staff and the certification element of SMCR will apply to nearly all staff (the exceptions being employees with no or limited customer contact such as janitorial and reception staff), because most customer facing staff can have a significant impact on customers and the firms market integrity. Although the FCA does not approve 'certificated' staff, firms will need to check and confirm ('certify') at least annually that these people are suitable to do their job and this check must include an assessment that they are 'fit and proper'. This annual test will need to focus on three key areas;

1. Honesty, integrity and reputation,
2. Competence and capability and
3. Financial soundness.

Depending on certain circumstances firms may also be required to carry out criminal record checks and regulatory referencing.

So although the transition from the APR regime to SMCR may be an evolution rather than a revolution, firms, especially limited scope solo-regulated firms, need to make timely progress on a number of issues in order to meet the deadline for compliance in six months time.

Nick Baxter is a Partner with Baxters Business Consultants. Baxters Business Consultants is a business consultancy offering training, marketing and expert witness services within the lending industry.

FCA Business Plan 2019/20

By **Tony Catt**, Compliance Consultant

Recently, the FCA published its business plan for the coming year. This makes interesting reading. It identifies many issues that it is looking to pursue in the coming year. But firstly, it sets out its mission statement.

Measuring the FCA performance

The FCA Mission confirmed its three-tier framework for performance reporting. Measuring performance across these three areas helps us to learn from the success and challenges of its interventions, using those lessons to focus future work where it adds most public value.
These cover:
Tier 1: Operational efficiency of our internal processes
Th FCA will use the VFM (value for money) framework of economy, efficiency and effectiveness to consider its own operational efficiency.
Tier 2: The impact of our interventions
The FCA measures the impact of our specific interventions, to understand if the FCA has reduced harm as intended and to ensure it learns lessons from experience.
Tier 3: Outcomes in the sectors we regulate
The FCA also considers outcomes in financial sectors as a whole, to identify how the markets are performing and to guide its strategic approach. These conclusions are set out in its Sector Views and Annual Report. The 'outcome indicators' do not provide a complete evaluation for how effective its work has been, nor do they set targets. Instead they tell the FCA about the direction of travel for key harms and whether they are increasing or decreasing.

In this Business Plan, the FCA sets out outcome measures against both Tiers 2 and 3 of this performance framework. The FCA will report against these measures in the Annual Report.

EU Withdrawal and International Engagement

Current Priorities

- ❑ Supporting a smooth transition post-Brexit
- ❑ Strengthening our International engagement with fellow regulatory bodies
- ❑ Assessing impact of EU Withdrawal on the industry and consumers

Cross Sector Priorities

Firms

- ❑ Supporting culture transformation within financial services
- ❑ Exploring the role of 'purpose' in culture
- ❑ Appraisal of remuneration practices
- ❑ Extending the Senior Managers and Certification Regime to all firms
- ❑ Implementation of the Directory

Operation resilience

- ❑ Policy proposals on Operational Resilience
- ❑ Setting clear expectations on outsourcing to third party service providers
- ❑ Reviewing approaches to change management
- ❑ Continued use of ethical hacking to test firms
- ❑ Supervisory multi-firm work on cyber-attacks
- ❑ Communications with smaller firms to increase awareness of cyber-attacks

Financial Crime (fraud, scams) & AML

- ❑ Improving tackling money laundering through intelligence and data
- ❑ Strengthening partnerships on tackling economic crime
- ❑ Deepen our understanding of types of fraud in key sectors
- ❑ Raise standards of professional bodies' AML supervision through OPBAS
- ❑ Further work on tackling scams

Fair treatment of existing customers

- ❑ Investigating the pricing practices within motor and home insurance
- ❑ Ensuring fairness in pricing and product value
- ❑ Set out proposals on tackling price discrimination in the cash savings market
- ❑ Finalising proposals to improve choices in the mortgage market

Innovation, data & data ethics

- ❑ Assessing Open Finance
- ❑ Building understanding of Data Ethics within financial services
- ❑ Publishing proposals on regulation of cryptoassets
- ❑ Encouraging innovation in global financial markets
- ❑ Encourage the development of RegTech in data exchange, tackling AML and financial crimes and helping vulnerable consumers

