For People Development and People Regulation Personnel within Financial Services

T-C NEWS

COMPETENCE • EXPERTISE • PROFESSIONALISM

OCTOBER 2019

SM&CR – The people dimension

By Martin Schofield, Director, MSA (Training & Consultancy) Ltd and Vivek Dodd, Chief Operating Officer, Skillcast

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T-CNEWS
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Welcome to the Autumn Edition of T-CNews. This is the last edition of the magazine that will be published prior to the implementation date of the Senior Managers & Regime on 9 December. Don't forget that the FCA require various submissions prior to this date so please don't get caught out. I still think there are companies that do not quite get the significance and importance of these regulations. The stocktake report issued in August provides an insight into some of the concerns of the regulator and provides us all with an opportunity to get things right in the run up to implementation. Other topical themes that feature in this edition are diversity, sustainability and vulnerable customers. We do have of course our regulator contributors helping create an eclectic and informative selection of articles. Enjoy

Jeff Abbott

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Time for some new thinking…

By **Michelle Hoskin** from Standards International

Twenty years ago, charged up with enough energy and enthusiasm to sink a battleship, I decided to set up a coaching business and, like most of us, fell into financial services.

By luck, my very first client happened to be a financial adviser and at the time I was totally unaware of the magic that I was going to uncover over the next 2 decades.

> But, for me, this made no sense – there was a bigger issue in the mix and it appeared that no one could see it coming.

New to coaching and financial services I found myself surrounded by coaches all of whom were (and still are!) focused on service proposition, referrals, sales skills and client engagement. But, for me, this made no sense – there was a bigger issue in the mix and it appeared that no one could see it coming.

The main issue I could see was that due to a severe lack of structure and clearly defined ways of working, these guys were working themselves to death and to me the solutions appeared so simple. They were working hard but certainly not smart.

Add to this that over the past 10 years we have seen the market change exponentially.

- ❑ The regulators are well and truly awake, the global wave of change is heading straight for us.
- ❑ The regulators continue to conduct reviews, audits and sector surveys.
- ❑ New policies are being introduced to raise professional standards.
- ❑ Compliance was running the show and more and more focus was being given to it
- ❑ Qualifications, designations and industry achievements are mistakenly becoming a global obsession.
- ❑ Administration is overwhelmingly restrictive, time consuming, and in so many cases totally unnecessary.
- ❑ Commissions are being cut, and even banned in some countries.
- ❑ Consumers are becoming smarter, more demanding and more powerful.
- ❑ Employers and people in general are no longer motivated solely by money
- ❑ … and most importantly your clients have a deeper reliance on their intimate relationship with you.

I saw it coming 20 years ago and I could share hundreds of stories of firms that had not seen and/or planned for these changes. Their life is hard and running their business is no fun at all!

The world is changing and it's now time for new thinking.

Accepting and overcoming these game-changing demands is no easy feat, so let me ask you, and I want you to be honest with yourselves

- ❑ How many of you have any idea how to deal with these challenges?
- ❑ Do you have the skills, the desire, or drive to take your business to the next level?
- ❑ Are you ready to ride that wave or is it time to hang up your boots?

Wherever you are at, one thing is for sure, the next generation of a financial planning firm will look nothing like it does today.

Now I might be talking 5, 10, or even 15 years away but the point is that you need to prepare for these changes today.

Your succession, your exit, the next stage planning for your business, needs to start being planned today.

Don't wait 15 years for that wave to take you off your feet.

But I know and so do you that habits die hard. Those who encourage change in so many others are often the ones who find change the hardest in themselves.

Time is NOW against us. We need to think differently, we need to behave differently, we need to run our businesses differently.

But the silver bullet has been around for several years, the problem is the profession has simply been 'too busy' to see it.

You see the truth is that the business of the future should have one main focus and that is **NOT** their clients – their focus should be on one thing and one thing only – the business. It is your **most important** client of all.

The future financial services firm understands that their business is the centre of their universe, not the clients.

Global standards are on the rise and the quality of every single thing that you do is on the increase.

Compliance – an area for regular debate! Compliance – the rules of the game set by the regulators who rule with an iron rod. Or is it?

Have we got that right or have the scare mongers within our industry caused us to fear what is actually an opportunity to establish global best practices within our business?

Think on it…

In 2011 – BS 8453 Compliance framework for regulated financial services firms was developed in collaboration with a group of trade associations, industry practitioners and professional bodies to establish a professional framework for an effective compliance management system.

BS 8453 can be used as a benchmarking tool by those working in compliance oversight functions, those with audit and assurance responsibilities within a business, and by external compliance consultants.

The standard encompasses:

- ❑ Guiding principles
- ❑ The compliance culture
- ❑ Transparency
- ❑ Independence
- ❑ Authority
- ❑ Adequacy of resources
- ❑ Confidentiality
- ❑ The compliance framework *(includes responsibilities, risk management, ongoing monitoring, training, reporting, regulatory relations, controls and supervision)*

Understanding, implementing and adhering to this British standard of excellence will increase your professionalism and accountability, providing peace of mind to your business.

Over the next 6 months we will breakdown the key stages of the standard and uncover how you can embrace the best practice framework within your business.

A guide to effective compliance training

At a recent industry forum, **Richard Whittington**, Product Owner – Digital Learning & Compliance, Access Group, asked a seminar audience, if, as the people responsible for learning and development in their firm there was a culture that supports it. The majority of hands stayed down.

> “If you get the culture, you’ve got the buy-in and if you’ve got the buy-in, you can deliver a strategy.

When I saw all those hands stay down, I empathised. I’ve been in those shoes.

I’ve been the person who believes training and learning should pervade all parts of a firm. But who has struggled to make inroads into getting the support, time and resource – human and financial – to really make a difference through training when ticking regulatory boxes is the only thing that’s really valued.

Understand how to develop a learning culture.

This underpins everything.

Culture is top-down, so influencing your senior leaders is key. What are their business goals and aims and how can your training strategy help match these?

If you can inspire them to invest in the time and resource to do what you need to do, they will naturally influence the management team and it’s the management who hold the keys to influencing employees, i.e. the people whose behaviours you want to change. The employees then become your advocates and training champions.

Recruitment, induction, succession and career development planning are great ways to promote your firm’s learning and training culture, and to bring staff onboard in a way that they can see what’s in it for them, as well as the big picture.

Is L&D mentioned in job ads or on your website? Is it talked about at interviews or as part of a new joiner’s induction? Is it tied into any professional development KPIs? How do you identify potential future leaders and managers? Are career development pathways lined up for them? How do you manage these? Can you create learning pathways in your LMS and deploy content to develop them? Are there individuals who would benefit from re-doing part of a revamped induction?

If you’re not sure, or the answers to any of these are ‘no’, evaluate and improve what you do. Chat to your recruitment team and work with line managers on how L&D can be discussed in the context of the new recruit’s specific job role.

For succession and career development planning, look at where staff are now, where the potential is, how you can get them from A-B, their readiness for promotion and if there are there any 'flight risks', etc.

Going through such an evaluation process will also help you identify any potential single points of failure in your teams; where only one or a handful of individuals has knowledge or can fulfill a specific role within the firm. We've seen in some very high profile outage incidents the financial and reputational cost of not having equally well-trained B, C and even D teams. So how can you mitigate that?

If you get the culture, you've got the buy-in and if you've got the buy-in, you can deliver a strategy.

How eLearning can play key role in your strategy

There are many options to deliver training – face-to-face, internal, external, eLearning or a blended approach of all. Whether you already use eLearning or not, it can help you effectively deliver your strategy.

Moving training online is a great way to increase ROI and improve efficiency as the ability to automate so many mandatory tasks reduces admin time for your L&D teams. Training completion rates also typically increase. Many LMSs, including our ComplianceServe solution, come with an app that allows training to be done offline, and staff expect such accessibility now.

Completion rates are a primary way to evaluate effectiveness and are a great starting point when considering how implementation can be improved. Can you turn the traditional model of a compliance course being pushed out once a month on its head and promote a culture that encourages staff to pull training down from what's on offer on your LMS rather than waiting to be told what to do and when?

Time pressures also make eLearning an effective option as the ability to split content into bite-sized 'microlearning' chunks means it can be picked up and put down whenever suits the employee, including when they need a refresher. Most good quality courses have a blend of engaging content – gamification, quizzes, audio, video and case studies, animations, infographics, Q&As, assessments, etc – so staff can learn in the way they like most – improving knowledge retention. Telling a story through the course is powerful as people remember stories better than facts.

Commenting and reviewing is second nature to most of us now (think TripAdvisor, Amazin, Feefo, etc), and learning is no different. Most LMSs have integrated feedback tools to not only help staff choose recommended courses, but to assist you in evaluating the learning you're putting out there, whether it's your own content or from a third-party supplier. If staff feel they have a say in your courses, and they see things change from their feedback, they are more likely to stay engaged with it.

Also look out for LMSs with diagnostic tools. These tools can help you identify where your workforce sits now and give you valuable MI to report back to and influence your senior leaders. Diagnostics can be used at the assessment and reassessment stages too, to check ongoing competency and to really measure the impact the eLearning is having in shifting people's behaviours.

What makes a successful compliance training roll-out?

So, you've got the senior leader buy-in and online training, now it's time to put your strategy into action. Whatever you focus your strategy on, ensure it keeps your workforce up-to-date and compliant and it feeds into your organisational KPIs.

Your strategy will have different elements.

Who should be doing what is probably the most vital. There's no point having a blanket approach to compliance training, where all staff at all levels do the same thing every month. Work with compliance and your business unit leaders to look at the content you've got and work out pathways for staff within their functions.

This will naturally create buy-in as these managers engage in the process and see the cost/time benefits of their staff just doing the training they need through automated content deployment, reminders and reporting. You can build out departmental/role-specific induction pathways from this point too.

When to do compliance training is the next question.

The vast majority of firms still follow the traditional 'a course a month' route, but you can do something different. Could you work with compliance to link training to when changes are actually happening, whether internal policy updates, hot industry topics or changes in regulation. This makes training relevant at the point of need.

Doing a topic a quarter is another option, so, for example, tackling all financial crime-related content (AML, bribery and corruption, fraud, etc) in one block so staff can really see how each topic lends itself to the next and they reinforce each other.

Or you could bring compliance training in line with the performance regime? Most staff have regular 121s, and mid and end year reviews, so why not use this as an opportunity to align learning? Making use of a diagnostic tool ahead of these meetings could help shape the topic of conversation too.

Are you going to use off the shelf (OTS) content or your own? Most good eLearning providers have tools so you can 'top and tail' OTS content. For example, add in your own case studies, policies, processes, procedures etc.

And how are you going to communicate what's available to staff, and most importantly, why they should do it? Again, storytelling is a powerful asset and messages from senior leaders always have an impact. Showcase the relevance and fun aspects of the learning they will undertake and identify subject matter experts within the business who will champion your content, whilst also providing a 'safe' ear for staff to ask questions to, away from their manager or training team.

From there the circle continues.

Everything you've put in place starts to feed itself, leading to reviews and reflections, objectives being evolved, new KPIs being set and your workforce not only being continually kept up-to-date and compliant, but also empowered to progress their careers either within your firm or the wider industry.

Who is the ACD and why do they matter to Retail investors?

Julia Kirkland,
Partner in FSTP

> "The Investment Association has warned member ACD firms that they are "entering a period of further regulatory focus".

