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within Financial Services

T-C NEWS

COMPETENCE • EXPERTISE • PROFESSIONALISM

JANUARY 2020

The Directory – Coming to you in 2020!

By Julie Pardy, Director of Regulation & Market Engagement
from Worksmart Limited



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The complete solution to help you confidently comply with IDD

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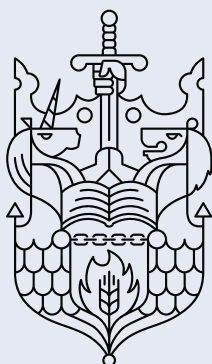
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Welcome to the January 2020 edition of T-CNews and Happy New Year! At our board meeting in December 2019 we made the decision to implement our environmental policy which results, amongst other things, that future editions of T-CNews will only be produced in digital format. The magazine can be downloaded in PDF format or viewed as individual blog articles. We do not believe that this dilutes our offering and the quality of all the articles is as good as ever. One of the advantages of the new policy is to get the articles to our customers quicker than before. There are a few articles that examine what to expect from the year ahead. Although the SM&CR deadline has passed the consensus is that the hard work starts now to operationalise and embed the regulatory changes. Many thanks to all our writers for their continued support and a special welcome to our new writers. Can I wish a healthy and prosperous new year to all.

Jeff Abbott

2020: The regulatory horizon for Financial Services

By Ian Ashleigh from Compliance Matters



A new year and another year of regulatory change in prospect, here are some themes that I expect will come under the regulatory microscope in 2020. Time to consult the crystal ball.

But first, let's look backwards and remind ourselves what the FCA has as its objectives, this is from the FCA website:

Its strategic objective is to ensure that the relevant markets function well. Its operational objectives are to:

- ❑ protect consumers – secure an appropriate degree of protection for consumers
- ❑ protect financial markets – protect and enhance the integrity of the UK financial system
- ❑ promote competition – promote effective competition in the interests of consumers

The FCA will continue to focus on conduct behaviours that may prevent good customer outcomes, how will these themes translate into regulatory activity in 2020?

SM&CR

On 9th December 2019, the Senior Managers and Certification Regime (SM&CR) came into force for all solo FCA regulated firms. Senior Managers and Certification staff should have been trained regarding their roles and responsibilities by that date, including the implications of the Code of Conduct rules in the COCON sourcebook.

But that is the beginning of the work that needs to be done.

Having identified the employees who are to be Certified and then trained them on the conduct rules, the firm is required to certificate staff by 20th December 2020 and annually thereafter. Firms will need to record their processes and procedures for certifying staff are fit and proper and be able to demonstrate the basis for issuing certificates should the FCA request. Depending on the number of certification staff, the firm may want to phase the process across the year. This may entail a review of your KPIs and appraisal system

All other staff will need training on the Conduct Rules by 9th December 2020 with some form of evidence that this has been delivered.

Pensions

The FCA will continue to focus on transfers from defined benefit and other safeguarded pension schemes with the debate over contingent charging continuing to rumble on. Further regulatory change will come from The Pensions Bill is likely to be introduced to the new Parliament early in 2020. It is likely to be similar to the 2019 Bill which included a framework for collective defined contribution pension schemes, the foundations for the pensions dashboard and new powers for The Pensions Regulator. There will also be changes in relation to transfer rights.

Customer Vulnerability

In July 2019 the FCA published a Guidance Consultation Paper on the fair treatment of vulnerable customers, comments were invited by 4th October 2019. The themes were familiar and are likely to be an ongoing focus for the regulator through 2020.

Question for firms include:

- ❑ How do firms define vulnerability?
- ❑ What strategies will firms use to ensure fair treatment and good financial outcomes for vulnerable clients?
- ❑ What training will be provided to ensure staff have the right understanding of vulnerability?
- ❑ How will this understanding be translated into the skills and capabilities to identify a vulnerable client?

Cryptoassets

From 10th January 2020, the FCA is the AML/CTF supervisor for cryptoasset businesses. Its responsibility under the AML/CTF regime will be limited to registration and supervision.

At this stage it is not envisaged that the FCA will extend its scope to regulate the conduct of cryptoasset businesses, however, it is worth keeping in mind this possibility. There is an international appetite to regulate cryptoassets and bring them closer to the mainstream – something included in the Fifth Money Laundering Directive (see below). The Basel Committee on Banking Supervision has published a discussion paper on the prudential regulatory treatment of cryptoassets with a request for feedback by 13th March 2020.

Fintech

With more technology companies entering financial services to challenge traditional providers of

banking and insurance, the FCA created the Regulatory Sandbox that allows all firms to test innovative propositions in the market with consumers. Close on 68 firms have been accepted in 5 cohorts to test innovative products, services, business models and delivery mechanisms.

2020 will see the development of the fintech markets with more new players entering and further challenges for the FCA. Which leads nicely to the Regulatory Perimeter.

“ The new year will bring another round of regulatory challenges but we must not lose sight that first and foremost there are human beings called clients

Regulatory Perimeter

There has been much discussion about extending the regulatory perimeter and smoothing out some of the complexity where similar activities may or may not be regulated. Indeed, in his speech to the Lord Mayor's City Banquet in October 2019, Andrew Bailey (Chief Executive of the FCA) has articulated his vision of how the perimeter could be extended.

In June 2019 the FCA published its first annual report on the perimeter, this highlighted the impact on consumers of firms that operate outside the perimeter, particularly technology companies that operate on the edge of financial services. These organisations may find their activities are brought into regulation with all that entails.

AML and Fifth Money Laundering Directive

The Fifth Money Laundering Directive (or 5MLD) becomes law in the UK on 10th January 2020, the changes include:

- ❑ regulation of virtual currencies and pre-paid cards to prevent terrorist financing;
- ❑ improving safeguards for financial transactions to and from high-risk jurisdictions;
- ❑ ensuring centralised national bank and payment account registers or central data retrieval systems are accessible in all EU member states.

Under 5MLD, virtual currencies such as Bitcoin will have a legal definition. Virtual currency platforms and wallet providers will also become regulated entities under the scope of the directive. While many already conduct due diligence and report suspicious transactions, 5MLD will make it a legal requirement.

5MLD will also introduce the requirement for firms to record the ultimate beneficial ownership of corporate clients (from January 2020) and of Trusts (from March 2020). From September 2020, centralised automated mechanisms must be implemented to allow identification of those who hold or control payment accounts and bank accounts.

Data Protection

GDPR has been with us for close on two years and we are all familiar with the concept of consent and the lawful control and processing of personal data.

On 4th December 2019, the Information Commissioner's Office has issued a consultation regarding the draft of the right of access guidance which explains in greater detail the rights that individuals have in order to access their personal data and the obligations on controllers. The draft guidance also explores the special rules involving certain categories of personal data, how to deal with requests involving the personal data of others, and the exemptions that are most likely to apply in

practice when handling a request. This consultation closes on 12th February 2020.

Brexit

When and how we leave the European Union remains unclear at the time of writing Brexit but it seems likely that the UK will leave the EU with a deal in place.

The FCA has been steadily absorbing the provisions of MiFID II, the Insurance Mediation Directive and other EU generated regulation into the Handbook as UK Regulation. It has been steadily publishing guidance to assist regulated firms prepare for Brexit as has the Government itself. The big issues for a number of firms will be the ability to passport financial services between the UK and the EU. This will be an evolving situation as more detail becomes apparent.

FCA Business Plan 2020/21

The FCA publishes its business plan in April every year in which it identifies its priorities for the forthcoming 12 months. This highlights the cross-sector priorities as well as the areas of risk within the seven specific sectors it regulates. Recurrent topics are;

- ❑ firms' governance and culture (this will be linked to embedding SM&CR);
- ❑ operational resilience (particularly when a firm has outsourced critical functions);
- ❑ financial crime prevention
- ❑ fair treatment of new, existing and vulnerable customers; and
- ❑ innovation, data and data ethics in relation to open banking and fintech.

The new year will bring another round of regulatory challenges but we must not lose sight that first and foremost there are human beings called clients whose financial goals and objectives require our support and diligence to ensure the solutions we provide produce good customer outcomes from fair treatment and conduct that puts the customer at the heart of all we do.

The blend for success

By **Simon Truckle** from Skillcast

Why a blended approach drives engagement and learning outcomes

Whilst compliance training is considered a necessity, there is a risk that it is seen as a box to be ticked rather than something beneficial to learners. So, how can businesses harness best practice in order to get the most engagement and positive participation, which will lead to a greater likelihood of consistent compliant behaviour?

In other words, how can businesses ensure their employees are more engaged in their learning and development?

“Employee engagement is the emotional commitment the employee has to the organisation and its goals.”
(Kevin Kruse, 2012)



Unfortunately, engaging staff is a big challenge for employers. Did you know:

☐ 67% of Workers in the USA are not engaged*

They are either:

☐ Not engaged at all – (51%) or

☐ Actively Disengaged – (16%).

(Gallup State of the Workplace Study 2017)

This means that it is:

☐ Harder to retain employees, who will be constantly looking for alternative opportunities.

☐ Employees who do not get the opportunities to learn and develop will not be as productive or committed as they could be.

☐ Providing quality training and development opportunities is one of the ways in which employee engagement can be improved – and it looks like it's needed!

So, it is critical that you provide training that engages your learners, but should that be face-to-face, e-learning, mentoring... or something else?

This checklist will help assess which methods might work best for you.

By answering the questions below, hopefully you can start to formulate your ideas in terms of how you can best structure your training to produce the results you want – the most important of which being an engaged workforce who are willing to embrace compliance learning and development as part of their job roles. Look at the answers below and select which one is the closest fit for your business.

Imagine you have just completed a survey to find out what your employees would like to see in their training programmes. What would you expect to be the overall outcome?

- a) They like face to face classroom sessions, and are not so keen on e-learning
- b) They like a mixture of both face-to-face and e-learning. But the e-learning for the technical skills, face-to-face for the soft skills
- c) They are keen on e-learning and like how it can be fitted around their working day
- d) No strong preferences either way

Think about how you have delivered your training programmes in the past. How have your staff responded to your approach to date?

- a) They like taking time out to go to training sessions, especially if they are for full days
- b) They like e-learning courses as well, but the focus is on making sure they are not the people who don't complete it by the deadline
- c) Positive feedback is received about the e-learning, and the topics covered
- d) It is very difficult to obtain feedback about training, regardless of its form

Imagine you have just run an e-learning course that included an interactive game, asking staff to “follow the suspicion” with regards to a potential case of money laundering. How do you think your staff would react?

- a) They would like the game, but would say it would work better as a role play
- b) It would be completed, but with no noticeable difference in the way that they approached e-learning
- c) You would get feedback that staff really liked it and would like more games in their training
- d) The training is completed, but the level of feedback received has not changed

You have just migrated a course that has previously been run using several “lunch and learn” sessions onto the e-learning platform. When you communicated this change to your staff, what was their reaction?