Demographic change

- ❑ Shaping the debate on Intergenerational differences
- ❑ Commencing the second phase of Financial Lives survey
- ❑ Consulting with firms on the identification and treatment of vulnerable consumers

The future of regulation

- ❑ Engage with stakeholders as we consider the future of regulation
- ❑ Updating our rulebook in light of onshored requirements
- ❑ Reviewing costs and benefits of regulation for small firms
- ❑ Publishing our first annual statement on perimeter issues

Investment management

- ❑ Implement new requirements for asset managers
- ❑ Further focus on stewardship Consultation on a prudential regime for MiFiD investment
- ❑ firms
- ❑ Recommendation on revised rules and guidance on liquidity management
- ❑ Further assessment of Packaged Retail and Insurance -based Investment Products (PRIIPs)

Retail lending

- ❑ Final proposals to reform overdraft market
- ❑ Diagnostic work on high cost credit products
- ❑ Support initiatives on substitutes for high cost credit
- ❑ Research on Business Model drivers of unaffordable lending
- ❑ Launch of a Credit Information Market Study

- ❑ Establish regulation of Claims Management companies
- ❑ Conclusion of work on the retained Consumer Credit Act Provisions

Pensions and retirement income

- ❑ Addressing the remedies from Retirement Outcomes Review
- ❑ Assessing competition in non-workplace pensions market
- ❑ Maintaining action on improving defined benefit transfers
- ❑ Further focus on the joint priority work with The Pensions Regulator (TPR)
- ❑ Proposals on Independent Governance Committees (IGCs) effectiveness
- ❑ Working with partners on the pensions dashboard

Retail investments

- ❑ Further review of advice suitability
- ❑ Analysing the impact of the Retail Distribution Review (RDR) and Financial Advice Market Review (FAMR)
- ❑ Implementing the remedies in Investment Platforms Market Study
- ❑ Peer to Peer (P2P) consultation follow up
- ❑ Rules on Contracts for Difference (CFDs) for retail investments

Retail banking

- ❑ Implementing the Payments Sector Strategy
- ❑ Following up on findings from the Strategic Review of Retail Banking business models
- ❑ Ensuring the new Payment Services Directive (PSD2) and Open banking are introduced securely
- ❑ Promoting the PPI 29 August deadline and supervising firms' implementation

General insurance and protection

- ❑ Publishing findings from the General Insurance Distribution chains review
- ❑ Finalising proposals on GI value measures reporting
- ❑ Monitoring Claims Inflation
- ❑ Improving signposting and access to insurance for consumers
- ❑ Evaluating the outcomes from GI renewals transparency

Wholesale financial markets

- ❑ Overseeing compliance with the Market Abuse Regulation (MAR)
- ❑ Collaboration with PRA, Bank of England and industry on LIBOR replacement
- ❑ Further work on compliance with the Markets in Financial Instruments Directive (MiFID II)
- ❑ Reviewing access to and the use of data within Wholesale Financial Markets
- ❑ Implementation of EU Prospectus Regulation
- ❑ Oversight of compliance with the EU Securitisation
- ❑ Regulation Implementation of the EU Regulated Covered Bond Regulation
- ❑ Preparation for changes to corporate reporting in structured data formats
- ❑ Preparing for taking on regulation of trade repositories and credit rating agencies
- ❑ Further engagement to improve the effectiveness of primary markets

Priorities for the year.

- ❑ EU Withdrawal is the most significant change affecting financial services markets and will be the FCA's immediate priority.
- ❑ Firms' culture & governance, financial crime and anti-money laundering, operational resilience and fair treatment of existing customers have been priorities for a number of years and are likely to continue as such.
- ❑ The FCA also highlights three strategic challenges where it wants to anticipate and influence market development, ensuring that markets work effectively: innovation, data and data ethics, demographic change and the future of regulation.

> “It is sad that the FCA still has to devote so much resource into Treating Customers Fairly and at this time, the fair treatment of existing customers.

Commentary

Even for an organisation the size of the FCA, this list of projects would appear to be very ambitious. Particularly, remembering that this list is on top of “business as usual”.