If you are investing in a pension or hold a stocks and shares ISA the likelihood is at least some of your money is invested in the OEIC fund, the most common form of collective investment available. We should know this but within that legal structure, are we all clear on who the ACD is? In fact, do we know what the ACD does and what they are responsible for?

The ACD is the Authorised Corporate Director, whose primary role is to give oversight to the running of the fund on behalf of the underlying investors. In many cases this is an independent firm and in other firms is it the Fund Manager itself, having established a separate Board to provide that oversight.

ACD responsibilities, having been appointed by the Fund Manager (Asset Management firms who have sponsored the fund in the first instance) include;

- ❑ Fund oversight and governance
- ❑ Investment management, avoiding breaches of investment and borrowing powers
- ❑ Deciding on voting rights
- ❑ Maintenance of accounting records
- ❑ Complying with regulations
- ❑ Issuing of units/shares
- ❑ Issue of Financial Report and Accounts including a value for money statement for each share class
- ❑ FCA Asset Management Market Study requires 2 INEDs on each board – in a nutshell the investors champion, always putting the investors interest first

In the case of the independent ACD, the fund manager (normally the same as an Asset Management firm who sponsored the fund) hires the ACD to perform these tasks and can dismiss them if they feel they are not up to the job. I think it's now becoming clearer why this is an important role and why investors should take note of who the ACD is.

There are two obvious conflicts;

1. If the ACD is independent and pushes back too hard on the fund manager and stops or restricts them running the fund in the way they want, they could be dismissed and lose the fee paid to them
2. If the ACD is a sub board of the Asset Management firm, how do they really give oversight to the running of their own fund (there are several instances where the ACD Board and Board of the Asset Management firm is one and the same)

Of course, this had all bubbled up as the suspension of the Woodford Equity Income Fund continues. And if you want to know what investors think of that I suggest you get on Woodford's twitter feed!

In August, the FCA announced that it is reviewing the activities of ACDs and while the detail of their focus is yet to be made clear, the Investment Association has warned member ACD firms that they are "entering a period of further regulatory focus". It's highly likely this will be coupled with the 30th September deadline for compliance, along with the Asset Management Market Study requirements and the conflict of interest issues highlighted above.

The impact of the review could see a major shake up in the running of the collective investment schemes that we are all exposed to through our own investments.

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SMCR – the unintended consequences

By **Neil Herbert** from HRComply

The SMCR has been in place for dual-regulated firms now since March 2016 and rolls out to all FCA solo-regulated firms from December of this year. But has it had the intended impact and outcomes in improving accountability in firms and the consequent intended improvements in conduct behaviour and culture in those firms? Or has it instead had some unintentional and possibly negative consequences?

As the regime rolls out to the wider financial services community – requiring major commitment of resources and effort and investment in processes and systems – there need to be demonstrable benefits and outcomes to encourage firms further to commit to these.

> “However, as with any legislation, there are unintended consequences that are likely to manifest over time and these cracks are already beginning to show.

So far there is arguably limited evidence that this has indeed been the case and it is difficult to gauge the actual benefits from - or improvements to - firms' attitudes to the SMCR and associated Conduct Rules and their compliance with such.

The FCA recently published the findings of its review into the SMCR in the banking sector, in which it found companies were not always sufficiently tailoring their conduct rule training to suit job roles within the business.

The regulator said many firms were still often unable to explain what a conduct breach looked like in the context of their business and as a result announced it would be upping its supervision of how companies are embedding conduct rules and were meeting their responsibilities under the SMCR.

The review focused on how well the rules had already been embraced by banks, but the FCA said the findings also apply to all solo-regulated firms which will be coming into the regime in December - including advice firms.

The FCA said: “Firms are often using their own values to articulate how they bring the conduct rules to life. However, there was insufficient evidence to be confident that firms have clearly mapped the conduct rules to their values.”

The regulator added: “The conduct rules are a critical foundation for firms' culture and the conduct of individuals. It is essential that staff understand the rules and how they apply to them.”

There has always been a risk that as regulation has become more onerous, it unintentionally hurts recruitment efforts. It is too early to say and there has been little evidence of this. But it is likely that some people, particularly non-executive directors (NEDs), may not be willing to take on the personal responsibility that being a senior manager now requires. And they have good reason to worry. As higher profile enforcement cases become public this may be further the case. The rules though are having some positive outcomes – the first public test of the rules in action was with Barclays boss Jes Staley, who was fined around £642,000 for his attempts to reveal the identity of a whistle-blower. However, as with any legislation, there are unintended consequences that are likely to manifest over time and these cracks are already beginning to show.

Ahead of the extension of the SMCR there has been much to-ing and fro-ing on NED's and whether they are to be governed by the same Fitness and Propriety and COCON regimes as SMF's. There are certain responsibilities that can only be assigned to NED's and then require them to be SMF's. Also the PRA historically treated SMF's differently to the FCA but with the forthcoming extensions of the regime to solo regulated firms – the FCA have had to make changes to how NED's are treated under the regime. So some NED's are fully captured others aren't. It's complex.

A good example is the role of Whistleblowing Champion – a tricky and delicate role to hold and one that seems to be attracting some considerable FCA attention. It is not a prescribed Senior Management Function and yet it is very much on the FCA's radar. A recent disclosure (resulting from a Freedom of Information request) revealed that the FCA are currently investigating up to four NED's for failing to perform their senior management function as Whistleblowing Champion within their financial services firm.

The Whistleblowing Champion function is a case in point regarding the contradictory and often confusing signals from the regulators. Under the FCA Handbook, section SYSC 18.4, all firms are required to appoint one of their non-executive directors to the role of Whistleblowers' Champion. “A firm must allocate to the whistleblowers' champion the responsibility for ensuring and overseeing the integrity, independence and effectiveness of the firm's policies and procedures on whistleblowing (see SYSC 18.3 (Internal Arrangements)) including those policies and procedures intended to protect whistleblowers from being victimised because they have disclosed reportable concerns,” SYSC 18.4 says.

Currently identifying the whistleblowers' champion at any financial services firm is not easy. Firms are not required to put the name of the individual on their websites, nor can the champion be identified by a Senior Management Function (SMF) number on the FCA Register. The decision not to assign an SMF number to the SYSC 18.4 responsibilities was taken by the FCA and Prudential Regulation Authority, not U.K. lawmakers, and so could be changed without primary legislation. However, the FCA says they have no plans to do so. That said – UK lawmakers have called for an overhaul of the Whistleblowing legislation and there is increasing pressure for such individuals to be identified and fully accountable.

Whistleblowers' Champions are intended by the FCA to ensure that allegations are investigated thoroughly and that individuals who speak up are not mistreated. However, a recent report by an All Party Parliamentary Group on Whistleblowing (APPGW) found that more than two thirds of the whistleblowers who gave evidence had faced retaliation and that only 12% of organisations had actually acted on the wrongdoing identified. In other words – there is a lot to be concerned about and firms clearly aren't fully meeting their obligations to either their employees let alone their NED's. In fact – NED's holding this role have every reason to be concerned.

Is this a role that any NED would want to be accountable for? Where is the upside for him/her?

Even with full oversight of the conduct and disciplinary processes and the consequent treatment of whistleblowers within the firm, the NED has to rely on – and trust in – full disclosure from the firm and key management. That is hard to guarantee when you are by definition placed outside of the daily business of a firm. Would you really be prepared to take the fall were a situation – of which you were not fully aware – to be handled incorrectly and the whistleblower unfairly penalized in some way?

NED's rely upon the Board to act as a conduit regarding the information or data regarding matters for which they are effectively accountable. They need therefore to be assured that that their oversight of relevant information is thorough and complete. This is not always the case.

This is just one reason that the role of NED of an FCA regulated firm has become less attractive and recruitment of NED's that bit harder.

And it isn't only the recruitment of NED's that has been affected. Likewise, some senior Compliance professionals in large businesses are concerned about whether they can completely comprehend everything happening on their watch. This along with increased demands for such professionals has pushed Compliance salaries and therefore costs sharply higher and made the recruitment of good Compliance professionals harder.

Additionally, the increased risks associated with being a Senior Manager have also been accompanied by a general decrease in total remuneration for many Senior Managers – the days of the mega bonuses being behind us. The risks are higher the rewards are lower – and if there's one thing these people do understand it's the risk reward relationship.

Those senior managers who do take on SMF roles must also be real team players willing to share collective responsibility and work with all areas of the business to ensure that reasonable steps are taken and evidenced.

In my personal experience this is still not happening as it should and instead can generate some conflict.

A new referencing regime also means that it is no longer possible for a bank to allow a senior manager – or indeed any other Certified employee – who has not met regulatory standards, to resign and move on with a bland agreed reference. This helps prevent the dangers that can arise from the 'rolling bad apple'. Fear of a negative regulatory reference though can prevent some employees moving on and even leaving the industry altogether. This is not the consequence intended – and is also a further potential block on liquidity in the recruitment market.

An important change is that, for many staff, it is their employer that decides if they are 'fit and proper' to perform their role. Decisions can be finely balanced, and, in the absence of defined criteria, there can be a lack of consistency on what might be deemed a breach of conduct rules. The combined effect of all this that in some instances, we are seeing employees fearful of raising concerns or admitting mistakes, which is precisely what the regime was trying to avoid.

Although it is relatively early days, these new accountability rules will no doubt contribute to ensuring that we do not repeat the mistakes of the past. However, we must be careful to ensure that any unintended consequences are nipped in the bud and the necessary assurances and solutions delivered to ease industry concerns and encourage future recruitment of the highest quality candidates to such critical roles.

Sustainability and ethics: the new battle ground for the financial services industry

By **Fitch Learning**

There is increasing evidence that addressing sustainability can be good for business as well as the planet. We look at how the shifting emphasis towards values-based consumption is placing the onus on companies to take the lead – and ask what businesses are doing to recognise this.

> “Consumers are wise to ‘greenwashing’– the increasingly transparent practice of making unsubstantiated claims about a company’s environmental conscience

Today’s consumers are looking to companies to show them how to make sustainable buying decisions. It is not just the younger consumers as generational-stereotyping might have us believe – for individuals of all age groups, our inability to make a neutral (even positive) impact through day-to-day consumption is becoming increasingly frustrating.

The recent uproar against plastics–while playing only a bit part in the wider question of sustainability–is a tangible issue that has projected the topic onto the agenda of many consumers. It is undoubtedly the precursor to what has become a shift in how we are making purchasing decisions, and what our perception of value is. Technology firms are waxing lyrical about how they can help companies increase efficiencies and lead sustainability efforts. And we are now seeing the innovations originating from nimble tech start-ups being replicated (to varying degrees of quality) by incumbent industry players, as they try to keep pace.

Lead, don’t follow

In the financial services sector, where regulation has historically driven much of the change on the consumer side, those firms that take the initiative and lead the way stand to win over customers. But it means making genuine investment in sustainability. The word genuine is key here because consumers are wise to ‘greenwashing’ – the increasingly transparent practice of making unsubstantiated claims about a company’s environmental conscience – which has the potential to damage a firm’s reputation more than a one-off regulatory breach, for example.

It is often said that significant change forces innovation. Certainly, the issue of the environment is forcing positive action. Today, many organisations are moving towards incorporating science-based targets that resonate with wider global goals such as the global Sustainable Development Goals (SDGs). This is not just talk and a real example might be Colgate Palmolive, which has introduced a Global Energy Reduction Team to look at reducing water consumption across its business.