- a) You received complaints that this was no longer available as a face-to-face session
- b) Some staff said they understood why the change was happening, and committed to taking the e-learning module
- c) The reaction was largely positive, with many staff stating they were happy to get their lunch hour back!
- d) There was little staff reaction or feedback

How did you answer?

Mostly a? Then it feels like your training mix should still include a reasonable amount of face-to-face activity. This doesn't mean that e-learning won't work for you, but traditional learning methods still appear to have a place in your mix – perhaps with the inclusion of professional trainers or facilitators if you've not used them before.

Mostly b? Your staff have clearly accepted e-learning as a necessary part of their training plans, but it sounds like there's more that can be done to engage them on a deeper level, perhaps by looking more closely at the structure of some of your materials and putting some of the techniques suggested in this paper into practice.

Mostly c? You're in a good place to build on what you already have – staff have embraced e-learning and will probably be receptive to further developments. The key is to never sit back and say what you have is good enough.

Mostly d? It sounds like your main challenge is to build that fundamental level of engagement, by looking at creative ways to elicit feedback. However, consideration should be given to trying something a little more radical to get people's attention. Carrying on with the status quo, even with changes to your training arrangements, isn't an ideal place to be. Perhaps an independent training consultant could help you?

The chances are that your answers were a mix of all 4 options and the best solution is a hybrid of all learning types.

How this Could Look

To give you an example of how such an approach could be taken, here's how the subject of GDPR compliance could be approached using different methods, in order to ensure comprehensive coverage of this topic.

❑ **E-Learning Primer** – What GDPR is, what the key rules are around acquisition of data, as well as how it must be retained, processed and ultimately deleted. This could include game play on specific subjects; for example, spotting the correct consent from a variety of scenarios, as well as choosing the right response to requests for erasure.

❑ **Face-to-face sessions** – GDPR in the workplace. A deeper look at understanding what GDPR means in practice on a day-to-day basis. Sessions could look at how data is stored, what security measures are needed when travelling, how to maintain data security in the office, how to handle DSARs, what to do when requests are received from someone other than the data subject etc. Could include role play exercises for someone wanting their data erased, in order to highlight when the right can be exercised and when it cannot. Also, a group session could explore how to identify if a data breach may have occurred.

❑ **Focused Mentoring** – One-to-one mentoring sessions for the Privacy Officer and senior data officers (if appropriate) to help them to understand and be comfortable with the new, more stringent requirements, as well as the risks of greater fines that can be levied on firms. Also, to provide them with assurance over the standards of job performance that are needed in the post-GDPR world.

“ So, it is critical that you provide training that engages your learners, but should that be face-to-face, e-learning, mentoring... or something else?

The Final Word

This paper aims to show some of the ways in which tried and tested best practice can enhance your compliance training and most of all, improve the levels of both engagement and trust with staff in terms of your training provision.

Most importantly, whichever training you select when working with a training provider, it must:

- ❑ Be efficient;
- ❑ Be interesting;
- ❑ Have the right coverage (both mandatory and risk-based topics); and
- ❑ Be sponsored by management of appropriate seniority.

But above all, it should be an enjoyable, educational, and if possible, *a fun experience!*



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Guardians of the galaxy??



Julia Kirkland,
Partner in FSTP

“ Everyone including the Government and Regulator helped instil a confidence in the Asset Management industry which is now feeling the full weight of that responsibility



The financial crisis was in 2008 and as I'm getting older that seems only very recent. There are probably several of you reading this that were still at school and not working. But believe it or not, as we pass into 2020 these events and serious worldwide ramifications were 12 years ago.

Back in 2008 the banks took the full force of public outrage; the pendulum appears to be swinging and Asset Management is being vilified. Let's face it, at the time, with general mistrust of banks, bankers and those mysterious institutions called Investment Banks, the public were encouraged to broaden their horizons and think about investing in diversified portfolios and make more use of the mighty brains of well respected and successful Investment Managers. They became the new heroes with promises of better returns over the longer term.

More transparent than the banks, their sworn duty was to invest wisely and return monies to investors with rates better than the market and inflation.

With their pants proudly worn over their tights, they stepped up to the plate to secure pension monies, savings and rainy day funds, attracted us in and drove us away from the untrustworthy bankers.

Supported by the advice of expert distributors, the public invested with star fund managers into property funds and funds purporting to be actively managed without knowing that the stewardship, oversight and internal challenge in many instances was not there.

I apologise if I seem to be taking the micky but my point which is coming, is to highlight that everyone including the Government and Regulator helped instil a confidence in the Asset Management industry which is now feeling the full weight of that responsibility.

We are now in the new world of the SM&CR and Asset Management Market Study requirements. Both of these are tools the regulator can use to ensure;

- ❑ Competence is tested and evidenced (did you know for example there is no requirement for someone who has been managing money since before 2001 to have any formal or professional qualifications?)
- ❑ Senior Managers are on the hook for ensuring their Certified individuals are Fit and Proper
- ❑ Fund Boards have at least 2 or 25% (whichever is greater) NED representation
- ❑ That their next year end fund reports include a "value for money" statement detailing how the funds represents value to investors

Additionally, in the last few months a "Dear Chair" letter was sent out to firms requiring them to assess their liquidity levels and retest their stress testing scenarios for their funds.

The Woodford case, the issue of property fund investing and liquidity in funds more generally, is now a firm focus of both the PRA and FCA. Investors have to accept that with investment comes risk, and a consequence of situations we find ourselves in may be;

- ❑ fewer funds
- ❑ more wordy explanations of what the fund represents
- ❑ potentially more funds moving away from daily dealing

Equally, Asset Managers have to ensure that if they step up to the plate to manage billions of pounds of the public's hard-earned cash that they truly are doing this in their best interest and managing the conduct risks properly with skill, care and diligence.

It's not a role for the faint hearted and Asset Managers need to accept that *"With great power, comes great responsibility"* – Spiderman, 2002

Why financial inclusion matters

In March 2019, the Government published its first Financial Inclusion report. So how can everyone have access to useful and affordable financial products and services?

Emma Parnell, Digital Learning Designer at Unicorn Training (an Access company), looks at why financial inclusion matters to all who work in financial services.

“The Government continues to work closely with the industry and regulators, in particular the FCA, to create the right regulatory environment for firms to achieve financial inclusion

In the UK more than 1.2 million* adults don't have access to a bank account.

Being unable to access financial services seriously undermines an individual's ability to take responsibility for their own financial wellbeing and resilience. Imagine if that were you and the impact it would have on your life.

Of course, there can be many reasons why someone doesn't have access to a financial service. But does that mean financial services shouldn't find a way for these people to become financially inclusive?

Being financially inclusive means individuals, regardless of background, income or ability, have access to useful and affordable financial products and services. For some time the FCA and Government have been looking at solutions to give people access to financial services they would otherwise not have.

So, why is this an important issue?

Following the set-up of a Financial Inclusion Commission in 2015 and Financial Inclusion Policy Forum in 2017 by the UK Government, it became clear there are some significant benefits of financial inclusion:

- ❑ Giving people access to products and services that are affordable and suitable to their needs (taking into account vulnerability), without discrimination or bias, will significantly improve their lives.
- ❑ Financial inclusion will enable people to fully participate in the economy and empowers them to achieve their life goals, whilst offering them protection in the face of adversity.

Here's an example of how this has been working in practice. Some firms started allowing homeless people who sell the 'Big Issue' to use other forms of documentation, such as a letter of recommendation plus a seller's badge to open a bank account to pay their earnings in to. Since then provisions have been made for some vendors to use cashless payment devices to assist in selling the magazine. The benefits to those individuals are obvious.

What happened next?

The FCA identified five focus objectives, which aim to achieve financial inclusion.

1. **Banking** – the starting point is everyone should have access to a transactional bank account enabling people to manage their money on a day-to-day basis effectively, securely and confidently. One initiative is Open Banking, which allows consumers and small businesses to access a range of new and innovative products to meet their needs, by allowing third-party providers with secure access to their current accounts.
2. **Credit** – affordable credit should be available supporting the social lending sector, offering an alternative for lower income customers who often may only be able to access high-cost credit. The FCA is also looking at simplifying how banks charge for overdrafts and tackling the high cost of unarranged overdrafts.
3. **Savings** – supporting people at all income levels and at all stages of life to save, including those on low incomes and those whose pension may not be able to sustain the cost of living in retirement; or where impaired ability in later life reduces income earning opportunity and financial stability.
4. **Insurance** – improving access to affordable insurance products, e.g. travel insurance for consumers with pre-existing conditions or insurance cover for those who need to give up work due to health issues or accidents. Alongside this, improving the clarity of consumer documents, so consumers more easily understand what risks their insurance policy will protect them against, and what is not covered.
5. **Financial technology (fintech)** – making it easier for consumers with online capability and businesses to access new and innovative products that meet their needs, such as Open Banking.

Other innovations include:

- ❑ Telematics insurance technologies that provide policy owners with premium rates based on number of miles used.
- ❑ Robo-advisers that openly disclose and offer low fees for customers who have limited access to traditional financial advisers due to high costs.

But how do we ensure we don't exclude those who can't use technology?

Although industry strongly supports the upskilling of consumers so they are better able to utilise technology, there will always be those who cannot use technology in this way, for example, some disabled people, those with low numeracy and/or literacy skills or those without access to a computer.

An example of this support is the introduction of the pause function for those using telephone banking, allowing customers to take time before making a decision. Vitally, the retention of physical branches or using mobile branches as an alternative channel will help support those who cannot use technology.

So where are we now?

Significant progress has been made over the past few years. For example, over 90,000 working people on low incomes have so far opened an account, with the Government offering a 50% bonus on deposits of up to £50 a month. But with a large number of people still without access to financial services, there remains much to be done.

The Government continues to work closely with the industry and regulators, in particular the FCA, to create the right regulatory environment for firms to achieve financial inclusion. This takes into account the use of existing Principle for Businesses 6, requiring firms to treat customers fairly, and Principle 7, requiring firms to have regard to the information needs of their customers and communicate with them in a way that is clear, fair and not misleading.



If they haven't started already, financial services firms need to integrate financial inclusion as commonplace into their training and development programmes. From frontline staff to senior management, it must be clear what services are open to those who need additional support and how anyone, regardless of background, income or ability, can access them.

At Access Learning, we are helping firms address this need by introducing financial inclusion as part of our existing content on Treating Customers Fairly.

The successful implementation of all the measures identified by the regulator and Government will make a real difference in people's financial lives and will signify important progress towards building a financially inclusive society. As they continue their work in this area, we can expect further milestones and perhaps regulatory change in the future.

*figures obtained from the HMT financial inclusion report 2018-19

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Senior moments

By Claire Aynsley, Head of Regulatory Compliance & Standards,
Credit Services Association

It may have seemed as though it was a long time coming, but it's finally here, and the first deadline has already passed. I'm talking, of course, about the new Senior Managers and Certification Regime (SM&CR) which formally started on December 9th, 2019. And if you've not already completed your initial actions, then you need to get your skates on or risk falling foul of the Regulator.