It is sad that the FCA still has to devote so much resource into Treating Customers Fairly and at this time, the fair treatment of existing customers. This relates to providers rather than advisers. Sensible advisers treat their existing clients well to retain them rather than having to go out and find new people to advise.

Banks and insurance companies have made vast profits from the inertia of customers. As well as the fair treatment of existing customers, the FCA is also encouraging the use of open finance to enable smooth transfer of business between organisations.

The business plan goes into some detail about the FCA encouraging the use of new technology whilst trying to ensure that the new technology does not generate more risks to consumers.

The introduction of SM & CR to advice firms is also to bolster the potential for positive client outcomes by making people responsible for their actions and spans of control.

With all of these priorities to deal with, as well as taking on regulation of Claims Management Companies, it is interesting to consider the breadth of the remit of the FCA. It could certainly be considered to be big picture. The parts of the FCA that most of us contact is fairly narrow and perhaps we need to have some sense of perspective when we consider out thoughts on the merits or otherwise of our regulator. Unfortunately, for the FCA, their major issue is Brexit and the potential fall-out from whatever deal, if any, is agreed. I guess that it needs to consider all scenarios. So that it can be ready to enact whatever set of rules become most appropriate at that time. It must be frustrating for the FCA, as so many of the other priorities may need to be amended to fit whatever new rules become applicable.

We live in interesting times.

Your Starter for Ten – Answers

1. Luzon is the largest and most populous island in which Southeast Asian nation? **The Philippines**
2. *Prince Caspian*, *The Voyage of the Dawn Treader* and *The Silver Chair* are three novels set predominantly in which fictional world? **Narnia**
3. Who is the only man to serve two non-consecutive terms as US President, from 1885-1889 and 1893-1897? **Grover Cleveland**
4. In which language does 'spasíbo' (usually written in its native script) mean 'thank you'? **Russian**
5. The four 'fashion capitals' are usually considered to be New York, London, Paris, and which other city in southern Europe? **Milan**
6. Which English band's music featured heavily in the best-selling soundtrack of the 1977 film *Saturday Night Fever*? **The Bee Gees**
7. *Megatherium* is an extinct, 4-tonne, ground-based relative of which modern South-American mammal, infamous for its slow movement through the rainforest canopies? **Sloth**
8. In Greek mythology, which hero - the legendary founder and first king of Athens - is credited with having slain the Minotaur in the labyrinth of Knossos? **Theseus**
9. In which modern-day capital city was Archduke Franz Ferdinand assassinated by Gavrilo Princip in 1914, sparking the crisis that ushered in the First World War? **Sarajevo**
10. What links the Olympic events of the Decathlon, 50km walk and the 110m hurdles? **They are men-only**
11. *I'll make a man out of you* and *A girl worth fighting for* are songs from the soundtrack of which 1998 Disney movie? **Mulan**
12. The Glorious Revolution of 1688 – an effective invasion of England – let to the only ever joint monarchy in British history, shared between which king and queen? **William III (of Orange) and Mary II**
13. Which small country in the horn of Africa – whose capital has the same name – was formerly known, during the colonial period, as French Somaliland? **Djibouti**
14. Which notorious figure of Norse mythology has – since 2011 – been portrayed by Tom Hiddleston in the Marvel Cinematic Universe? **Loki**
15. Which artefact, discovered in the town of Rashid in the Napoleonic Wars and now displayed at the British Museum, proved crucial in the translation of Egyptian hieroglyphs? **The Rosetta Stone**
16. Which term, of Central Asian origin, is used to refer to the vast northern snow forests of Russia and North America, the world's largest single biome? **Taiga**
17. Which Indian batsman is the highest run-scorer in test cricket history, finishing his career with just under 16,000 runs? **Sachin Tendulkar**
18. Which famous actor insisted on receiving a unique purple lightsaber for his role in the Star Wars prequels from 1999-2005? **Samuel L. Jackson**
19. The eruption of which Indonesian volcano in 1883 is commonly-cited as the loudest sound in recent human history? **Krakatau**
20. Paprika is the predominant spice in which Hungarian meat and vegetable stew? **Goulash**

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