The question is, what is your business doing to make it easier for consumers to do the right thing? If sustainability is not a core component of new product design, or if your business is not questioning the carbon footprint of its supply chain, it might be time for a rethink. Those firms that wait for regulation to catch up and dictate their rules of conduct, will likely be caught off guard.

Let us not forget that consumption is still democratic

It is well reported that younger consumers are intent on putting their money where their values lie. And sustainability is just one part of this jigsaw. A firm’s ethical reputation will hang on much more than just the environment and now requires companies to have a wider culture of doing the right thing.

In the financial sector in particular, it is easy to focus on the bank-bashing and negative sentiment towards the behaviours of certain financial institutions which have tarred the industry. Rightly or wrongly, this is what many consumers perceive. Yet external developments such as concerns about the condensed power of FAANGs, privacy laws and irresponsible tax behaviours, are causing consumers to be more open to competition if they believe it has their interests at heart. It is time for financial services to move on, but we can only do this if commerce takes the initiative instead of wagging a finger at the regulator.

In recent years, consumers have become more accustomed to a fluid, innovative environment. We are no longer afraid of using firms that don't have the backing of big brands and most of us are willing to forego the perceived security of established firms for innovative start-ups that we feel are fighting our corner. Those firms unwilling to adapt to these changing trends are likely to have their reputation eroded, and it is a little inward looking to be caught up solely in the regulatory change that has followed the Financial Crisis. Conversely, sustainable and ethical considerations pose a great opportunity for financial services companies, and the industry as a whole, to win back trust.

Companies that make it easier for people to do business – with non-exclusive and accessible services – are becoming increasingly attractive to consumers. Since the Financial Crisis, the regulators have been working to make it easier to new entrants in order to increase competition. Accessibility is starting to replace exclusivity and we only need to look at new entrants in the wealth management sector as an example, as they offer lower fees and low investment minimums (and many of whom have made sustainable investing a key premise of their offering – not coincidentally).

Elsewhere, challenger banks continue to take an increasing share in the banking sector. According to the FT Adviser, the biggest mortgage lending growth in 2017 came from specialist and challenger banks while main stream lenders saw a decline in lending growth. When it comes to day-to-day banking services their processes feel smooth, providing a reassuring sense that the bank is on the consumer's side. (It takes just minutes to open an account and your bank card will come the next day rather than the tedious 3-5 day window quoted by traditional banks).

Technology means that large companies can no longer afford to hide behind legislation and sluggish services will be punished. Firms have a real opportunity to re-evaluate, streamline and focus on what they are good at. This might result in losing some of the legacy business that is costing money to maintain, and which might be low hanging fruit for more nimble market entrants, for example.

In conclusion, the challenges posed by conducting sustainable business offers a big opportunity for the industry to regain trust by taking the lead. As changes are not legally obligatory however, it puts the emphasise squarely on individual firms to act. Furthermore, once the fog of Brexit has lifted, the environment and ethics look set to play a significantly bigger role in the theatre of politics. Companies that acknowledge this will do well, while businesses that continue to brush aside sustainable and ethical matters do so at a very high risk to reputation.

https://www.ftadviser.com/mortgages/2018/07/19/specialists-and-challenger-banks-lead-lending-growth/

http://edfclimatecorps.org/engagement/colgate-palmolive-cecilia-coates-2018

CSA celebrates first batch of successful apprentices

Following months of hard work, the first apprentices undertaking their training on Apprenticeship Standards delivered by the Credit Services Association are celebrating their success.

A first for CSA Apprenticeship training has come from Stephanie Moss, from H&T Pawnbrokers – a CSA member and apprenticeship levy paying employer. Stephanie completed a Level 3 Compliance Risk Officer Standard for her apprenticeship and is the first person to pass her End-point Assessment with a distinction.

Also successfully passing their Level 3 Compliance Risk Officer Standard are: Alma Treliving from Insure the Box, and Callum Tonks and Dominic McDonald from Wesleyan, a specialist financial services provider.

The CSA is currently delivering 150 apprenticeships across 50 organisations, including major industry players, well-known PLCs and government bodies. Following an OFSTED report which highlighted the CSA's apprenticeship programmes for how they are successfully contributing to the professionalisation of the debt collection and purchase industry, the CSA will be continuing to recruit new apprentices without restriction.

Fiona Macaskill, Head of Learning and Development at the CSA says: "The completion of the first Apprenticeship Standards is a significant milestone for us. We are delighted to see our first successful learners complete their programme and wish them every success in their careers going forward.

"Whilst celebrating the achievements of our apprentices," Fiona continues, "We also congratulate the passion and commitment of our training team, and the work that carries on in the background, from our L&D team at the CSA, to ensure that our apprentices are fully supported throughout the delivery of each standard."

The CSA has also been shortlisted for Excellence in Training in the CCS Awards. These awards, which will be announced 16 October 2019, recognise success in Collections and Customer Service.

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Blended Learning Solutions

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Starting out or polishing up?

John Reynolds from Expert Pensions

"Every financial services professional has a responsibility to keep their knowledge and skills current

To get, and keep, a job you typically need a repertoire of technical and soft skills. Whilst our Industry demands that education and qualifications will continue to be important, how we approach building and maintaining our skills needs to change.

Starting out

Financial services leaders have identified skills shortage as their greatest fear, demonstrating the importance of attracting and retaining talented employees as identified in research carried out by Robert Walters [https://www.robertwalters.co.uk/solving-the-uk-skills-shortage/solving-the-uk-skills-shortage-finance-research.html]

Opportunities for the next generation interested in a financial services career are readily available, especially for those who make the right moves with their job search.

The CII Level 4 Diploma in Regulated Financial Planning is the CII's benchmark Level 4 qualification. It is structured as six units comprising five multiple-choice exams and one written exam.

R01, R02, and R03 contain core financial planning knowledge and concepts. Then R04 and R05 provide product areas with R06 bringing everything together in a single written exam.

There are similar qualifications offered for specialist financial planning areas which require their own qualification (as per the FCA appropriate qualifications table), such as investment management, securities advice, mortgages, long-term care planning, pension transfers, and equity release.

The two most popular and well-known Level 4 qualifications for financial advisers are provided by the CII, and the LIBF. Just to be clear, you don't need to hold both – one or the other satisfies the qualification requirements.

Polishing up

Continual Professional Development (CPD) is where, as a Professional, you will track and document the skills, knowledge and experience that you gain both formally and informally as you work.

The FCA have concerns about the professional development of Pension Transfer Specialists (PTS's) as quoted in their CP19/25 report [https://www.fca.org.uk/publication/consultation/cp19-25.pdf]:

John Reynolds MSc BSc FPFS Chartered FCSI commented on some of the key points below:

''The competence of a PTS is one of the potential drivers of unsuitable advice. We want to ensure that skill levels are high and are maintained over time…"

It is no longer appropriate to have the 1974 Insurance Society Occupation pension exam qualification, or indeed a G60 from 1996, without evidence of professional development since then.

And the FCA is proposing some very specific and detailed guidance:

''We are proposing that PTSs must undertake a minimum of 15 hours CPD each year, focused specifically on pension transfer advice…"

The ultimate goal of relevant and implemented CPD is that it safeguards the public, the employer, the professional and the professional's career.

Every financial services professional has a responsibility to keep their knowledge and skills current so that they can deliver a high-quality service that meets the expectations of customers and of the profession.

Over the years we have trained, mentored and enabled 1000's of advisers to achieve PTS status and we want to ensure that you have everything you need to satisfy the new PTS CPD requirements for 2020.

Future Developments

Right now, we are working on what YOUR new PTS CPD for 2020 looks like. It will be relevant, effective, personalised and collaborative – Watch this space we will be telling you more….soon!

Written by – Caroline Evans, Expert Pensions Limited.

The Trusted BDM

How the Business Development Manager has evolved along with the modern business buyer. **Paul Archer**, Sales Coach, Author and Speaker, shares how and why the Sales Rep of old has evolved into the modern Trusted BDM. He also shares the key behaviours of a Trusted BDM to ensure your team are on the right road map.

Fondest Memories of the 1970s

Fondest memories of the 1970s? Ross Foods frozen roast beef and Yorkshire pudding and Sunday afternoon drives fighting my brothers in the back seat of my dad's company car – a shiny Austin Allegro 100DL.

My dad was an old fashioned sales rep and worked for a number of companies in the 1970's pretty much operating in the same way but selling different products to businesses in the South. He sold car hydraulics for P&R Hydraulics Hersham, frozen food from Ross Foods amongst others.

We were the only family on our road to have a company car – gleaming new with polished chrome – and they footed the fuel bill too. Handy for holidays in Cornwall towing the caravan.

The Sales Rep's job was to rock up in front of their business customers, build rapport and persuade them to stock their products.

The car boot was full of samples, hence the frozen roast beef. Brochures and pamphlets littered the back seat, and they were one of the first cadre to have car phones fitted in the 1980's.

The reps continued flourishing well into the late 1990's and some into the noughties, but most are long gone now. A relic of the past; the scary notion is many still operate in the same way under varying titles, particularly the synonymous BDM – Business Development Consultant. Some still regard and act like reps by any other name.

Why Has the Role of the Sales Rep Changed?

Let me explain how they came to become extinct and where the BDM has driven to in their gleaming company car.

The role of the BDM has changed simply because their buyers' buying has evolved over the last ten or so years. The internet has driven much of this transition giving the buyer as much information online as my dad could stuff into his Austin Allegro boot and back seat. Pushing brochures, facts and benefits is a thing of the past now.

The internet has streamlined communications allowing buyers to go instantly to anyone in the firm via email, social media or instant chat. It has given growth to the inside BDM who uses the phone, video communication tools and social media to make contact and build relationships. Gone are the days when a rep could pop in and take two hours of a buyer's time away and entertain them to lunch. Nowadays, the buyer would rather talk or email the underwriting manager direct than go through the BDM of old.

Buyers have the ability to go anywhere to buy their supplies and services with more and more being offered "amazon" style options. A client of mine in the electronic component market has revamped their website and now allows buyers to buy online any part or component they want and have them delivered tomorrow.

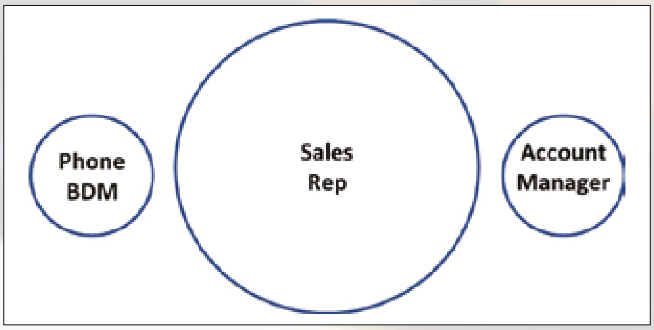
Buyers are more wise to the sales tactics of old because the techniques are freely available online to learn. Buyers are more wary generally in salesey methods – closing too tightly, overcoming objections and turning features into benefits.

BDMs in the traditional role of the sales rep bring little or no value to the buyer. Popping in with information on their latest product or service backed up by a feature-rich PowerPoint slide decks do not cut it anymore, yet many BDMs still insist on operating this way.