SM&CR, as I have written previously, is not solely a compliance issue; it will also significantly impact a company's Human Resources (HR) function as well as requiring input from legal personnel. It creates a number of challenges: it creates cultural and motivational issues; future appraisal issues; and issues as regards how managers are remunerated.

It is asking senior managers to take on roles and responsibilities that they may be uncomfortable doing, or who may not be equipped with the necessary skills to take on the job envisaged. Individuals who will be certificated will appear on a public register, and some may be uncomfortable, too, with having their names so readily available.

The SM&CR does not just impact individuals. All staff members (apart from ancillary employees such as a receptionist or cleaner) are bound by the new Conduct Rules. Even though such rules appear to be quite general (e.g. the need to act with integrity, act with due care, skill and diligence, be open with regulators, pay due regard to interests of customers and treat them fairly, observe proper market conduct etc.) every company will need to demonstrate that these rules have been properly communicated and embedded, with culture being the core focus. Every member of staff will be required to evidence adherence to Conduct Rules, if challenged. And a new disciplinary process will be required for anyone who breaches those Rules, and a further process identified as regards whether the breach is notifiable to the FCA!

So what actions should firms have completed by the formal deadline, and what are the next steps?

Senior Management Functions

First off, by now, firms need to have identified their Senior Management Functions (SMFs). It is worth noting that many existing approved persons can be grandfathered over to the new regime. If any firms have someone they expect to be a SMF who is not already an approved person, they may want to look into the viability of making that person an approved person and following the grandfathering process (as opposed to starting from scratch).

Businesses also need to have identified their certification staff. If in doubt, firms are encouraged to err on the side of caution, and as they become more comfortable with the regime, they can amend their certification population accordingly, if necessary.

Firms should diarise the checking of the FCA Register. Given the significant volumes of firms moving to the new regime and an even larger number of approved persons expected to be converted to SMFs, there could be initial teething problems with the conversion. Firms are therefore encouraged to diarise a point in this first month of implementation to check the FCA Register and make sure that their details have been moved to the new regime correctly.

With a longer timeframe to put them in place, tasks such as identifying the remaining staff required to comply with the Conduct Rules and providing the necessary training, carrying out certification and uploading certification staff details to the FCA can wait for the time being. But they shouldn't wait too long. Firms should still be cautious about leaving such elements to the last minute (uploading certification staff details at the last minute could be problematic if there are system issues).

By now, firms should have ensured that the relevant Conduct Rules staff (SMFs; certification staff; non-executive directors) are trained on the Conduct Rules and that they understand the implications. When it comes to training remaining staff on the Conduct Rules (an action not required for another 12 months) it is suggested that firms may want to look at doing this ahead of the implementation date (e.g. October/November 2020), to ensure it is not forgotten and avoid the need for repeat training.

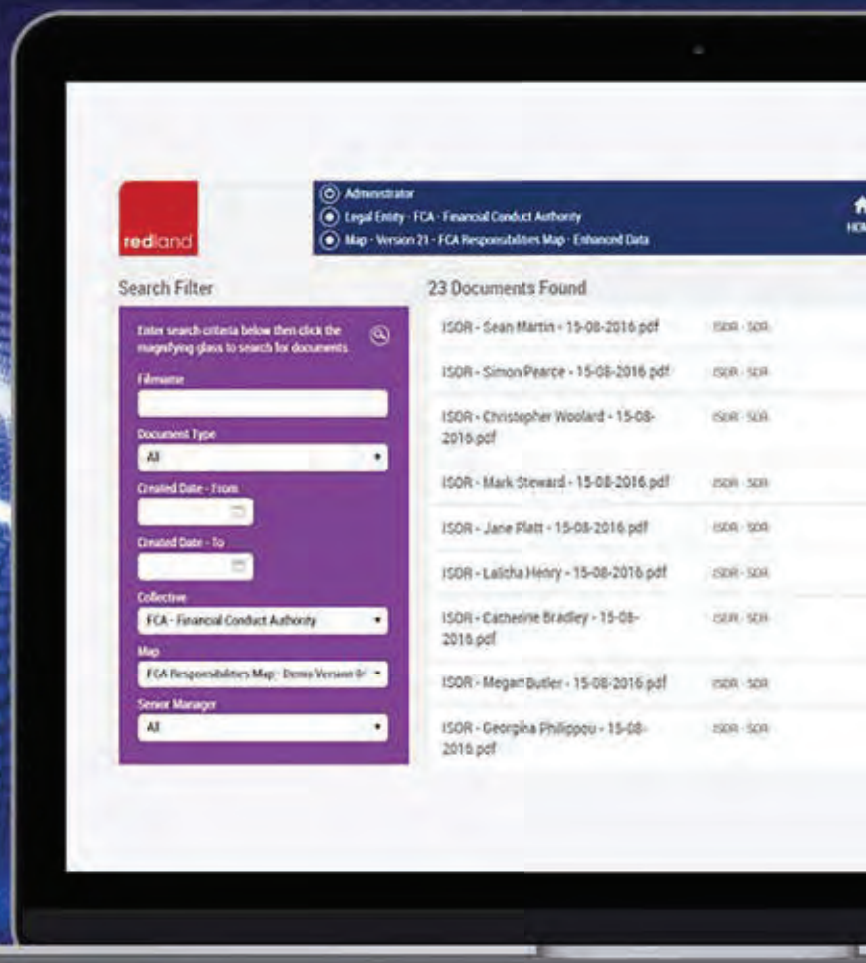
Statements of Responsibilities need also to have been considered. Ideally these should be short and succinct. They should be aligned with the job description but not necessarily identical. It is important to make sure that Statements of Responsibilities are agreed with the relevant SMFs and they understand their responsibilities. (It is also worth noting that Core firms do not need to submit their Statements of Responsibilities to the FCA for any staff converting from approved person to SMF. Fresh SMF applications, however, will require the provision of a Statement of Responsibilities.)

When it comes to assessing the fitness and propriety of the SMFs, some checks (such as DBS checks) won't need to be replicated where someone is converting from approved person to SMF. However, as with Statements of Responsibilities, any new SMF application will require all relevant checks to be carried out in advance.

Anyone with any questions about SM&CR, or who may want further details on the policies and procedures that may need changing to support its implementation, are directed to FCA website. CSA members can access additional information on the CSA website where the outputs of a dedicated SM&CR compliance meeting can be found, along with a series of SM&CR webinars. We are also covering SM&CR at our new People Development event in Feb 2020. More details can be found on the CSA website.

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SM&CR and the leaders of the future



Nikki Bennett from
Searchlight Insurance
Training

“Too often in the past firms have fallen into the clichéd pitfall of promoting staff one rank above their level of competence.

The recent introduction of the Senior Managers and Certification Regime (SM&CR) makes high-calibre leadership more essential than ever for UK insurance brokers.

Since the new rules came into force for brokers in December 2019, anyone appointed as a Senior Manager must have a Statement of Responsibilities that clearly defines their role and responsibilities. Still very much in the 'bedding in' phase for insurance brokers, SM&CR is already driving a stronger emphasis on managerial performance and accountability.

In addition, under SM&CR, a Senior Manager must be assigned responsibility for identifying and annually 'certifying' all employees in roles with the potential to cause significant harm to the firm or its customers. This encourages a sharper focus on the competence and capabilities of senior staff.

At the same time, the conduct rules set out in the COCON section of the FCA Handbook - and the associated training requirements - are leading Senior Managers in UK insurance firms to think more about issues of individual responsibility and accountability within their businesses.

Paying closer attention to the competence and capabilities of staff in certificated function roles can have unexpected benefits. It makes good sense to develop future leaders in house, rather than incur the expense and uncertainty of external recruitment. So, if meeting the requirements of SM&CR helps brokers spot future high flyers sooner, it also enables them to put pathways in place to foster their development.

Too often in the past firms have fallen into the clichéd pitfall of promoting staff one rank above their level of competence. There's a much greater appreciation now that management and leadership are skills in their own right, not just capabilities employees mysteriously assimilate as they rise through the ranks.

Technical business knowledge - however highly developed - is no substitute for training that's specifically designed to cultivate the skills required in management and leadership roles.

To ensure you create and maintain a pool of management resource that

will sustain your firm's future success, it makes sense to invest in leadership training. Many firms have found it helps to assign someone senior within the business to act as sponsor for employees picked for training intended to develop their potential as future leaders.

If you have an internal training manager, it's entirely possible for them to put together a package of training that covers a range of relevant topics like team-building, communicating, delegation, target-setting, change management, and dealing with difficult situations.

Alternatively, training companies like Searchlight offer purpose-designed leadership programmes. These can be tailored to the specific needs of particular individuals who have been earmarked for future leadership roles. They can be undertaken one day a month over six or nine months - or more intensively, depending on the circumstances.

Typically, they would provide in-depth interactive training across a range of business themes tailored to a specific sector (in Searchlight's case, insurance broking). Course content would be designed to equip learners with the knowledge, skills and confidence they will need as they move into higher management and leadership roles.

This would often involve immersing learners in key business themes like strategy and business planning, leadership, motivation, talent management, sales and relationship management, financial skills, report writing and presentation.

The format would likely involve practicing new skills in a safe and constructive environment with direct feedback from expert trainers and fellow delegates. It might also involve undertaking a business project, set in collaboration with an internal sponsor, that tests and hones new skills. For example, analysing potential future strategy options for the business.

Purpose-designed training along the lines described above is the best way to ensure your business always has a confident and competent leadership team for the future. Ultimately, that's good news for your business, for your customers and business partners, and, not least, your compliance manager!



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SM&CR Day 2

By **Bea Stafford**, Head of Risk & Compliance and Managing Director from 1st Risk Solutions

“Although it may feel like you have got over the line, the truth is that the real work begins from here on in.”

The Senior Manager and Certification Regime (SM&CR) is well underway now with the deadline of 9th December 2019 having passed. HR and Compliance departments across UK will have worked so hard for the last couple of months to complete all tasks necessary for Day 1 SM&CR compliance. No doubt you have mapped the Senior Management functions as per FCA requirements to identify Senior Managers in the organisation, issued Senior Managers with new contracts, implemented the responsibilities map and formal handshakes between processes, and ensured all relevant parties have had appropriate training sessions.

Whilst there is a collective sigh of relief from those HR and Compliance departments after Day 1 compliance, the reality now strikes as to how to keep up with the SM&CR compliance requirements on an ongoing basis i.e. Day 2 compliance going forward. Although it may feel like you have got over the line, the truth is that the real work begins from here on in.

Some imminent questions in everyone's mind:

1. SM&CR has made the roles of HR, Legal and Compliance a lot more onerous by making the teams responsible to certify or attest the fitness and propriety test for Senior Managers and Certification Regime. Are the teams fully aware of their responsibilities and what they are signing up to?
2. What happens on Day 2 and how do you manage ongoing governance and compliance to SM&CR throughout your organisation?
3. Do I look for a suitable software solution that can help track the SM&CR compliance on an ongoing basis?

4. Where do I house all SM&CR documents and ensure appropriate data confidentiality and data privacy?
5. As the level of SM&CR compliance (i.e. whether Limited, Core or Enhanced) is Legal Entity based, how to handle different levels of SM&CR compliance requirements for different legal entities within the same Group Company?
6. How to implement a consistent, intuitive and effective compliance methodology given the onerous nature of the attestations for HR, Legal and Compliance departments, Senior Managers and Certified persons?

What should be the key areas to focus for Day 2 SM&CR Compliance for Head of HR, Legal and Compliance?

Your role in the ongoing compliance of SM&CR is pivotal to your organisation. Although there is a foundation in the form of HR governance processes for much of the SM&CR compliance activities, it is the increased focus on the need to demonstrate proper decision rationale, added responsibility/accountability, significance and repercussions of non-compliance SM&CR brings to an organisation that increases its importance.

Managing Conduct Issues

Although you may be used to managing all identified conduct issues, due consideration now has to be given to enhance the documentation of how the issue has been dealt with, corrective actions that all parties have agreed and ensuring the triangulation of any other information relating to the employee. Additionally, governance needs to be enhanced and processes put in place to

ensure that HR is made aware of any potential or actual breaches of the conduct rules as soon as they are reported. This is a key input to the 'Fit and Proper Assessments'

Fit and Proper Assessments

SM&CR mandates an annual Fit and Proper assessment for all Senior Managers and Certification Employees. This is an individual based assessment to be performed by HR or Compliance Function and for those employees who perform Senior Management Functions, those performing significant roles in the organisation including material risk takers, client facing functions etc., This has increased the number of employees that need to be assessed which is going to take considerable amount of time. The most effective review includes the consolidation of all relevant information relating to that employee before HR/ Compliance are satisfied, on behalf of the organisation, that the Senior Managers and Certification employees are 'fit and proper' to perform their respective roles.

Though the attestation is annual, the expectation from the regulator is for HR/Compliance to have oversight and monitoring of the Senior Managers and Certified Persons as a continual, dynamic process. The biggest challenge is ensuring and demonstrating to the regulator that management of Conduct and Fit and Proper Assessments of the employees is an ongoing exercise and not a 'annual' one-time exercise. To be able to do that, regular consolidation of all relevant data relating to the behaviour of the employee is essential. Companies are considering implementation of behavioural scorecards to monitor behaviours and how the Senior Manager influences with culture of the organisation –these could, for example, include measures such as tracking of attendance at key Governance meetings, completion of mandatory trainings by themselves and also their team members.

Pre-approval of Senior Manager by the Regulator

All Senior Managers performing Senior Management Functions should have FCA approval prior to taking the role. If there is an existing employee who has been promoted to a SMF role, having the history of their conduct as part of the request for the Regulator in one place may be important.

Vetting, References and Record Keeping

The rules may bring about changes to your vetting processes and how you give references. However, it is the record keeping that supports the vetting that has been performed and the information you provide in references which has increased in significance.

Remuneration

Similar to vetting and references above, the record keeping that supports the decisions made when determining remuneration to award the employees which is key. It has to be backed up by evidence of not only performance but conduct and behaviour.

Training & Conduct Policy

The culture of a firm cannot be changed overnight. The employees of the firm will need continual training in different forms throughout the year. Additionally, it would be helpful to have positive affirmation of training having been completed, and that the employees have read, and comply with, the conduct policy.

What are the key areas of focus for Day 2 for the Senior Managers?

SM&CR is focused on personal accountability. Both the FCA and PRA are able to take action against a Senior Manager if they are responsible for management of an area that breaches a regulatory requirement and it is proved that he could not take sufficient steps that could reasonably be expected to prevent the breach. Disciplinary action can be taken for up to 6 years from the date of occurrence of the event.

How can the Organisation support their Senior Managers in ensuring Compliance to SM&CR?

1) Implement an Appropriate and Effective Governance Framework

With such high stakes for a Senior Manager, it is crucial that the organisation has a robust framework in place to support both the Senior Managers and the organisation itself. It is essential that the framework facilitates the Senior manager to be able to take and to demonstrate the reasonable steps to prevent a regulatory breach.

In addition to a clear responsibilities map, and individual statements of responsibility, the governance infrastructure needs to allow the Senior Manager to demonstrate responsiveness to issues, oversight of their responsibilities and evidence for decision making. It can take time to embed the appropriate culture within the governance framework where individuals welcome challenge and debate, or where people are not afraid to raise issues.

2. Embed a risk and control environment with effective policies and procedures

A Senior Manager needs to ensure the risk and control environment for their area of accountability and policies and procedures are fit for purpose, and both designed and operating effectively. This requires documentation and assessment of risks, and controls, testing, and identification of issues and actions taken. This is to demonstrate the business is controlled appropriately and compliant to regulatory requirements and standards.

What is clear is that a lot of companies are on the journey.

The Directory – Coming to you in 2020!

By Julie Pardy, Director of Regulation & Market Engagement from Worksmart Limited

The Financial Services Register has been part of the regulatory landscape since the Financial Services and Market Act 2000 came into force in 2001. It has been the place where the public can check on the details of firms and individuals that are or have been approved and regulated by the Prudential Regulation Authority (PRA) and/or the Financial Services Authority (FSA) Financial Conduct Authority (FCA).

However, with the introduction of the Senior Managers & Certification Regime (SMCR), and the fact that all staff that fall into the “Certification” category no longer (in many cases) need regulatory approval, the concept of an alternative place that consumers could go to search individuals that operate within the wider financial services market was borne. This came to the industry in the form of “The Directory” which was proposed by the FCA in response to concerns raised by many organisations that felt removing all individuals from the current Financial Services Register was in fact a backwards step. Historically many firms have used the Financial Services Register as a place to go to help assess a new recruit’s history in Financial Services, most specifically for those in CF 30 roles. The Directory will now sit alongside the existing Register to provide that more rounded view of those working in key roles in the industry.

So, who do these changes affect?

Well, it will affect all relevant individuals who carry out work on behalf of almost all firms that are regulated by the FCA, but specifically:-

- ❑ Banks, Building Societies, Credit Unions and PRA Designated Investment Firms
- ❑ Insurers and re-insurers
- ❑ All other firms authorised to provide financial services under FSMA
- ❑ Appointed representatives (AR’s) acting as an agent for an FCA Authorised Firm

So, if those are the firm types that are caught by the new Directory requirements from either March or December 2020 (dependent on firm type) which individuals will sit where?

It will now become the responsibility of all financial services firms to upload and maintain accurate records of their staff who fall within the scope of the Directory (page 5). Banks and insurers are required to complete their initial data upload by 9th March 2020, with the remaining solo regulated firms required to have uploaded their initial data by 9th December 2020. After firms have completed their initial data uploads and passed the formal implementation date, the Directory must then be updated by the firm with any changes relating to Directory staff within 7 days of them taking effect. Should a firm find that there

Roles covered by the Directory

- All individuals holding a Certified Function under the SM&CR regime
- Directors who are not performing Senior Management Functions (SMFs) – either executive or non-executive
- Other individuals who are sole traders or Appointed Representatives (including those within ARs) where they are undertaking business with clients and require a qualification to do so

Roles covered by the Register

- Senior Management Function Holders (SMF’s)
- This includes those individuals that are non-executive by nature, but hold an SMF because they are either the Chair of the Board, Chair of a defined committee or a Senior Independent Non-Executive



are no changes whatsoever to their Directory persons data over the course of a year, the firm must confirm to the regulator that this is the case. Supplying incorrect data or late updates will incur penalties, and ‘serial offenders’ will be subject to more serious sanctions according to recent FCA comments and press releases.

The data upload as defined by the FCA should include the following as detailed in Table A;

The regulator’s consultation on this matter identified a concern over the removal of so many roles from the existing Register. This concern has driven momentum from the FCA to implement the Directory for the transparency it will provide, however, implementing the Directory is not without its challenges. Putting aside what some industry commentators have referred to as a level of “regulatory fatigue”, there are practical issues for firms as they “come up for air” from the implementation deadline of SM&CR in December 2019 and finalise their certification plans for December 2020.

The first issue is the data set required by the regulator. For most firms the data will be held across several systems, ranging from HR to training and competence (T&C) and potentially compliance. Pulling the data from multiple systems to create and verify the initial data set will take time. Perhaps more importantly, there is the challenge of identifying when changes occur to an individual’s status that will trigger the need for a Directory update.

For example, change of work location is likely to be known by line management and HR, but possibly not by T&C or compliance. The reverse may well be the case with changes of customer engagement method. Different teams will each have sight of part of an individual’s status and this is likely to require an internal process to ensure this information is passed to the team with accountability for maintaining the Directory.

Implementing the Directory is not without its challenges – have you asked your supplier recently how they will help you manage your Directory requirements?

Of course, assigning responsibility to a specific person or team is important but, as many firms will attest from their early experiences with SM&CR,

TABLE A

Information Required	Explanation / Rationale
Firm details	Basic details as is on the Register, i.e. FRN, address, contact details etc.
Permissions	Permissions and any restrictions
Person’s details	Individual’s full name Date of birth # IRN where the employee has one. If they do not currently have one as they have not previously been noted on the FCA Register, then one will be assigned to them
Role details (current & previous relevant roles)	Description of role, e.g. SHF in certification regime or whether the individual is a non-SMF Executive or NED. In addition, for sole traders or appointed representatives, individuals will need to be notified to The Directory where they are undertaking business with clients and require a qualification to do so
Different customer engagement method(s) offered by an individual *	Face to face, telephone or on-line
Memberships of relevant accredited bodies *	Details of the professional bodies an individual is a member of
Start and end dates of each role	Date when individual started and ended their role
Types of the business the individual is required to undertake (if qualifications are required)	In line with the training & competence rules (TC Rulebook)
Workplace location (for customer facing roles requiring qualification)	Postcode of workplace # (not mandatory for vulnerable individuals)
Unique Identifier	National Insurance number # or passport number # (if the individual has no NI number & when a passport has already been supplied)
* for customer-facing roles requiring qualifications only	# registered with FCA but not published


holding regulatory data across multiple systems is an accident waiting to happen. Many firms have recognised this and invested in a bespoke SM&CR system that helps them not only manage the individual data components, but also helps them drive efficiency of process. I guess the questions for firms that have already taken this step is “Have you asked your supplier recently how they will help you manage your Directory requirements?”