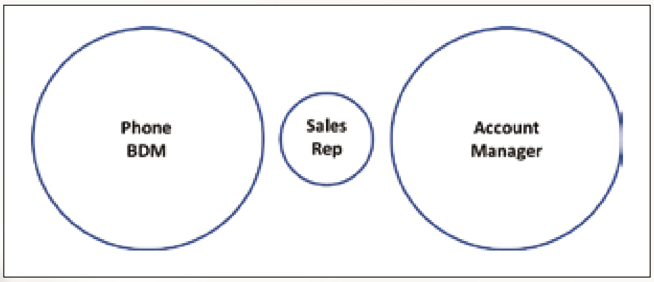
Today's BDM Marketplace

What does the BDM marketplace look like now, and how is it metamorphosing? Let me show you in graphics:

The picture of the 1990's was divided between phone sales, reps and account managers like this:

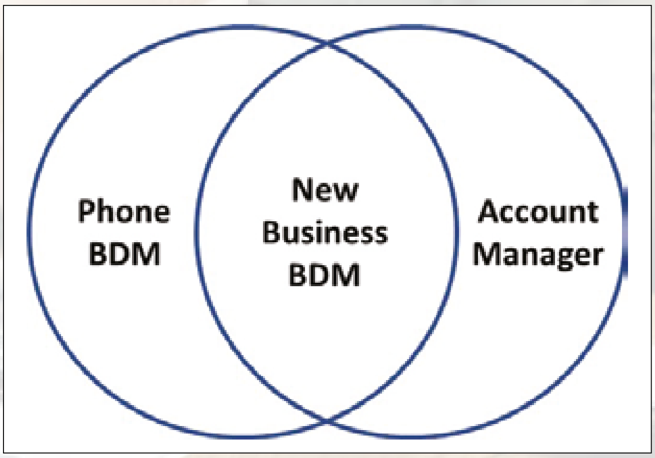


The size of the circle indicates the approximate proportion of salespeople in that role. In the noughties, this evolved to:



You can clearly see the demise of the old rep, with the salespeople transferring across to either phone BDMs or traditional account managers. Account managers have always farmed accounts – large, strategic or growing. Their role is very different to a new business BDM; they spend their time building relationships, influencing the various decision-makers in the firm, understanding needs and challenges and becoming a true partner. Some of my client account managers are even permanently stationed in the business and are regarded as part of the furniture.

The future is looking like this:



The Trusted BDM – Behaviours

The phone-based BDM or inside BDM will merge with the account manager to create the new business BDM. S/he is focused on new business and is targetted and incentivised accordingly. S/he can be based inside using a variety of modern communication tools – phone, social media, webcam, virtual reality headsets – or s/he can be based on the road.

Their role is more like the account manager of old than the traditional sales rep. S/he's changed and is becoming a partner or trusted advisor to the business. Their psyche has changed. S/he's no longer salesey, target driven or pushing products all of the time. S/he's now developing the relationship, problem-solving and proving real value.

Sales of products follow. S/he knows this. The marketplace has changed – the world has changed – s/he has changed.

Various studies have become synonymous with this trend. The words trusted advisor, partner, problem-solver, credible source, consultative seller have been bandied around. Some think these are the latest fads or trends, but the pure fact is, these are here to stay.

The days of the road warrior sales rep are long gone. The BDM has a whole new role to carry out; a complete suite of new skills and a rock-solid philosophy that their way is what the modern-day buyer yearns for.

I've used the phrase "Trusted BDM" to reflect all the descriptions.

"The words trusted advisor, partner, problem-solver, credible source, consultative seller have been bandied around. Some think these are the latest fads or trends, but the pure fact is, these are here to stay.

How do you spot one?

a) S/he is a relationship builder, constantly working on the connection with their client and associates in the business. This builds trust in her capability and confidence.

b) S/he has patience and prepares for meetings thoroughly. S/he is expert at researching the internet for information about their customer.

c) S/he has an insatiable appetite to learn about the company and the sector s/he is in. If s/he is a mortgage BDM, s/he learns about the entire financial services sector – it's challenges and issues – s/he reads around the sector – blogs, periodicals, videos, podcasts, association websites.

d) S/he is adept at being helpful with her customers. S/he can solve their problems and challenges with their expertise, knowledge and contacts. S/he leaves product pushing to others.

e) S/he is confident at educating and teaching their customer everything s/he knows about solutions, the marketplace and the services available. S/he is known as a business coach.

f) S/he is adaptable; flexible and is able to handle people differently according to their personality and drivers.

g) S/he oozes empathy.

h) S/he subconsciously asks lots of questions to involve the customer in all her ideas and consultancy. S/he coaches.

The business follows. S/he isn't phased by the pressure of numbers and targets; their business levels are excellent, their customers happy to use their for the solutions they seek.

Come to think of it, how did frozen roast beef and Yorkshire pudding keep cold in the boot of my dad's Austin Allegro? I'll never know, but the taste is still with me now, and the memory of my sales rep dad lives on.

If you want to consult with Paul personally on your objectives and challenges, contact him at **paul@paularcher.com** or on LinkedIn at **www.paularcher.uk**

SM&CR – The people dimension

By **Martin Schofield**, Director, MSA (Training & Consultancy) Ltd and **Vivek Dodd**, Chief Operating Officer, Skillcast

Although the financial crisis of 2008 and the financial scandals in the past decade can be traced back to failure at several levels, the UK Government pinned the responsibility largely onto the banks and set up the Parliamentary Commission for Banking Standards (PCBS), which recommended that firms take on more responsibility to ensure that their employees are fit and proper and enforce a higher standard of conduct at all levels of staff. It also recommended a new personal accountability, which led to the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) creating the Senior Managers and Certification Regime (SM&CR). Starting in March 2016, this regime was originally applied to banks and other credit institutions. It was extended to insurance firms in December 2018, and will be extended to all remaining authorised firms in December 2019.

The aim of the SM&CR is to reduce harm to consumers and strengthen market integrity by making *individuals* more accountable for *their* conduct and competence. No longer is it acceptable for a senior manager or decision maker to make ill-advised decisions, or take actions that are to the detriment of the consumer, and then hide behind the protection of their firm's corporate umbrella when questions about accountability are raised.

The SM&CR dictates where responsibility should lie and who should be held accountable when things go wrong. While a firm can still be sanctioned by the regulator, the first port of call will now be the senior manager who holds responsibility for the area in which the issue arose. They will be asked by the regulators to demonstrate that they took reasonable measures to ensure compliance.

However, the SM&CR goes beyond this. It also aims to:

- ❑ encourage a culture where staff at all levels take responsibility for their actions; and
- ❑ ensure that firms and their staff clearly understand and can demonstrate where responsibility lies.

These are ambitious goals that require a complete change in approach by regulated firms and a change in the behaviour of their staff. More precisely:

- ❑ There needs to be increased focus on the activities of a firm and the key players in that firm
- ❑ Senior managers and key decision takers can expect their actions to be put under the microscope by regulators and the public at large
- ❑ The tone from the top has more meaning than ever – if top management fail to demonstrate real commitment and belief in the SM&CR, they can't expect the same from their staff

Shifting managerial landscape

The SM&CR has removed some senior managers from the line of sight of responsibility, as their roles have not been grandfathered across from the Approved Persons Regime to the SM&CR. Others, who previously did not consider themselves senior enough to be held to any form of regulatory accountability, now find themselves under the spotlight.

For those who are no longer caught under the regime, there is a mixed bag of emotions. Some may be relieved that they no longer bear the added burden of regulatory scrutiny. However, others may perceive their roles to be demoted - no longer important enough to be approved by the regulators.

Senior managers, who previously held Controlled Functions, may be used to the regulatory invasiveness, but they might still not be fully prepared for responsibility maps being supplied to the regulator. These maps must clearly define their roles and areas of responsibility – something that they may struggle to articulate. These maps also create a heightened risk for individuals, as the regulators will be guided by any gaps when investigating and apportioning culpability if something should go wrong.

However, senior managers are used to changes of this kind and can be expected to handle them well. The same can't be said of the population of people who are being captured as Certified Persons. In the main, this group are finding themselves being catapulted into a world of scrutiny that they are not used to. Granted, they are not directly overseen by the regulators, but the senior managers in their firms are being made to attest to the regulators that these people are sufficiently fit and proper to do their job. Although firms will have looked into the fitness and propriety of individuals appointed to material risk-taking positions, being able to attest the same to regulators is a paradigm shift in accountability.

These attestations also bring the whole recruitment, vetting and appointment process under the spotlight. They bring HR much closer to senior management accountability, as senior managers rely more on HR to help establish what is fit and proper, and they are called upon to do the same for ex-employees whose new employers ask for regulatory references.

So, we have identified that roles and the people filling those roles are changing, and people and their behaviour changing has got to be a critical element in the success of the SM&CR and the successful, compliant avoidance of prosecution under it, but are people really changing?

Good conduct by everyone

Certainly, the announcement of the introduction of the SM&CR startled the industry, and the possibility and reality of the enforcement of it created a flurry of nervousness around it, but, once the dust settles following the introduction of any new initiative, does anything really change? Are people really prepared to change?

To help combat this risk, the SM&CR introduced Conduct Rules for staff and management alike. These rules provide a high-level definition of what good conduct should look like. The rules are simple and recite the good behaviour that firms should already expect from their employees, but now these expectations are entrenched by regulations.

We can see from the Conduct Rules that the regulators believe that despite its title, the SM&CR is not just something for senior managers alone. It is for everyone – each and every employee has a part to play in achieving the correct behaviour, attitude and conduct for their firm and their customers.

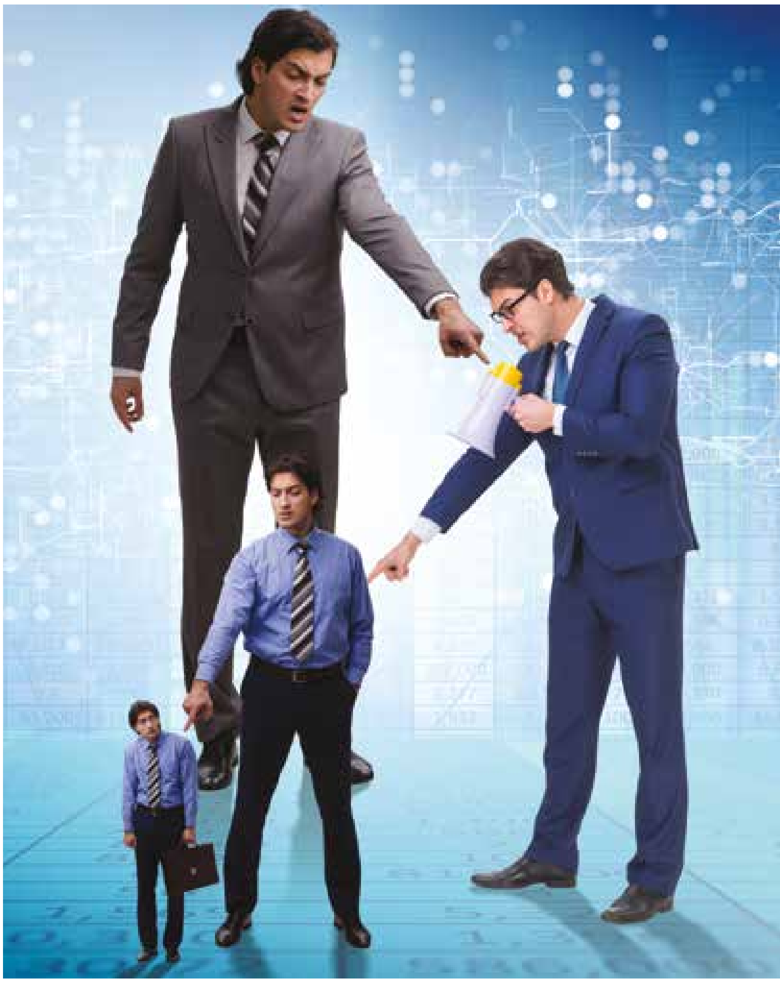
However, for this to be achieved, everyone has to see the benefits of change – from admin and front-office staff to back office, middle and senior management and beyond, and into non-executive directors. Everyone needs to see and appreciate how their role and behaviour are a fundamental cog in the mechanism of change and doing the right thing.