Another question posed by the Directory is the issue of data accuracy. The Directory is planned as a major source of information on individuals that hold key roles in the industry. The hope is that this should act not only as a reassurance to the general public interacting with financial services organisations, but also as a rich source of relevant data. But some industry observers have pointed out the risks of such important data being the result of self-certification by firms, with little or no ‘spot checks’ from the regulator. This represents a risk to public confidence in the Directory if it is found that firms are either self-certifying unqualified or unsuitable staff or failing to update the directory. Of course, it is worth noting that under SM&CR a specific senior manager will be personally responsible for the firm’s obligations under the Certification Regime, so the extended Directory requirements are likely to be allocated oversight to the most senior level of management within a firm.

It is well known within the industry that Trade Bodies are concerned about the introduction of the Directory and the timelines planned for implementation. Whilst both Banks and Insurers have had since September 2019 to upload data into The Directory, we understand that the upload capability has not been operating effectively and many firms with large populations have been manually keying data. We do however understand that the FCA have agreed most recently that their lack of provision of an effective bulk upload/amend capability should be resolved. In a letter to UK Finance who have raised issues about this matter on behalf of its members, the FCA appear to have committed to provide a “bulk amend” functionality to the industry by February 2020, but with the proviso that “it cannot commit on delivering every use case required by firms.” It will be interesting to see what will be delivered on this by the FCA, whether it will really meet the needs identified by firms and whether it will go some way to reducing the concern voiced by firms over the introduction of The Directory.

Knowing that a number of the key Trade Bodies has strongly lobbied the FCA for a delay in a start date to The Directory, I suspect that even with the provision of this additional items, firms are still going to be feeling very uncomfortable about a really quite onerous additional reporting requirement on firms.

Only time will tell whether the introduction of The Directory will bring the consumer benefits that the FCA hopes for. However, what is clear is that firms need a solution to this new obligation and, given the challenges of bedding in the Senior Managers Regime and finalising their plans for Certification, the solution needs to be as automated as possible.



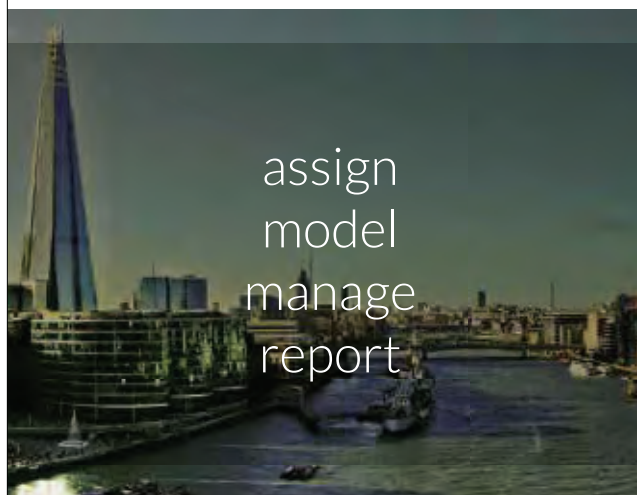
“Worksmart has been key to ensuring that we have met the requirements of the rules”

Lisa Nowell, Chief Risk Officer, Msthaven Bank

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“The basic principle of the Senior Managers Regime is that of responsibility and accountability. A senior manager has to take responsibility for the activities under their control. Likewise, they should be accountable for that responsibility”

Andrew Bailey, CEO – FCA, 2018

The keeper of quality!

By Michelle Hoskin from Standards International

In my last article I introduced you to financial services' best-kept secret: the BS 8453 Compliance framework for regulated financial services firms, which was developed in 2011 with the sole intention of establishing a professional framework for an effective compliance management system.

So, almost a decade on, what impact have we seen? Well, in that time we have seen significant changes to both the educational and operational environments in which advisers and planners work; we have also seen huge changes to the skills, abilities and approaches needed by those holding compliance responsibilities.

For many firms, the job of quality gatekeeper and of controlling compliance is still that of the practice principal, or the most senior financial adviser or planner.

However, as the extensive demands on these roles increase, there simply won't be enough brainpower or energy for people to fulfil the compliance function to the level needed – never mind having enough time and mental space to spot the potential changes and challenges ahead.

The sector has spent decades firefighting these regulatory changes, in some cases with devastating impacts. We believe this is about to change.

Over the last 10 years we have seen the rise in profile of many other roles within the sector. Paraplanners are the most obvious ones, with their natural technical, detailed and meticulous approach to getting the job done – but also Business Managers, the hybrid role between business owner and the old-style office manager.

And here lies the untapped opportunity within compliance.

More and more we're seeing the appointment of Compliance Managers, Technical Managers and (probably more importantly) Quality Managers. On the face of it, these seem no different to those

who have come before, but after a closer look it seems they do in fact approach the best practice elements of compliance oversight very differently indeed.

The responsibilities of the role are vast, but the key differentiator lies in the DNA of the role-holder themselves.

❑ **Alert:** The role-holder must demonstrate a keen interest in the role and in the financial services sector as a whole, and must remain alert to the needs of the client and the organisation at all times.

❑ **Curious:** The role-holder must demonstrate a continued desire to expand their knowledge and understanding of the client's needs and requirements, as well as of the financial services sector as a whole.

❑ **Responsive:** The role-holder must remain responsive to and supportive of the client's needs and requirements at all times, while having the authority and autonomy to confidently put forward their own ideas and opinions. *A note here – the client's needs means those of both the external client and the internal business and team.*

❑ **Resourceful:** The role-holder must strive to work as efficiently and effectively as possible at all times, while maintaining the highest standards of professionalism and levels of confidentiality.

❑ Compliance Managers, Technical Managers and Quality Managers often sit internally within the team, bringing the much-needed hands-on, real-time support which is often lost when the function is outsourced.

❑ Plus, sadly, many who currently perform these roles have a very different outlook; many have a somewhat fearful attitude and a reactive approach to every task they face.

“The sector has spent decades firefighting these regulatory changes, in some cases with devastating impacts. We believe this is about to change.

❑ However, we believe that a different approach is needed, and there has never been a better time to embrace that approach.

❑ BS 8453 outlines two key elements where this change is needed:

❑ **Independence:** The compliance function shall be able to demonstrate independence: both independence to act, inspect records, challenge and report, and independence from the business it monitors. In particular, the method of determining remuneration of those involved in the compliance function shall not compromise their objectivity or be likely to do so.

❑ **Authority:** The compliance function shall have sufficient authority from the governing body to allow it to fulfil its responsibilities effectively.

Only when both of these aspects of the standard are met can the compliance function be well positioned to be ready to embrace its remit and put quality firmly at the heart of everything.

Finding your way to shine...

By Jane Pitt from RedTree Training

Even though it is a regular event, it still manages to unsettle me – no, it's not my annual appraisal but you're on the right lines. It is my eldest son's school progress report. You think I would have become accustomed to the regular dose of reality opening the letter brings, but it still manages to knock the wind out of me. Let me explain...

“No narrative, no explanation and more importantly, no information on why he has been awarded this grade.”



In case it is many years since you have seen a school report or had to hide one before your parents saw it, progress reports are now very factual. For my son, it is just a series of numbers that tell you what their target is, what level they are currently working at and a score for their attitude to learning. As his mother, I've got used to seeing these numbers at the lower end

of the scale – it comes with the territory of having a child with 'additional needs', but as a learning professional, I find it so hard that there are no accompanying words. No narrative, no explanation and more importantly, no information on why he has been awarded this grade.

Does this sound in any way familiar to the annual appraisal? How many times have you felt that the grade you were awarded was unfair or not reflective of your work? And when you seek information on how the appraiser had reached their decision, you learn that there is a degree of subjectivity involved in deciding if you were a 'grade four or five'. Of course, they will refer you to the definition given for each level but typically the difference between each of the grades is the switching of a key word. You may notice how a grade one description starts with a 'rarely'; grade two with an 'occasionally'; grade three with a 'regularly'; grade four with a 'usually'; grade five with a 'consistently'. Indeed, this is why many companies at the end of each appraisal season, will conduct a sample check on the documents to ensure this 'subjectivity' is applied fairly across the board.

So how does this relate to my son's progress report? Well, both are missing a key ingredient, despite the typical appraisal being focused on behaviours and the school report concentrating on acquisition of knowledge, they are both missing the 'how'. In the case of the school report they are missing the 'how' they have reached that decision but on both, they are missing the 'how' do you reach the next level. In the case of my son's level, is it simply a case of him demonstrating that he has collected a few more facts? I think not. As we all know, knowledge is as much about being able to apply learned skills or information as it is about being able to recall it. In a knowledge test, you must be able

to recount the information and apply it to the question you are presented. Even though he may be able to collect a few more facts, he may still not be able to present the information in the way that it is required and so therefore not able to increase his grade.

The purpose of any assessment is to gather information on performance or progress, but I believe that it is what we do with this information that is so much more important. In education, some standardised assessments are simply there to compare the academic achievement of students from different institutions. So how does this help the student? To prevent this from being replicated in the forthcoming appraisal season, when we share their grade, we must remember to provide the individual with the 'how'. Not only do we need to know 'how' the grade has been reached but also specifically what they need to do to move from a 'regularly' to a 'usually' for example. What tasks can they undertake? What evidence do they need to collect to demonstrate their activity and understanding?

Finally, but possibly the most important, let us remember the impact an assessment can have on a person. To hear my son repeatedly report he has achieved 10 out of 30 or 40 is heart-breaking; to see his face is much worse but he has accepted that school is not the place where he shines. When you deliver the result of an individual's appraisal or assessment, think of my son. Just as not everyone is an academic, not everyone will perform in every area of an appraisal. That doesn't make the individual a poor employee any no more than it makes my son a poor student – but if the how is explained when delivering the message, it makes hearing it a little easier and more importantly, sets the individual back on the right track to shining a little brighter in whatever way they do best.

2020 – the cost of compliance failure, regulators are coming!



Nick Baxter from
Baxters Business
Consultants

“Any laissez-faire’ attitude to compliance and oversight belongs in previous decades

So 2020 is here – a new decade, a new way or same old? From a regulatory enforcement perspective events in 2019 offer clear sign posting as to the likely trends in the early part of the decade ahead. Two FCA enforcement levers have been applied at an increasing rate in 2019 and it does not appear that they will be used any less in the early part of the 2020s. These levers are:

1. The FCA website shows the level of fines in 2019. The figure, as updated by the FCA on 20 November 2019, stands at a shocking £391,773,187 which is significantly up from £60,467,212 in 2018 (although the 2017 figure was nearly as eye watering as the 2018 figure at £229,515,303). Those numbers are net of early settlement discounts! The actual cost to businesses is substantially higher than ‘just’ the fine. The total cost needs to include the investigation costs, administration cost of putting things right, the cost of any redress which might include the addition of statutory interest and the cost of lost business as a result of tarnished reputations.
2. At the same time the external investigation costs are also rocketing as regulators are ordering a higher number of ‘skilled person’ reviews [‘S166 reviews’]. In the 2018-2019 financial year 51 S166 reviews were required. This represents a 16% increase in the previous year. Such reviews do not come cheap as they are normally undertaken by top law or accountancy firms. Unlike the FSA before it, the FCA has the power to directly appoint the expert in order to control the scope and quality of such reports.

A review of the fines highlights some common themes. Rather surprisingly a large number of the fines are as a result of the unfair treatment of customers (even though TCF has been on regulators’ agendas since 2004), mis-selling, culture/governance

and procedural failings. Consumers just don’t understand how firms can get it so wrong. Regulators don’t either, which is why regulators feel it is necessary to drive change via such high financial penalties. Any ‘laissez-faire’ attitude to compliance and oversight belongs in previous decades and it looks like the fines will continue to grow, unless our industry fixes its compliance attitude.

So, where does this take us in the 2020s? Compliance managers must know what is required by now and they must also recognise the cost of compliance failure. Clearly there is a need for quick and effective change. The level and value of fines clearly shows that oversight of systems and processes is too often failing. So, what is the root cause of these failings? Most firms are familiar with, and adopt, to a greater or lesser extent, a ‘three lines of defence’ model. Three lines of defence is fine in theory and generally works well, but too frequently each line simply relies on colleagues in the other lines. Third lines are too often becoming part of the process which risks neutralising their independent and objective oversight. They have become too complacent and reliant on first and second lines. Forward looking businesses are more often seeking the security of a third line that provides a truly independent view that is not influenced by corporate thinking or objections. This is a trend that is likely to continue in the new decade as firms must radically change to protect their reputation and balance sheet. Firms know the regulators are coming, the least they can do is prepare!

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

How to run online workshops

By Paul Archer from Archer Training

Using a real-life case study, Paul shows you how to revolutionise your workshops by running them online rather than face to face

“The answer is to turn it into an online workshop where people can attend either at home or from their office using technology that exists in every office

Online Workshops

Do you remember those old decrepit overhead projectors that dominated boardrooms and training rooms in the 1980's and 1990's? The plastic acetates could display anything – pictures, cartoons, words, graphs – and these would be beamed onto the wall, usually in black and white.

Invariably we would type up bullet points and display these when training or presenting. Some of us would add cartoons and pictures, but the graphics technology was rather limited.

Along came Powerpoint and in the late 1990's, suitcase-sized laptop projectors with incredible potential.

Where Others Go Wrong

We stuck to the lists although the new projector equipment allowed images, movement, videos, photographs. Bullet lists predominated, and it's only in the last few years that we've moved to photos, images, movies, animations and proper graphics TED style. It's taken us 20 plus years.

We're making the same mistake with online workshops or webinars as we call them. We're making them PowerPoint heavy with voice overs and the occasional oddly angled video image of a person's shoulder. Reaction from our audiences is mostly negative, many preferring to watch the recording that you obligingly supply. Few actually do.

How to Avoid Everyone's Mistakes

Current technology allows for so much more, and I'm going to show you how you can utilise this now. This will help you to mirror how you would run a face to face workshop which is entirely interactive containing a myriad of learning exercises and activities to ensure maximum learning.

To aid my description, I'm going to use a real up to

date case study to show you how it can be done. The case involves a workshop that I've been running face to face for quite some time now, which goes down very well and produces great results. It's a totally interactive workshop with learners being involved and benefiting from the groups' experience and examples. The problem I face is that more and more of my audience are struggling to attend a full day and are baulking at the long car journeys. At least they make off with a decent lunch, but even that is no longer a pull.

The answer is to turn it into an online workshop where people can attend either at home or from their office using technology that exists in every office.

The Tech Needed

Firstly the tech piece.

Yes, you do need to have some up to date kit, and your learners also have to have a minimum spec as well, but nowhere near yours.

Studio

Let me describe what I use. I have a purpose-built video and livestream studio in the basement. This is naturally cool and quiet – no noises, dogs barking or aeroplanes flying over and for those that have heard my very early livestreams, cockerels cock-a-doodle-doo-ing.

I have four screens attached the desktop PC running Microsoft Teams which is a solid piece of software. I have two Logitech HD webcams hooked to the PC providing HD quality livestream video.

Cameras

The first webcam is attached via a bendy tripod and screens to my whiteboard on the far wall. This enables me to stand up and present information to my group using my whiteboard. The webcam picks up a wide image of me and the board. Standing is so important. I use the spotlight on the web software, which ensures that my whole video image is reproduced on each learner's screen in full.

The second webcam is also tethered to a bendy tripod which allows it to appear in front of one of the screens. This might seem odd, but it's important to look your learners in the eye when chatting to their video images. This setup allows me to look at them, and they see me looking at them too, just like real life. This is vital. My far screen is devoted to displaying the video images of the people on the workshop; the other screens are for PowerPoint and handouts. A separate screen for each one.

Whiteboards

As you can appreciate, I move around the studio when running a workshop. I sit down when I'm doing PowerPoint or running through handouts on screen. I stand at the whiteboard when chatting to the group or

presenting information. I sit for group discussions. It's energetic and always moving.

Occasionally I'll livestream when running workshops. Here I have a DSLR Camera rigged to the PC, and I use OBS to livestream the video to YouTube, LinkedIn and Vimeo. I rarely do this on workshops, because the time-lapse issues – they're not quite real-time as YouTube will render the livestream to get a perfect picture.

Audio and Headphones

My voice is carried with a small set of headphones with built-in microphone by Logitech. These may look a little geeky but they Bluetooth to the PC so I can move around quite happily without being corded to the PC.

WiFi

The internet connection has to be reliable, so I have an Ethernet connection linked to the Virgin 300 MB speed broadband router. I also have a spare WiFi provided by BT at a speed of 60MB which I can switch over to very quickly if the main connection goes down.

Lighting

My studio is well lit, but I have extra lighting. 8 battery-powered LED barn door lights which light up the whiteboard and me when I'm presenting and my face when at the PC screen. Spare batteries charging allow me to change these when they run out of juice after 2 hours or so. Bear in mind my workshops can run up to a whole day in length.

Their Tech

As a minimum, they need access to a PC or laptop to make the most of the workshop. Tablets miss out on the experience and phones are woefully too

small. Headphones or earbuds plus a microphone are essential to prevent echoing and feedback from speakers. Besides they may be around other people, so you don't want interference. A webcam is required, but most laptops have these as standard.

The Workshop – Case Study

The Equity Release workshop is a technical course by nature, so does lend itself well to online. It runs for a whole day but not with the normal timings. I run for 45 minutes, then a 15-minute break. This occurs from 9am until 4pm. Including an hour for lunch, you can offer six 45 minute sessions, more if you run on after 4pm. I don't. Online workshops are just as tiring as face to face, more so to a degree.

For the day, I have six modules:

Module One

Module One – overview of the exam, introductions and a Q&A warm up. This has me sat down on webcam and the group on video as well as we introduce each other. I will only ever have six maximum, no more, often less. This allows interaction and lots of chat. I utilise screen sharing of a PDF handout to run through the exam, PowerPoint with some multiple-choice questions on them and webcam discussion. Having multiple screens allows me to have their images on the screens clearly displayed, almost like we're face to face.

Module Two

Module Two – regulatory and the sales process. This is a fully interactive activity. I display the sales process and then a list of 35 components of the process. The objective is to place each piece against the section of the sales process where it belongs and to understand what that part is. Each learner is given 5 or 6 pieces,



and for the next 15 minutes (offline) they need to research what they mean and be prepared to present this to the whole group.

They return, and we use a PowerPoint slide to move the components around to their rightful place, and I let the learners vocalise what they mean and answer questions. If I need to, I'll stand up alongside the whiteboard and describe things visually. I draw a lot of pictures on the whiteboard.

Module Three

Module Three – this is the product section. I dish out a product to each learner (myself included) and give them 15 minutes to research the product and complete a templated grid of the key features of the product. This handout is uploaded to the system in advance. A good web programme like Microsoft Teams, which I use, will allow you to upload PDFs, word documents, PowerPoint slides, video links and all sorts. This is just like your side table, which houses all your handouts.

The learners grab a handout and go away to fill them in by typing and saving the document; I show them how to upload. They return, 15 minutes later, display it on the screen and talk it through over a discussion. I chip in and encourage/facilitate a group discussion. Bear in mind everyone can hear each other and see each other to answer so it's not far removed from a face to face group discussion.

A tip I learnt a while ago is to teach the learners how the software works as you go, don't do all the teaching of the software at the beginning, only when a feature is needed.

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Module Four

Module Four – is a case study with around 12 questions. Again I ask each learner to go away and jot down some thoughts on the questions, and we then return to discuss the answers. I'll use my physical whiteboard to clear up any technical areas since the case study involves taxation, benefits and legal aspects. Remember this is a physical whiteboard and a webcam picks me up at the board very clearly. Having a Bluetooth headset allows me to chat away as normal.

Module Five

Module Five – is a quiz show to test their understanding of the areas we've covered. I use an old PowerPoint template emulating "Who wants to be a millionaire" Its great fun and works really well.

Module Six

Module Six – we take the group through two of the exam case studies. Using PowerPoint with the information we enjoy this as a group, discussing the answers. I facilitate heavily drawing answers from them rather than me, just like we would all do on a face to face workshop.

We then wrap up, action plans and next steps. They have access to pre-recorded videos of me talking through various topics if they want to watch these. I don't record the online meeting; this only encourages people to watch the "recording" rather than attend live.

Common Mistakes

Things that can go wrong.

- ☐ Learners going offline suddenly. This can't be helped, and it's up to them to come back online. I do have a session from 8.15am where everyone can log on to test their software and to answer any technical queries. That means at 9am, everyone is good to log on safely.
- ☐ My end going offline. I switched WiFis and come back online pretty quickly.
- ☐ My PC crashes. I segue to a laptop that has the software already installed and quickly re-enter the fray.
- ☐ People can't hear. Educate them how to unmute their microphone and make sure they attend the 8am tech briefing. Likewise, their video can go blank. It's up to them to get back online; I'm running a workshop not being their tech support.
- ☐ Interruptions at their end. Dogs entering the room, small children. This happens, and I enjoy it and make fun of the situation. Interruptions happen in real life too.

Those old Overhead Projectors were beasts, but we loved them. They would sit at the front of the table like a tower, but the worst part was the electric cable. The only plug was at the front of the room on the wall so the cord had to lie across the presenting area. And yes, before you ask, I came a cropper on the cable once on a fateful day in November 1992, I still recall the memory and bruised knees it caused.

Regulatory focus on behaviour and outcomes, are you ready?

By FSTP

“A significant part of this debate (Responsibility to act in the public interest) turns on the issue of outcomes versus rules. Rules are a crucial mechanism for delivering outcomes, but can also be interpreted so rigidly as to become a box-ticking exercise”.

“This is the lesson we want to see reflected in a firm’s behaviour.... Any organisation that prioritises being within the rules over doing the right thing, will not stand up to (Regulatory) scrutiny for long.”