Improved compliance systems and controls

The SM&CR is not a light touch – it is a fundamental root-and-branch review of how each employee, at whatever level in an organisation, works and thinks. There is no longer a place for the "Complaints Department Syndrome" – i.e. I can act irresponsibly because someone else in a complaints department will clear up my mess for me. Similarly, from a corporate perspective, it is no longer acceptable to take regulatory enforcement action and any fines as a cost of doing business. There is no safe harbour for senior managers from the personal-liability reach of the SM&CR, and that goes for the senior managers assigned the prescribed responsibilities for implementing the SM&CR, and managing senior managers and certified persons.

Firms need to invest in new systems for assessing and certifying annually their certified persons, recording the responsibilities for senior managers, conducting fit and proper assessments, and recording and reporting conduct rule breaches. Given that there are dozens for checks and attestations required throughout the year for all your senior managers and certified persons, firms also need new controls for identifying, escalating and resolving any gaps in compliance with SM&CR.

> "The firms that grab this opportunity are likely to be more profitable and sustainable in the future.



When looking at the Conduct Rules, they don't seem to be too big an ask or even overly difficult to comply with, but more a reinforcement of what some might call old-fashioned principles or simply doing the right thing. After all, ethical behaviour is all about doing the right thing even when no-one is watching! So SM&CR is a real opportunity for you to establish healthy cultures, effective governance, and greater personal responsibility. The firms that grab this opportunity are likely to be more profitable and sustainable in the future.

Ask the experts: Financial Ombudsman Service

The Financial Ombudsman Service, which arbitrates on disputes between financial services firms and their clients, now has the power to order firms to pay as much as £350,000 in compensation to a wronged client. FS Legal's **Gareth Fatchett** explains the impact it will have on firms and consumers

What is the Financial Ombudsman Service (FOS)?

It's an arbitration scheme for when people have disputes with financial services firms that are still trading. The results of the arbitration are binding on the participants and the FOS charges the firm that has a complaint against it for administering that complaint. The complainant is not required to pay any legal costs. The FCA raised the maximum amount of compensation the FOS can award a complainant from £100,000 to £150,000 in 2012 and recently to £350,000. The scope of the scheme has also been widened to allow small and medium-sized enterprises (SMEs) to bring a claim. It's a particularly difficult scheme for financial services firms to defend against because, even if they win, they're still incurring costs to deal with the complaint so they always end up losing.

How does the scheme work?

Initially, the complainant brings their claim to the firm and the firm has eight weeks to respond to it. If the complainant disagrees with the firm's response, they are entitled to refer the matter on to the FOS, but the referral has to be made within six months. The FOS will collect and look at all the evidence from both parties and adjudicate. If either party disagrees with the decision, they can ask for somebody else to look at it, but that happens inside the FOS. Once it gets to the final decision stage, it's binding on both parties.

How do financial services firms foot the bill for FOS awards?

Every firm is required to have insurance. The increase in the award limit to £350,000 is a significant problem for insurers because we are likely to see more claims brought to the FOS, particularly because claimants know that they have nothing to lose, because no one's going to come after them for costs if their claim isn't accepted. It's common for claims management companies (CMCs) to help an individual to bring a claim to the FOS. If the claim is successful, the CMC will charge a percentage of the claimant's award as a fee. If it's unsuccessful, they will forego a fee. It's a typical 'no win, no fee' approach. The risk for insurers has increased by more than 100% and that's going to have to be paid for by somebody. If there is an increase in professional indemnity (PI) premiums, then there will be a knock-on increase in costs for consumers wanting financial advice and that's not a good thing. In my opinion, it's a short-sighted move because it means that firms are now going to face significantly higher bills just to trade.

If costs are passed on to consumers, it will open up an advice gap for those who can't afford to pay. Is there a better model the UK could adopt to narrow this advice gap?

A better model might be what a court would do – so, require a complainant to pay the defendant's legal costs if the complainant loses – but the problem with that is once you have court costs and lawyers involved, the consumer may be put off bringing a genuine claim by the fact that they might feel worse if they lose and have to pay more costs. The regulators will be thinking that we don't want to have a situation where genuine complainants are put off for no apparent reason.

> "It's a short-sighted move because it means that firms are now going to face significantly higher bills just to trade.

Are there any estimates of how much (PI) insurance premiums are going to increase by?

No, because the price is effectively set by the insurance market and the insurance market won't do that until policies come up for renewal. Insurers may take a different view depending on how they're feeling and that is a really dangerous thing to do if you're regulating a market. It's giving firms that are operating in that market little control over their own destiny. This change is ill thought through because it's good for consumers, SMEs and general protection in the market, but it's bad for the firms that have to shoulder the cost, particularly when they can't control those costs.

Which other countries operate similar compensation schemes and how do they work?

A lot of countries have ombudsman style schemes and they all operate in very similar ways to our own, but ours is different because it has a significantly higher claims limit now. That probably reflects the fact that the UK is a big centre for financial services.

Is there any likelihood of the sector appealing against the FCA's decision to raise the award limit?

I don't see that being the case. The increased limit has been in place for complaints brought from 1 April 2019 onwards.

The Problem with Persistent Positivity

By **Jane Pitt** from RedTree Training

I'm a positive person – probably far too much for lots of colleagues on a Monday morning, but of late I have become increasingly concerned by the 'persistently positive' movement. Before you think about skipping this article, let me reassure this isn't about a me slowly turning into a grumpy old woman, but it is about the impact this constant positivity is having on individuals being able to share the truth. Let me explain…

> But just like with the Titanic and the iceberg, going full steam ahead and ignoring all the warning signs is a sure-fire way of it all ending in disaster

Over the last few years, the 'power of positivity' has become increasingly popular. Books like *The Secret*, a best-selling self-help book by Rhonda Byrne which focuses on the belief of the law of attraction and claims that thoughts can change a person's life directly, have become the 'go to' reference guide for people who are trying to change their life. And whilst I agree with the overarching sentiment of the book that even if things seem bleak, there is a lot that you can do to change your circumstances. I also agree with the critics who have claimed that books such as this can promote complacency and a failure to engage with reality. It is this potential to misinterpret the desire for positive communication to promote complacency and a failure to engage in reality that I want to discuss.

In my mind, positive communication is the ability to convey messages, even negative ones, in a positive manner. It's the kind of communication where colleagues focus on creating a work environment that fosters good and positive communication. Ultimately, positive communication should result in a happier workforce, but also in a more productive and more engaged one which then translates to better operations and potentially better profit. It is not, however, about only communicating the good or positive messages, always putting a positive spin on something, or seeing anything or anyone who communicates a negative message as being doomed to a miserable life for thinking or communicating negative thoughts.

Worse still, would be closing the channel of communication down to anyone who is seen as anything but positive. Just because you may not like what the person is saying or the way they are saying it, it should never be a reason to stop listening because they may just be saying something important. It sounds obvious I know but just like me, you can probably think of several scenarios where you've been witness to this – despite the recent initiatives encouraging Whistleblowing. It's almost as if people aren't making the connection.

In my opinion, the drive for being persistently positive may be having an un-intentional and undesirable impact. Social media is a great example of this in action. Most news feeds are full of positive posts such as pictures of happy events and with happy captions. Entrepreneurs sharing how successful their latest venture is going. And of late, I've notice that some schools looking to harness the power of this free marketing are posting wonderful positive pictures of school activities and pupils' achievements. But have you ever watched what happens when a parent tries to share a different or negative view? Using schools as an example, if they attempt to post a negative comment about a personal experience with the school, they can quickly find themselves being reminded that social media isn't the place for this type of comment and that they should be raising it directly with the school, followed by a polite request to remove the post. Refuse and they may find a personal message dropping into their inbox explaining that unless they do as requested, there may be legal consequences. Whilst I would agree that in the example I use, social media is not the wisest platform but, in my experience, when someone posts an angry 'rant', it is because they have tried and exhausted all other means of communication and are simply intent having their voice heard.

So that leaves us with the question of why would you not want to hear someone's negative comments or listen to the colleague who is not persistently positive? Experience has definitely shown me in my consulting work that most disasters are identified when they were just a 'problem', but if they are raised by a colleague who is seen as 'always being negative' and is therefore viewed as a 'blocker' to progress rather than an 'enabler', the problem is unlikely to be acknowledged. And the more the colleague tries to highlight the issue, the more negative they are viewed, and sadly they are then frequently side-lined and excluded from the discussions.

I do not dispute the power of positive communication, but it should never be confused with being persistently positive. If we prevent people from sharing their negative views, then eventually we are only leaving ourselves open to a much bigger and potentially more costly issue. You may think that everything is rosy as everyone always appears so happy in the pictures, and the posts are nothing but positive, but just like with the Titanic and the iceberg, going full steam ahead and ignoring all the warning signs is a sure-fire way of it all ending in disaster.

Are your Pensions Dashboards ready?

By **Henry Tapper**, CEO and Founder, Age Wage Ltd

The Law Commission has finally published its report *Electronic execution of documents*

The report considers whether there are problems with the law around the electronic execution of documents and deeds which are inhibiting the use of electronic documents by commercial parties and consumers.

Under the current law, an electronic signature is capable of being used to validly execute documents, including where there is a statutory requirement for a signature.

The report sets out an option for Government to consider whether a general legislative statement about the validity of electronic signatures should be introduced in order to improve the accessibility of the law.

The Law Commission recommends that an industry working group should be established, convened by Government, to consider practical and technical issues associated with the electronic execution of documents. It also makes recommendations specifically about video witnessing of deeds and a possible future review of the law of deeds.

The question that anyone active in improving e-commerce and especially financial technology is why organisations are still refusing to accept e-signatures.

In a recent proof of concept for a start-up, I sent over 150 letters of authority to insurance companies, SIPP providers and the administrators of occupational pension scheme with a simple data request from individuals wanting to share with me the contributions they had paid over the years. The requests were sent digitally using a docusign electronic signature and asked for the information in a machine readable format.

Of these requests, one was actioned digitally within 24 hours, 32 were actioned accepting the e-signature and 45 were turned down pending a wet signature, the remaining requests have resulted in a random selection of paper, PDFs and the occasional CSV or Excel file. The average turn round time has been just over four weeks and seven weeks after the request 33 of the requests are still outstanding.

What we've shown to us is that the pensions industry is singularly unprepared for the digital world that would be required were we to have a universal dashboard. The majority of the excuses given to us related to processes that had clearly not been reviewed since the implementation of GDPR. Giving access to data in machine readable format is now the law. GDPR isn't just about protecting people from unwanted advances, it is about giving people the data that organisations hold on their behalf and I am afraid that most pension administrators seem to be ignoring the reasonable expectations of their customers.

Of course many customers are yet to catch up with their rights but the pensions dashboard is an interesting example of mass capitulation to the technical incompetence of one of Britain's most data intensive industries. Put another way, people have no expectation of pensions to provide them with online information that is clear vivid and real and therefore see the prospect of a dashboard which shows them what they want to see in one place as "incredible".

There is an ambiguity in the word, people find the prospect of the dashboard hard to believe as well as amazing! If falls into that category of Government promises such as Crossrail and HS2 where there is an allowance for non-delivery that means no-one ever expects something to arrive but when it does – people are surprised and delighted. I suspect that that is what the prospect of the pensions dashboard is for most of us.

> "What we've shown to us is that the pensions industry is singularly unprepared for the digital world

So why is it that the pensions industry is showing itself so slow to adapt to change? If we talk to the people who provide the data necessary for pensions auto-enrolment to work they are quite familiar with the passing of data via an API, the CSV and Excel spreadsheet are fast becoming legacy, payslips are electronic and dashboards a part of everyday working life. What makes pension so special that we allow it to so significantly lag? Why this mass capitulation?

I have no good answer to this question. We are expected to provide information to Government in real time, we are able to talk with our banks using the CMA's open banking protocols and now expect not just data but money to move from point to point in real time.

It really is time that the pensions industry, which relies on payroll and banking, came into line and started treating its customers as fairly as they are treated elsewhere.

The appalling experience that those participating in our proof of concept shows that pensions are very far from "dashboard ready" and that the reasonable requests of ordinary people for information held about them are simply not being honoured.

The standards pensions are setting themselves are the standards of a previous decade – if not a previous century. If pensions cannot work this out for themselves, perhaps it is time that those who invest into pensions started telling them.

Cash: criminals and digital dinosaurs

By **Phil Ingle** from Phil Ingle Associates

"That will do nicely sir!" Some of you are old enough to recall this American Express advertisement from the 1970s & 80s and its approach to marketing financial services, nicely positioning its products at its target market not by function, but by status: what the card says about you.

While some of the sexism of that advert is thankfully no longer relevant today, the question about what our financial choices say about us surely is. Especially for one financial product: cash.

That word will immediately divide you into one of two groups: those who know you have notes in your purse/bag/wallet and coins in your pocket, and those of you who think "when did I last use cash?"

Cash usage as a means of payment in the UK is in freefall: in 2017 debit card transactions overtook cash transactions at 13.2 billion versus 13.1, and the trend continues. On September 19th it was announced that credit card expenditure in the UK has now exceeded that of cash in the UK for the first time. *

Compared to Sweden and Denmark, this appears pedestrian, although in other parts of the world cash still dominates. Looking at a world map of cash usage it is Scandinavia which dominates the shift away from cash, but elsewhere the trend is yet to take hold.

My own choice of going "cashless" is a result of using – and enjoying using – Monzo, with its easily accessible app, budgeting targets and constant updates. For me the "card only – no cash" signs increasingly seen in cities are welcome. The occasions when actual paper (well technically plastic) notes are required are frustrating – how can my tennis coach not cope with a text containing a link to his mobile phone? The feel of coins in pocket an unnecessary weight to carry around. I ceased using bronze coins ages ago: that's what charity boxes on shop tills are for.

Not everyone shares my enthusiasm for the digital wallet. Richard Thaler, author of "Nudge" and Nobel Prize winner, has shown that people spend more freely with plastic cards than with cash. This fuels the argument that cash is better for budgeting as you cannot overspend. And do you trust your youngest child to pop to the local shop for a pint of milk with your plastic card, or do you prefer to trust them with a fiver, or for closer control, a one pound coin?

The arguments naturally move into the regulatory arena too – even if not always by the regulator. Digital money is (surely??) far easier to trace and track, and more likely to fall prey to electronic prying eyes – possibly the eyes of government. Governments love regulation, and just as they regulate the amount of cash in circulation, electronic records, combined with Artificial Intelligence and algorithms will surely give someone in power the ability to probe why I purchased a £3.98 cappuccino at Schiphol Airport while I write this article.

But how well is cash regulated? Only around one third of bronze coins in the UK are in active circulation. Some 1 in 30 of the old £1 coin, withdrawn in 2017, were counterfeit. Scottish notes are not always accepted south of the border due to fears about counterfeiting rather than fears of devolution. And when did you last see, let alone use, a £50 note? The answer to that question provides a clue about you. If you have a wad of Fifties, what plans have you got for the evening?

Back in the digital world, the number of phishing and online scams seems to be increasing, although hard data is difficult to come by, due to a lack of accurate recording, often by the victims themselves. Debit cards warriors like me can fall victim to the payment terminal equipped thief, at a carefully primed £29 a time to fall within the (current) £30 contactless limit. There seems to be little resistance to Chip & PIN use for larger amounts and compared to card fraud in pre Chip & PIN years, fraud incidents are increasing only slowly compared to card use.

In terms of using less paper money, we have – in a sense – been here before. The use of cheques has been almost eliminated since the introduction of the plastic card, although the pace of change has not been that quick. If the journey away from cheques starts with the first plastic card – in the UK Barclaycard in 1966 – then around 50 years may provide a timescale for the cash less society.

Or will it? With all the technology we currently have, and that which is no doubt coming our way (Facebook Libra, anyone?) why does anyone need cash in 2020?

I suggest there are 3 broad categories of people who rely on cash.

Firstly, those who like the emotional feel of notes and coin in pockets and purses. Since coins have been around since Roman times, we are clearly culturally wedded to the idea of using physical means of payment.

Secondly, cash remains a great facilitator of the Black Economy, and of crime itself. Around the time Barclays were introducing the first credit card, the headline stories of financial crime were based around bank raids – stocking masks, sawn off shot guns and getaway cars – fueled by the way that most people at that time were still paid in cash. 50 years later how do you pay for your Class A drugs? And how do the criminal wholesalers pay their suppliers?

> “Debit cards warriors like me can fall victim to the payment terminal equipped thief

Thirdly, not everyone likes or trusts technology, especially where it involves their money. There is some suggestion that age is a factor here – mobile payments in the UK are much more common in under 35s than over 55s. My favorite definition of whether someone is “old” – anyone who uses the word “digital” – is a sure way of sorting the natives from the immigrants. (Digital natives and immigrants of course – which now counts me as old)

If you are still using cash, what could it be saying about you?

You’re a criminal or a digital dinosaur. Will that still do nicely in 2020?

* https://www.bbc.co.uk/news/business-49745136

White, male, enabled and middle class – what can I bring to the discussion?

By **Vince Harvey** from Compliance Cubed

There has been a lot of discussion, media interest, political decisions, conferences, etc on the subject of diversity with the emphasis being on the benefits that increased diversity can bring to organisations.

One of my nieces is starting university shortly to study psychology – one of her A levels was also sociology so I asked for her take on the subject of diversity. She confirmed that the aim of diversity campaigns is to create an atmosphere e.g. in the workplace, where all can feel comfortable. Two outcomes are expected from this: people will be more efficient, and they will want to stay.

> Some would say that I am the epitome of everything diversity is out to challenge.

One of the challenges the UK faces is that our productivity has fallen behind other nations and there is a lack of investment to reduce that growing gap. The T&C community buys in to the need to develop skills and knowledge – that's what we do each day. Staff that are efficient and can see a future with their employer are more likely to be productive.

Given the heading of this article I run the risk of being controversial or flippant. Some would say that I am the epitome of everything diversity is out to challenge. As a student I ran for President of the University's Student Union and came third – the winner was a lesbian, single mother representing the communist group. Some say I didn't stand a chance (this was Essex in the 80's) but I had a constituency I thought needed to be represented and it was an interesting experience.

Our life experiences shape our attitudes to a large extent unless we consciously do something to change them. When I was growing up, I visited the home of a school friend and was surprised to hear his younger brothers making what I now know to be racist comments – I was only 8 or 9 at the time but I remember feeling uncomfortable. I hope that they have had experiences that have helped them to see that prejudices of their parents were not useful to them or to the wider society in which they would be living.

Virtually every speech from the FCA includes a reference to culture – less focus on specific rules and more challenge for firms to consider whether their leaders are setting an example which is positive and inclusive. The treatment of vulnerable clients could be a bell-weather for the firms with which we work in terms of their take on diversity. Every firm which I have assisted in the FCA authorisation process in the past couple of years has been asked to submit their vulnerable clients policy. Helping firms and their staff to understand what is meant by vulnerability and providing examples of how to spot the indicators is central to an effective policy.

On another aspect of diversity, the gender pay gap in financial services was reported by paygaps.com[1] as being larger in the financial services sector than in any other sector in the UK economy. This is attributed to few women reaching senior roles, which raises questions about the way in which training could be differentiated but what would be the focus in your firm and do you have access to a credible facilitator? The FT reported in July[2] mixed figures for ethnic minorities with Chinese and Indian employees in Britain having median earnings of more than white British – however those from Africa, Bangladesh and Pakistan earn up to 20% less than white British workers. The TUC found that the average disability pay gap is around 15% (rising to 30% for those with mental illness).[3] Wellbeing is becoming more of an aspiration for firms; these gaps in pay will need to be addressed if more individuals are to feel included and respected for what they bring to their role.

And then we get to age, another concern for the FCA: they held a conference on intergenerational differences in July of this year. In his opening speech the CEO, Andrew Bailey, said that the most important issue that the FCA faces in the long run are the forces shaping the inter-generational issues. For example, younger generations are struggling to achieve things that previous ones accepted as the norm such as house ownership and adequate pension provision.

So, as a white, male, enabled, middle class person – and a baby boomer too – should I step aside? Or do I have role in the debate about how we see society in general, and financial services in particular, developing from here. I'm writing this article so, evidently, I believe that the answer is yes. T&C is about identifying gaps between where people are and where they can be and then putting in place means by which that gap can be bridged. Those with knowledge or experience can assist others to reach their potential in a practical sense and can also influence organisations.

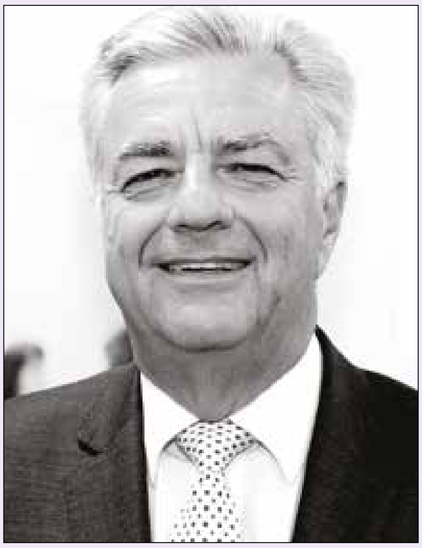
As #MeToo has shown, it takes individuals to stand up and let their experiences be known if change is to happen. I believe that T&C has a central role in making in a difference and that each of us can play a part no matter what our background. Or do you think my 'privilege' means I should stick to the technical training?

1 https://www.consultancy.uk/news/20420/financial-services-has-worst-gender-pay-gap-of-any-uk-industry

2 https://www.ft.com/content/fd47bc10-a238-11e9-974c-ad1c6ab5efd1

3 https://www.tuc.org.uk/blogs/disability-pay-gap-warm-words-just-wont-cut-it

Is the end of PPI the end of CMCs?