Andrew Bailey, CEO of the FCA, July 2019’s FCA Annual Public Meeting

This poses several questions:

- ❑ How do firm’s evidence that they are doing the right thing across the whole piste?
- ❑ How does Compliance and Audit need to change to meet this focus on the right outcomes?
- ❑ What will the Compliance and Audit evidence look like if there are no documented and predetermined rules to subsequently audit against?
- ❑ How do you assess the Risks if you have nothing to assess it against?
- ❑ What does ‘firm’ behaviour mean?

Perhaps it is better to focus on the last question. What is the regulator expecting from organisations? Well the first thing will be the focus to reduce the tick box mentality i.e. ask a question; look for the evidence that the pre-determined rules, procedures and processes have been followed. If they have ‘tick the box’, if they haven’t raised a non-conformance, a backward looking approach and one that is focused on mechanistic outputs not outcomes which is the true deliverable, experienced by stakeholders.

In addition, this rule-based approach assumes that everything

can be pre-determined and that human beings will always follow these rules in every circumstance. It assumes that people are robots, which they are not, and have to react to situations that cannot always be predicted. The other factor is that rules are often someone’s mental construct. It may be a picture of reality, but it isn’t reality. These enduring failings of existing approaches is what, I believe, Andrew Bailey is targeting and by firm behaviour he means an expectation of change or at least a re-positioning of the balance between what can and cannot be predetermined and audited accordingly. A regulatory focus on behaviour and outcomes.

“We view incidents like the Woodford affair as an example of this – where firms are following the letter, but not the spirit, of the rules. It raises questions about the rules themselves.”

Andrew Bailey, CEO of the FCA, July 2019’s FCA Annual Public Meeting

Is the FCA alone in the change of focus?

Definitely not. Whilst International Standards, including Corporate Reporting, have changed to be more risk and outcome based there is little evidence that certification, accreditation bodies and suppliers of audit & compliance services have changed or at least none that I have seen. Perhaps there hasn’t been enough pain yet or in the case of the FCA it is just waiting for SM&CR to be fully implemented

Avoiding the ‘will not stand up to scrutiny for long category’ trap?

No doubt some will say they have already made the change or in part which is good. Others may well be in denial believing what they currently do and have been doing for years is enough. There may

not be a complete list of factors to consider in terms of making this change but the following are offered as some thoughts and suggestions to meet this regulatory focus on behaviour and outcomes:

- ❑ Is this change increasing the cost of compliance? If it is or there is pressure to do so then this may be an indicator for a review of audit, compliance and risk activity.
- ❑ Do the compliance team and auditors know the difference between a mechanistic system focused on outputs and an organic system (reality) focused on outcomes and how to review and audit each?
- ❑ Do compliance and audit techniques gather evidence of what people achieve, the impact or outcome of how people behave, not just what they say they do or write down?
- ❑ Do compliance officers and auditors have the capability to consistently analyse the outcome of how people behave (the real evidence) and report this against business performance and compliance outcomes? (What does the evidence *mean* to risk and compliance, is it this that the FCA and others are seeking to achieve).
- ❑ Do compliance and audit reports signpost predictive risk to compliance and performance outcomes? Is this predictive analytical approach scored so that business leaders can see risk levels and thus manage individual and collective behaviour accordingly.

This business issue is not now just about compliance, it is about optimising business outcomes be that profitability, management of overheads, customer experience and other desired and undesired outcomes.

CP19/25 – How prepared are you?



Douglas Watson
Head of Technical
Services at Expert
Pensions

“What is clear, is the fact that CP19/25 sets out a package of pragmatic and common-sense proposals that should help reduce poor customer outcomes

The start of the year can often be consumed by dealing with matters that were put on the back burner over the festive period. Regulatory change may not rank highly in your immediate agenda, but a quick thought; the FCA are soon to issue their policy statement in response to consultation paper 19/25. Whilst this policy statement is scheduled for Q1 2020, we must consider the potential for early release. How prepared are you and your business if this were to appear in January?

Issued in July 2019, CP19/25 proposes a package of measures to change how advisers manage and deliver DB pension transfer advice. The measures set out are significant in comparison to prior consultations in this advice area and aim to reduce the number of consumers transferring when it is not in their best interest.

What makes current action more pressing are the timescales involved. For example, the timetable for the proposed ban on contingent charging is within a week of the final instrument being made by the FCA board. This may be of less concern if you are an employee of a large firm, but for small businesses, you may ultimately be responsible for implementing any changes to your advice process.

Be clear, we know what the FCA's expectations are and we need to act now.

Given the prescriptive and direct tone of CP19/25, the industry belief is that significant change to the proposed package of measures is unlikely. Only minor amendments are expected between consultation and the policy statement being published.

An interesting thought is that CP19/25 may also be an insight into future FCA regulation. There is speculation amongst professionals that some of the proposals could potentially reach other areas of financial advice. Take the proposed requirement to demonstrate that any DB transfer destination investment is “more suitable” than an available Workplace Pension. It would not

be unreasonable to believe that this expectation will filter through to pension switching at some point in the future. Client understanding checks and enhanced disclosure are also areas that would seem sensible and logical to carry through to other areas of financial advice.

Debate in the financial community over hot topics such as the ban on contingent charging may be polarised; whilst it's an obvious solution to an obvious conflict, we also have to consider that this proposal may restrict access to advice for some groups. What is clear, is the fact that CP19/25 sets out a package of pragmatic and common-sense proposals that should help reduce poor customer outcomes.

Robust triage education, managing conflicts of interest, improved disclosure and understanding checks are all examples of good practice that many firms embrace already. Firms currently supporting the PFS Pension Transfer Gold Standard are certainly likely to be meeting many of these measures through adherence to the good practice principles. As an industry, we should acknowledge and agree that these measures can only help shape pension transfer advice for the better.

The FCA's supervisory work continues to highlight concerns about the suitability of pension transfer advice.

It's no surprise therefore, that CP19/25 proposes to improve the standard of advice given through education and maintenance of knowledge. After all, the competence of advisers is cited as one of the key potential drivers of unsuitable advice. Advising on pension transfers is complex and has evolved markedly since the pension freedoms were introduced in 2015. As pension transfer advice may be given infrequently and/or on the back of old qualifications, is it easy to understand how some advisers may begin to lose touch with the latest market thinking and regulator expectations.



CP19/25 proposes to raise the standard of transfer advice by “enabling advisers” through improving the knowledge and understanding of Pension Transfer Specialists (PTSs) who give or check advice in relation to pension transfers. This will require PTSs to undertake an additional 15 hours of pension transfer specific CPD, which must include at least 5 hours of learning provided through an external source. This secondary requirement ensures that the PTS is not just receiving a ‘house view’ of the market. The proposal doesn’t stipulate whether the pension transfer specific CPD should be structured learning, but as the expected outcome is “to raise standards by improving levels of knowledge and understanding of PTSs”, structured learning is implied. This additional 15 hours is of course on top of CPD requirements that the PTS may have for other types of advice.

The necessity to evidence improvement of knowledge is again a common-sense response to ongoing concerns around the suitability of advice and maintaining high skill levels. The old adage of “use it or lose it” rings true, unless you maintain and build on your pension transfer knowledge through keeping abreast of FCA handbook changes, market trends and current thinking, even the best of us will get rusty over time.

How can I achieve my additional CPD requirement?

The additional CPD requirements are proposed to run in calendar years and the onus will be placed on PTSs to maintain their own records, which firms should also record centrally. You will therefore need to ensure that you have the means to evidence your own learning and ensuring that CPD earned meets the FCA requirement in terms of content and duration. The FCA recognise that employees of larger companies will achieve a significant part of their CPD requirement via in-house learning. Medium and small firms are likely to have an increasing reliance on external training, where little or no internal resource exists. This comes

at a cost both monetary and time, which will have the biggest impact on the smallest firms.

Expert Pensions recognise the need to act sooner rather than later in relation to CP19/25, and preparations are taking place to roll out a CPD portal in the new year. This new service will incorporate blended multimedia learning with a final knowledge test to enable PTSs to gain a full 15 hours of structured CPD. This is by no means a box ticking exercise to meet the FCA requirement and an evolving content, which reflects the latest industry news and FCA updates, but aims to help PTSs achieve the highest professional standard expected. As this content is all accessed online and in bite sized chunks, time impact to business is minimised and cost is a fraction of that associated with external training days.



Why the FCA are so keen on IGCs

By Henry Tapper from Age Wage

Slipped into the wash-up of consultation responses and Calls for Input published in the last full business week of 2019 was the FCA's PS19/30 which substantially extends the role of Independent Governance Committees (IGCs).

IGCs currently provide independent oversight of the value for money of workplace personal pensions in accumulation, i.e. before pension savings are accessed.

The FCA's final rules extend the remit of IGCs, with:

- ❑ a new duty for IGCs to consider and report on their firm's policies on environmental, social and governance (ESG) issues, member concerns, and stewardship, for the products that IGCs oversee
- ❑ a new duty for IGCs to oversee the value for money of investment pathway solutions for pension drawdown (pathway solutions)

You might wonder why the FCA consider this worthy of its own Policy Statement.

Here (in the FCA's words) is why this is relevant

The new rules and guidance will mainly affect:

- ❑ firms that intend to provide pathway solutions and firms that provide workplace personal pensions
- ❑ IGCs and Governance Advisory Arrangements (GAAs)
- ❑ third party firms that provide GAAs or are considering whether to provide GAAs
- ❑ consumer representative groups with an interest in ESG issues and pensions
- ❑ all firms that provide pension products and all life insurers that provide investment-based life insurance products

The rules will also be relevant to stakeholders with an interest in pensions and retirement issues, including:

- ❑ individuals and firms providing advice and information in this area
- ❑ distributors of financial products, in particular retirement income products
- ❑ trade bodies representing financial services firms
- ❑ charities and other organisations with an interest in the ageing population and financial services

Consumers will also be affected by the rules.

(GAA's are "baby IGC's" and are for firms that – however big – aren't big players in workplace pensions. St James' Place has a GAA).



IGCs's matter

To use an anatomical analogy, IGCs are the liver of the pension body politic. They are there to ensure that impurities get cleaned up and that our pensions stay healthy so they can deliver value for our money.

The liver isn't very glamorous and neither are IGCs, but without them, workplace pensions could revert to the bad old days where costs and charges were uncontrolled and funds were raided to pay every Tom, Dick and Sally with a sales hat on.

Most people think of value for money as about these cost and charges but this extension of the IGCs restores focus on value.

Research from organisations such as Quietroom, Ignition House and Investec shows that the further people are from retirement, the less concerned they are about the money arising from their saving and the more concerned about the money in their pension pot.

The concern about the money in the pot is that it is being put to good use. Most young people would not articulate "good use" as "ESG", they might agree with a phrase like "responsibly invested" and they'd certainly agree with the ideas behind environmental, sustainable and well governed investments.

IGCs matter a lot more, if they are seen as the guardians of these values and the enforcers of ESG policies ensuring our money is invested responsibly.