Nick Baxter from Baxters Business Consultants

"The media speculations regarding future CMC 'hunting grounds' are voluminous

I never thought I would be writing about Payment Protection Insurance ['PPI'] in this magazine, but since the expiry of the deadline for PPI claims all the media (broadsheet, tabloid and industry) has been awash with speculation about what financial products will Claims Management Companies ['CMCs'] move into next. Frankly, some of the commentary has been hysterical. Although maybe that is not totally surprising, as the reprobate end on the CMC market tarnished the reputation of genuine companies. After all, who hasn't become exasperated by unsolicited and often illegal telemarketing adopted by some rogue firms and the kneejerk reaction against all CMCs can, maybe, be understood. However, such a reaction is illogical – the CMC feeding frenzy was created by the financial service industries own making.

Our industry could have put CMCs out of business at birth, all the industry had to do was to fully embrace all aspects of treating customers fairly ['TCF'], throughout the product lifecycle. TCF should have been the key focus from the product concept stage through product design, marketing, sales and after care but we know it wasn't the case. CMCs cannot be blamed for aggressively selling the highly profitable insurance to as many customers as possible, including to those who were ineligible or were not aware they were buying it. And when then when sales errors were first identified rather than treating customers fairly and appropriately providing redress to wronged customers it was the banking trade associations tried to avoid their responsibilities by seeking a judicial review against the rulings of the FSA and FOS. Even today, the media is full of stories of providers making it difficult for customers to complain and/or looking for loopholes to wriggle out of doing the right thing.

The 10 statements of principle (which include the fair treatment of customers) are as old as the FSA, TCF has been a regulatory theme since at least as early as July 2004 and the Senior Managers and Certification Regime ['SM&CR'], albeit in its previous incarnation the Approved Persons Regime ['APR'], has required a 'fitness' test since 2007. So, goodness knows why the industry keeps scoring own goals and playing into the hands of CMCs, but it does. So what is next?

Notwithstanding the fact that CMCs now need to digest the huge surge of last-minute PPI claims, the media speculations regarding future CMC 'hunting grounds' are voluminous; there doesn't appear to be any product that the media has not put on its 'watch list'. However, the consensus highlights two most likely target areas, Packaged Bank Accounts ['PBAs'] and mortgages. I do not agree with this assessment. Firstly, the redress in PBA cases is often small and I struggle to see how CMCs can manage them commercially. Secondly, information provision in respect of mortgages has been 'tight' for many decades initially via 'reason why' letters linked to The Mortgage Code and latterly via Initial Disclosure Documents ['IDDs'] and Key Features Illustrations ['KFIs']. Lack of information provision, after all, was a key element in the mis-selling of PPI.

Despite my optimism, I would also advocate 'now' is always a good time to review compliance with key FCA themes. In respect of TCF, is your firm really living up to what TCF is meant to deliver and do your procedures and policies embrace positive consumer outcomes throughout a customer journey? In respect of SM&CR, do seniors managers know and understand their responsibilities and do 'certificated' staff really embrace the way the business states its customer values or are they inappropriately motivated to 'get the sale' ahead of 'doing the right thing'? Get this right and consumers will not need to turn to CMCs again!

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.

SM&CR – taking stock of the stock take

By **Richard Galley**, Director of Learning from FSTP

On 5 August 2019, the FCA published its 'Senior Managers and Certification Regime Banking Stocktake Report'. Should anyone be under the misapprehension that this document is only of concern to the banking sector, the regulator is at pains to point out that it will be of interest to all SM&CR firms, including solo-regulated businesses coming into the Regime in December this year.

In other words – ignore the report at your peril!

> "Relying on a purely generic, one-size fits all approach to Conduct Rules training simply does not cut the FCA's mustard.

To its credit the FCA has produced a succinct, easy to read round-up of the key issues and challenges faced by the banking sector and how well – or not – the 15 firms interviewed have dealt with these since they entered the Regime in 2016. Input was also sought from trade associations, the Banking Standards Board and the PRA. Whilst it is not a full post-implementation review and no policy changes are planned on the back of it, as a guiding light for firms still feeling their way in the dark it serves a very important purpose.

On the whole, the overriding message is a positive one delivered with an encouraging tone. As the report notes,

"The industry has made a concerted effort to implement the Regime. Most firms are taking actions to move away from basic rules-based compliance towards embedding the Regime in the organisation."

The review covered SM&CR's key elements:

❏ Senior management accountability
❏ Certification
❏ Regulatory references
❏ Conduct rules
❏ Impact on culture
❏ Unintended consequences

Of these, the area singled out by the FCA for its most 'constructive feedback' is Conduct Rules – or, more specifically, the training that is provided on that subject. Firms interviewed were of the opinion that their employees generally have a good grasp of the Conduct Rules. Conversely, from the FCA's perspective the evidence points to the fact that firms have not always been good at tailoring Conduct Rules training to specific job roles.)

Be assured about this point – relying on a purely generic, one-size fits all approach to Conduct Rules training simply does not cut the FCA's mustard.

To reinforce this message, we are reminded that the Financial Services and Markets Act (FSMA) requires firms to:

a) Notify all relevant persons of the conduct rules that apply in relation to them

b) Take all reasonable steps to ensure that those persons understand how those rules apply in relation to them.

This must include the provision of suitable training.

So, generic training has its place, but only when it is backed-up by a role-specific element. Think job family-related case studies and you will be well on the way to addressing the FCA's concerns.

Furthermore, the FCA notes that while many firms are using their own values to articulate how they bring Conduct Rules to life, there is insufficient evidence to demonstrate that Conduct Rules have been mapped to the values espoused by those firms. A good point and one that raises a question that all firms should invest some time in considering their response to –

"We have values, but do they really 'live and breathe' in the business and how effectively do we make the connection, particularly when we are training our people?"

Understandably the regulator is at pains to make the connection between Conduct Rules, conduct of individuals and organisational culture. In fact, throughout the report every opportunity is taken to reinforce the close bond between SM&CR and 'healthy' organisational culture.

For example, the FCA notes that all the senior managers to whom its researchers spoke were clear about their individual accountability. They were also able to explain their responsibilities as leaders in their respective organisations. So far, so good! However, things became somewhat trickier when it came to senior managers explaining their personal 'duty of responsibility', articulating their 'reasonable steps' and explaining what they believe 'good' to look like. Many lacked the confidence to do so with any real conviction.

For these senior managers the solution appears to lie in the FCA providing further guidance – albeit that this would mean introducing a higher degree of prescription than the (current) regulator is ever likely to countenance. The FCA's bottom line is that senior managers should be doing what they reasonably can to prevent misconduct in their firms, not just through the application of appropriate systems and controls, but also by nurturing healthy cultures.

Let us not forget that SM&CR is the FCA's big lever – some may call it a battering ram – for affecting cultural change in and across the Financial Services industry. As such, it is interesting to note the report's reflections on the Regime's impact on culture in the banking sector.

We discover that most firms interviewed had embarked on culture change programmes before SM&CR was implemented, with many describing a stronger tone and clearer ownership from and at 'the top'. The FCA was encouraged to hear all the firms it approached talk about working to develop cultures which encourage challenge and escalation whilst creating environments where employees will feel 'safe' if and when they feel the need to speak up.

So, everything appears to be going in the right direction, but the report does flag a couple of bumps in the road. Firstly, the FCA states that it is not clear to what extent the Regime has been linked to culture – the default position for many firms is to look at SM&CR purely from the point of view of process and controls and how these might be used to improve conduct; i.e. the mechanistic rather than organic. Secondly, firms have found it challenging to find appropriate ways of measuring culture.

On that last point, here at FSTP we take the view that the complexity of culture and the nature of predictive human behaviour mean that their measurement requires a very different technique to the traditional Q&A-based surveys and box-ticking methods, which we are so familiar with. Traditional methods of measurement often fail to expose cultural risks satisfactorily. Behaviour is a true indicator of risk and any assessment, or measurement of culture must be designed to identify emergent risk so that Management can act before the risk emerges and becomes a reality.

Too risky to recommend?

By **Tony Catt** from TC Compliance Services

This article is to look at investment options that are available for direct investments or rather under advice from investment professionals.

Most advisers are quite comfortable with the range of Open-Ended Investment Companies (OEICs) or Unit Trusts (UTs) that can be selected on various platforms within investment umbrellas, such as ISAs, Investment Bonds or simple mutual funds. It is a reasonable stance that the choice available within these "mainstream" funds is more than sufficient to cover the investment needs of most clients.

"But what about advisers that want to differentiate themselves from the mainstream? Those who feel that they can add value for the client by exercising some judgement relating to the clients' investment objectives.

Indeed, many advisers simply get an Attitude To Risk questionnaire completed and then choose a multi-asset fund with a corresponding risk grading for their clients' money to be invested. This is a simple solution that is effective for many advisers and passes the investment strategy onto a specialised fund manager.

This is cost-effective for advisers, in that little time is lost to research and choice of investment strategies and ongoing review of the investment performance of the chosen funds.

But what about advisers that want to differentiate themselves from the mainstream? Those who feel that they can add value for the client by exercising some judgement relating to the clients' investment objectives. There are plenty to choose from that may do this investment more effectively for some clients.

Investment Trusts

Long considered to be the best kept secret of the City. Investment trusts are Public Limited Companies (PLCs) that are listed on a stock exchange, so investors buy and sell from the market. They come with their own independent board of directors, and you become a shareholder when you invest in a trust.

Investment trusts, like unit trusts, invest in a 'basket' of underlying assets such as equities, bonds or property. ... A fixed number of shares is issued (hence 'closed-ended'), raising a fixed amount of money for the manager to invest in a portfolio of assets. The shares are then traded on the stock market.

A key difference between investment trusts and funds, is that investment trusts are 'closed-ended', meaning that they have a fixed pool of capital. This makes them easier to manage, as investors buy shares on the stock market rather than by buying them from the fund manager.

Once the capital has been divided into shares, investors can then purchase the shares. Investment trusts can be more volatile than unit trusts or OEICs due to them being able to borrow money for their investments and the ability to invest in unquoted or unlisted companies not trading on the stock market.

It is this ability to borrow and invest in unquoted or unlisted companies that spooks advisers who have not done sufficient research to understand the way they are managed and the efficiencies that can be achieved within investment trusts.

Exchange Traded Funds

An exchange-traded fund is an investment fund traded on stock exchanges, much like stocks. An ETF holds assets such as stocks, commodities, or bonds and generally operates with an arbitrage mechanism designed to keep it trading close to its net asset value, although deviations can occasionally occur.

Most exchange traded funds, like mutual funds, are SEC-registered investment securities that provide investors with shares of a portfolio that's invested in stocks, bonds and/or other assets. ... In the same way, ETFs also have boards of directors and officers who oversee how the funds are run.

One big difference between traditional mutual funds and ETFs is how they are traded. Traditional mutual funds – whether actively managed or index funds – can only be bought and sold once daily, after the market's 4 p.m. ET close. In contrast, ETFs trade throughout the day like stocks.

The biggest advantage an ETF has over a mutual fund is the taxation. Due to their construction, ETFs only incur capital gains taxes when you sell the fund. In a mutual fund, capital gain taxes are incurred as the shares within the fund are traded during the life of the investment.

Exchange traded funds enable investors to invest in specialised areas, such as asset classes, specific indices or geographical based funds. In my opinion, their labelling is clearer than most mutual funds and therefore it is easier to understand the nature of the underlying investments.

Structured Funds

Structured funds are a type of fund that combines both equity and fixed-income products to provide investors with a degree of both capital protection and capital appreciation.

A structured product, also known as a market-linked investment, is a pre-packaged structured finance investment strategy based on a single security, a basket of securities, options, indices, commodities, debt issuance or foreign currencies, and to a lesser extent, derivatives.

A structured product is a note with 10 years or less until maturity, usually linked to an underlying stock index or multiple stock indices. An investment vehicle specifically designed to manage risk.

Structured funds have specific maturity dates, but also may offer the option to mature early (kick-out) if certain targets are met at times throughout the contract, normally plan anniversaries. This enables the crystallisation and often reinvestment to lock in gains.

Innovative Finance ISAs.

An Innovative Finance ISA (IFISA) allows you to make peer-to-peer (P2P) lending investments within a tax-free wrapper. ... This allowance can be fully invested in an Innovative Finance ISA, or spread across the different types of ISA. You can also transfer funds from existing cash or stocks and shares ISAs into an IFISA. Innovative finance Isas (IF Isas) offer the promise of a good return, sheltered from tax, to investors willing to take on the higher risks of the peer to peer (P2P) finance market. ... Introduced in April 2016, the IF Isa now allows investors to pay into a stocks and shares Isa, cash Isa and IF Isa in the same tax year.

Peer-to-peer lending, also abbreviated as P2P lending, is the practice of lending money to individuals or businesses through online services that match lenders with borrowers.

The investors' money is lent to business, often on a revolving credit basis. This often offers a rate far higher than normal bank deposits due to the risk of lending to businesses and possible defaults.

Investors need to be aware that the rate being offered is representative of the underlying risk of business lending. IFISAs should not really be considered to be an alternative to cash deposits, although in some instances, they are marketed in that way.

Venture Capital Trusts (VCT) & Enterprise Investment Schemes (EIS)

A venture capital trust or VCT is a highly tax efficient UK closed-end collective investment scheme designed to provide private equity capital for small expanding companies, and income (in the form of dividend distributions) and/or capital gains for investors.
EIS companies qualify for business property relief after you have held them for two years, which exempts them from your estate for IHT purposes. However, EISs are considerably riskier than VCTs and do not generate tax-free dividends – a key attraction of VCTs.

Although VCTs offer attractive tax benefits, their high risks mean that you should only invest in them if you have a high-risk appetite and long-term investment horizon. ... In any case, you should not sell your shares within five years of your initial investment or you will not receive income tax relief.

Although both VCTs and EIS are eligible for 30% income tax relief, an investor has to hold a VCT for five years to be eligible for tax relief, as opposed to three years with EIS. However, VCT investments cannot be carried back to previous tax years, whereas EIS can be carried back to the previous year.

EIS investments qualify for BPR, which means they become exempt from the investor's estate for IHT purposes. ... Investors get 100 per cent BPR on a business or interest in a business and shares in an unlisted company – so EIS investments qualify for this relief.

Conclusion

All of these investments offer different solutions that satisfy a whole range of clients' needs and objectives. Many of them are not used widely by advisers because they are often considered to be too high risk and advisers do not know enough to be confident about recommending them to their clients.

Each of the providers in these areas needs to invest time and money to educate advisers to enable the advisers to understand their applications to meet client objectives.

I guess that the Professional Indemnity providers also need to be educated to enable them to correctly ascertain the risk levels of these types of fund.

It all depends on the appetite of the Clients, Advisers, Compliance Departments and PI companies to learn enough to trust their own judgement.

Handling problem people

By **Len Horridge** from the Skills Exchange

> “ Lack of real face-to-face contact can lead to a lack of assertiveness and being a slave to technology will have the same impact.

Strange, when running courses every now and again a certain topic crops up regularly and you start to wonder why. The request we have had most recently is the title of this piece and, bizarrely, it's seldom what it seems. (Oh, improving grammar is another one but more of that next time.)

This links to recent research which has suggested that we are very dependent on our tablets and phones (apparently people check their phones 5 times an hour and even during intimate moments, and we don't mean going to the washroom, as they politely call it in America!) so much so that an average person spends ***NINE HOURS A DAY*** (yes, we ***HAD*** to use capitals there) on their phone or tablet.

And what does that have to do with problem people? Or is it about the inability to handle people (obviously)? These "problem people" appear as customers, staff and managers and, if you think about it, that covers everyone except for the company cats (who can look after themselves).

Boils down, it's about assertiveness.

Assertiveness is important in lots of performance and therefore lots training we are asked to do; there is obviously Time Management (saying "no" to requests but never people) but also in note taking (yes, honest), customer care, presentations, training, running meetings and, well, most courses we happen to run for customers (as I have said if you were paying attention). And it is often the barrier to individual success.

Why? Well, let's connect our phones to our lives (or, in some cases, let's disconnect!).

Yes, we now spend more time ***NOT*** interacting directly with real people face-to-face than we do electronically and that is going to have, if it hasn't already hasn't, an impact. This terrible dependence on the phone and tablet means that, in some cases, we are now dictated to by these electronic servants. (Which reminds me of a quote from Shakespeare's Measure For Measure: "The baby beats the nurse, and quite athwart Goes all decorum". A comment about why there is chaos and anarchy.)

Leaving Shakespeare to his folios, research this year showed that the average time for going into a restaurant and sitting down to eat has increased by around 20%. This is being put down to the fact that people CHECK THEIR PHONES as soon as they enter the restaurant.

So, whilst people get irritated within 8 seconds of seeing a queue, when it comes to restaurants, this has changed. Instead of demanding to be served, people want to check their calls, their messages, cats dancing on the interweb, etc, rather than sit down drink and eat.

Proof that people are dictated to by their phone. They are slaves to technology, they won't turn it off or leave it alone. An average person checks their phone 150 times every day. Even on Christmas Day. When it comes to phones, they become passive, controlled by the paranoia that they may be missing something, which they are of course: they are missing real life.

Lack of real face-to-face contact can lead to a lack of assertiveness and being a slave to technology will have the same impact.

NINE HOURS A DAY (yes, we ***HAD*** to use capitals there again) is more than most people sleep and most people now sleep with their phones by their side, waking to check if they have any messages. (Again, bad for time management and stress; we need quality sleep to perform well in our role.)

And 60% of parents worry that their children are spending too much time on small screens yet, ironically, often do that worrying from behind their own screen.

Research also shows that by depriving 11-12 years olds of smart phones and tablets for 5 days makes them better at reading people's emotions. Or, to put it another way, if you leave 11-12 year olds behind their smart phones and tablets, they will be socially inept. Harsh but true.

We in training have sensibly looked to speed up skills and knowledge take-up by transferring learning away from the human into the virtual worlds. Often, this is effective but it can never take the place of instructor led training for certain areas (e.g. communication) though it should be blended in to the overall approach (we're not Luddites, after all!). But, beware, if you are solely driven by virtual training you may just be missing a trick.

Obviously, you can't lay all of the blame on tablets and phones (I always blame the parents, who are humans). However, getting people to "put them down and talk and have eye contact" (which makes me sound like a very old fashioned parent) just may be good advice. We like the restaurants who have taken to advertising the fact that they don't have wi-fi, "you'll just have to talk to each other" and the one that locks up phones and the like in a cupboard as you enter, which means you eat quicker even though you have to talk to each other. And it may just make people more assertive.

Communication is what assertiveness is all about. To be assertive, you need to control situations, you need to be able to make the right choices and you will certainly not learn to do this from staring at your mobile device. You may learn something by looking at the human being in front of you.

It's time to be assertive with the mobile first and then people second.

Then the problems with time management, communication, customer care and the like may start to dwindle.

Which may do us out of a job or two, which, when you think of it, is what training is all about…

How to focus CPD on a seldom-used activity

By **Andy Snook** from Performance Evaluations

From 1st October last year firms who undertake insurance activities in relation to insurance based products (IBIPs) which include bonds, pure protection, general insurance activities, as well as insured pension contracts are, under FCA Requirements, required to include in their T&C Scheme the need to undertake a minimum of fifteen hours professional training or development per year for insurance based products. The scope includes all staff involved in insurance distribution such as advisers, supervisors, and also the person responsible for insurance intermediation. This can be either structured or unstructured CPD, and this can be incorporated within the annual CPD requirement of thirty-five hours. This is often referred to this as IDD CPD.

> “The point is to encourage the refreshment of past knowledge that may not have been used for some time in practice, or provide new knowledge, and not to just tick boxes.

Fine, you might think, not an additional amount of CPD required, just a change in what the CPD requirements should cover. But that change might not be as easy to convey as you might think, or indeed, have discovered when trying to implement the change.

Probably a lot depends on a firms' core business activities. A firm that has holistic financial planning at the heart of its business may find it quite easy to document CPD in relation to insurance based products, because it's likely that those in the T&C Scheme will naturally cover this. But a firm who operates primarily as a wealth manager, concentrating on accumulating funds under management, is less likely to include insurance based products, other than pension contracts in the individual CPD activities, and it's more likely that individuals would naturally attend investment-related seminars and workshops rather than those related to a seldom-used activity.

Whilst an individual is responsible for their own CPD activities and records, any T&C Scheme, especially those that include CPD as a Key Performance Indicator, should monitor the individuals CPD and assist where necessary in acquiring and documenting the appropriate level and scope of CPD. Left to their own devices it's quite likely that there will be individuals who won't undertake activities relating to the new requirements, just as many of us who run T&C Schemes will acknowledge that sometimes whilst the CPD may have been undertaken, the physical recording of it is a "challenge" for some individuals.

So, if we run the T&C Scheme for a firm whose core business is that of a wealth manager, how do we get individuals within the scheme whose primary focus is on investment, to undertake IDD CPD? There's probably two options: One would be to go down the "tell" route, but you might question whether that is an appropriate route given that the individuals are responsible for their own CPD? And if the firm has individuals who are not directly employed, this probably couldn't be enforced anyway.

A better route would be to "encourage" the undertaking of IDD CPD. Consider, as a suggestion, that at the beginning of each calendar month all members of the T&C Scheme are provided with CPD "activity" relating to the required professional training or development. This could be in the form of a sourced test that is then scored and any areas needing development as identified could be covered in a training or coaching session, either by individual or perhaps as a group. Related articles could be extracted from the various industry news feeds and passed out for reading, with confirmation that it has been read by each individual. Why not invite a provider into the firms' office to provide a presentation on one of the products in scope, or perhaps locate a video that does something similar? Also, there is nothing wrong either with encouraging individuals to study for and pass exams that count specifically towards IDD CPD. Even better is not to make these tasks compulsory. The point is to encourage the refreshment of past knowledge that may not have been used for some time in practice, or provide new knowledge, and not to just tick boxes.

Monitoring will be very important because this will indicate how successful or otherwise the encouragement has been in terms of engagement and action. It will also provide a means of checking against individual CPD Statements. A point worth noting here is that this being a relatively new requirement the chances of individuals specifically designating CPD as IDD when they record their CPD is probably quite low and thus there may be a need to be ask for amendments to entries in their CPD log for clarity.

Finally, what if the take up of the offered CPD activities is low or there comes a point in their CPD year where individuals are unlikely to achieve the required fifteen hours? You may wish to consider a training day where any deficit could be made up by attendance and participation. Ideally this should only be there as a back-up, and not used as a last resort, although hopefully this won't not be needed if we can encourage individuals into being sufficiently "motivated" into accepting that by undertaking the monthly CPD tasks as issued, even if it's unlikely that they will use the knowledge on a regular basis.