And Trustees matter too

Historically, pension scheme trustees managed pension trusts set up by employers for their staff. The pension was an employee benefit and a perk provided by a good employer.

Auto-enrolment has changed the role of the defined contribution trustee who is now likely to be in charge of an occupational pension scheme funded (at least in part) by contributions employers have to make. The pension scheme is no longer a perk, but a part of the employer's duties and employee contributions are deducted by default, meaning we have to take a conscious decision not to be in a pension scheme.

This has substantially changed the role of the trustee; DC trusteeship just got a whole lot more serious. Since the introduction of the Master Trust Authorisation regime, overseen by the Pensions Regulator, trustees of multi-employer master-trusts are - like IGCs - under considerably more scrutiny and have much wider powers.

Like IGCs, master trusts have trustees – and those trustees are also responsible for detoxifying pension investments by overseeing the ESG policies of the funds on the trustee's investment platform.

The scrutiny is primarily from the regulator but it also comes from independent governance experts like Share Action, who have in recent times, moved into fund and fund platform governance in a big way.

Just before Christmas 2019, they published a review of master trust ESG policies and divided the 16 leading master trusts into learners- builders-

implementers and leaders. Share Action had only one "beginner" - NOW pensions" and only one leader "NEST", the rest of the master trusts were either on their way or well down the road to getting ESG in place.

“They are there to ensure that impurities get cleaned up and that our pensions stay healthy so they can deliver value for our money.”

Two new duties that matter to us all

Most pension practitioners will be familiar with the issues DC savers face in choosing their investment pathway at retirement. I have not space to go into this important topic but it is good that the IGC remit has been extended to oversee it. The best practice demonstrated by these super-fiduciaries should be of interest to all practitioners, especially financial advisers who manage and/or advise on client's retirement savings.

The work being done by trustees and IGCs to ensure that funds on their platforms meet high standards of ESG, should also be of interest to us all. I would urge all advisers to read the Share Action report which is downloadable from its website and to study the chair statements of both master trusts and IGCs (mainly published in April). They are most instructive.

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What I'm going to take into 2020

By Len Horridge from the Skills Exchange

Happy New Year, of course... so, another year just about to begin (he can't sue me). You learn a lot in a year. So, what did we learn last year (well, what did I learn last year to be grammatically accurate)? Well, apart from avoiding clichés like the plague (and trying to avoid politics), a few things...

“The enthusiasm that somebody showed when they finally realised how to use a semi-colon was wonderful



Glossophobia rules

As somebody who stands up doing training 3-5 days a week, public speaking holds little fear for me (and I MC Comedy Events and I also had to give not only a Father of the Bride speech and five, yes, FIVE Best Man speeches, no, don't ask) it is still fascinating that the very thought of standing up in public and speaking still strikes the fear of you-know-what into so many people. Glossophobia it's called, apparently, (go on, Google it) and it is just one of those irrational fears that people have, like cotton wool, fish and semi-colons. More of which later.

When asking for people's objectives on our presentations or public speaking courses, most

people, and I mean 99%, want to know “how to not be nervous” when standing up. And my answer is a very disconcerting “You can't”. And you can't. But you need to have butterflies to perform, you just need them flying in formation (what did I say about clichés?).

It really is amazing, when we look back over 2019, what we have trained people in. Much of which are what we would call “the basics”. When analysing training needs we have skills, knowledge and attitude (as well you know) and we spend most our time training skills, mostly, but that has a huge impact on attitude of people (in this case, confidence). But it's amazing how much attitude is really what we impact on by giving people confidence and/or making them more aware of what they do, why they do it and how to improve that.

Semi-colons are cool

Having problems with “text writing”? If so, you're not alone and there was a growth in demand for “business writing”, which covers a multitude of sins but most often boils down to grammar (and not writing txt speak). Grammar, such an old fashioned concept, bizarrely also has an impact on attitude; once you know “the rules” you (literally) gain in confidence to write more better. (*Yes, the “literally” and “more better” things are jokes. Grammar jokes. We couldn't make them without knowing “the rules.” If you don't, you may not find this funny.*) The idea of giving people the “basics” seems to be almost forgotten now but once you get the basics you can build from there.

We are amazed that people lap up the “rules” of grammar. We shouldn't be; knowledge is, after all, power. Knowledge of how to communicate effectively if such a useful weapon to have.

Oh, and so you know, **semi-colons** signal a longer pause than a comma but shorter than a full stop and suggest a stop in the flow of the sentence. Though we suggest to people that they may be better off eschewing them. And telling them what eschew means and even when to use (sic).

Good writing is effortless reading that makes you want to read more. It is clear and concise, uses short sentences and simple words. It keeps to the facts and is easy to read and to understand. It is so clear, the reader can take in the writer's exact message in one reading. For most of us, good writing doesn't come naturally, it's a skill we need to learn. However, you can learn to write well using plain language principles. Unlike this example we use:

“BBC staff have been told to use non-binary pronouns when addressing gender-fluid or transgender employees to ensure that the corporation does not develop a ‘heteronormative culture’. W P Reed wondered what we made of the following from the DWP. Not a clue! The decision

maker has proceeded to consider whether regulation 29 & 35 of the Employment and Support Allowance regulations apply to X and has decided that he suffers from a specific disease or bodily or mental disablement and by reason of that condition there would be substantial risk to the mental or physical health of any person if he were found not to have limited capacity for work."

Yes. They are still out there.

Speech, speech!!

People hate making speeches (*"The mind is a wonderful thing, starts working the moment you are born and stops as soon as you stand up to make a speech"*) almost as much as broad generalizations but most of this is in the mind. Most audiences, and the audience is really what people fear, are really willing anyone making a speech or presentation to succeed, as it would be embarrassing if they failed in front of them. They are on your side.

Structuring and delivering a speech/presentation isn't brain surgery (only brain surgery is), but we still see some horrendous presentations/speeches (reading a slide, monotone, reading from notes, dull, too long, inappropriate jokes). Errors that are so easy to correct with a little bit of input.

And when we work with people it truly is amazing that people want to learn and take to learning so easily and quickly, once given the correct input and encouragement.

The enthusiasm that somebody showed when they finally realised how to use a semi-colon was wonderful (see how we linked there?), though it kind of saddened us that this hadn't happened at school (well, it might have, in defence of teachers).

The glow of a newly found or remembered skill in a delegate is reward for all the "hard work" we trainers put in.

ILT is the preferred route

The ability for people to make excellent speeches without notes with a bit of training/coaching is humbling. People just have so much talent, if you look for it. And unearth it.

It shows us that complicated, high tech, high level training is sometimes not what is required. Never forget that if the basics aren't there, they can't be built upon.

Despite all the talk of "blended learning" (and we do have book out on Speech Making, just released!), ILT still is the learning route of choice. It's Instructor Led Training, of course. The kick-start to real learning and application.

Training isn't a one-off: it's a continuous process

And every day's a day at school. And never try to teach a pig to whistle, it wastes your time and annoys the pig.

We've been lucky in 2019, we've had no pigs. But we've learned loads. And we'll keep learning in 2020. We hope you will too. Happy 2020.



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Focused training plans for new entrants

By Andy Snook from Performance Evaluations

There are two things that new entrants expect to happen when they join a new firm. If the role is new to them, they expect to be trained how to do the job. If the role is not new to them, they expect to be trained how the firm they have joined wants them to do the job. But how good is the firm's training plan, and does it meet the needs of the new entrant for whatever role they join? Does the firm even have a focused training plan?

It's quite likely that a new entrant joining as an adviser will get a training plan of sorts, either to get them through from trainee to competent adviser status, or to validate their previous competent adviser status. But what about new entrants joining as a para-planner, or perhaps as a member of the support team? Do they get trained for their role in a similar way? In my experience, probably not.

There are several options for training new entrants. One is to do everything on the job. Or you could engage somebody else to help you, perhaps using something like the Education and Skills Funding Agency (ESFA) apprenticeship programme (see T-C News October 2018 "The road to success"). Or you could design and deliver your own training programme specific to the role and linked to the specific needs of the firm. Two of these will be focused training, the other is probably how it's always been done.

What is a focused training plan? Think about the saying "It's not the winning it's the taking part". A focused training plan is not about getting the result, it's about how the new entrant gets to the result.

Typically, when a new entrant joins a firm there will be an induction of sorts with somebody who will introduce the firm, show them around, and deposit them with their new team or supervisor. After that it's likely to be mostly on the job training. The new entrant learns as they go and picks up skills and knowledge sporadically and with very little focus. The only plan in place is to get them up and running.

Possibly the main reason for this is the mindset that a new entrant only becomes an asset to the firm when they can do something themselves with minimal supervision. Up to that point they are a negative resource requiring time from other people to show them how to do something and to monitor them. Often there is little, or no resource allocated to training, and this applies to all roles, so the new entrant is taken through what is likely to be a jigsaw puzzle of information and application.

So, what should training plan focus on? There should be five key elements for the new entrant: What, how, who, why, and when. Each section of the training plan should detail what is going to be trained, how it is going to be trained, who is doing the training, why the training is necessary

to the role, and when it needs to be completed by along with any checking that the new entrant has understood the training and can deliver to the expected standard.

The key here is that the trainee would be given as much information as they need to do the role first, so it may be a few days before they're on team. This is a worthwhile investment in time by the firm since starting them off this way this will be faster than collecting the same information over a longer period whilst on the job, and the trainee then joins the team with enough knowledge to then be taught the specifics relevant to the role without having to cover the basics as well.

The first few days should ideally cover the following: The firm's policies and structure. Procedures, systems and other tools relevant to the new entrants' role, together with any testing for understanding and application. If the new entrant is required to take specific learning, such as exams, this should also be introduced at this point. Probably the best person to coordinate this would be the person responsible for Training and Competence, and the people likely to be involved in the first few days would include the new entrants' supervisor, Human Resources, Compliance, representatives from different sections of the business, and specialists to train systems and tools. It's very much a team effort to get the new entrant in a position where they can start work on team as opposed to the team training them how to start work.

So that covers the "what" and "how" elements, and who should deliver the training. The why is equally important. Everybody should understand why we do something, the purpose, the benefits, and the consequences of not doing it or doing it wrong.

Finally, there's the "when" element. New entrants should understand when each element of the training plan should be completed, and to what standard it should be completed. This is important so that both they, and the person responsible for the delivery of the training, can monitor progress and success, and identify areas of strength and weakness.

This should all be pulled together in a training log, and it's also a good idea to get the new entrant to keep their own daily log recording what they learned. If they're enrolled in the T&C Scheme this could cover some of their Key Performance Indicators, and possibly their Continuous Performance Development records as well.

The size of the firm isn't important. Neither is the mindset that firms often have that new entrants should start doing the job straight away. What is important is investing time in getting new entrants ready to start their role through a focused training plan. After all, you wouldn't want to start your first driving lesson on the motorway, would you?

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