

# Overview of FSCS

Caroline Rainbird  
CEO, Financial Services Compensation Scheme

17<sup>th</sup> September 2020



# Hello



# What FSCS does



# 2019/20 Results

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**258,119**

**customers helped**

Helping to get lives, families and businesses back on track



**£50 million**

**recoveries made** Reducing the cost of our levies for industry



**79 per cent**

**customer satisfaction**

Putting people at the heart of everything we do



**137**

**financial services firms failed**

Allowing their customers to make compensation claims to us



**8 per cent reduction in like-for-like claims-handling costs**

Delivering value for money for our levy payers



**97 per cent quality of claims**

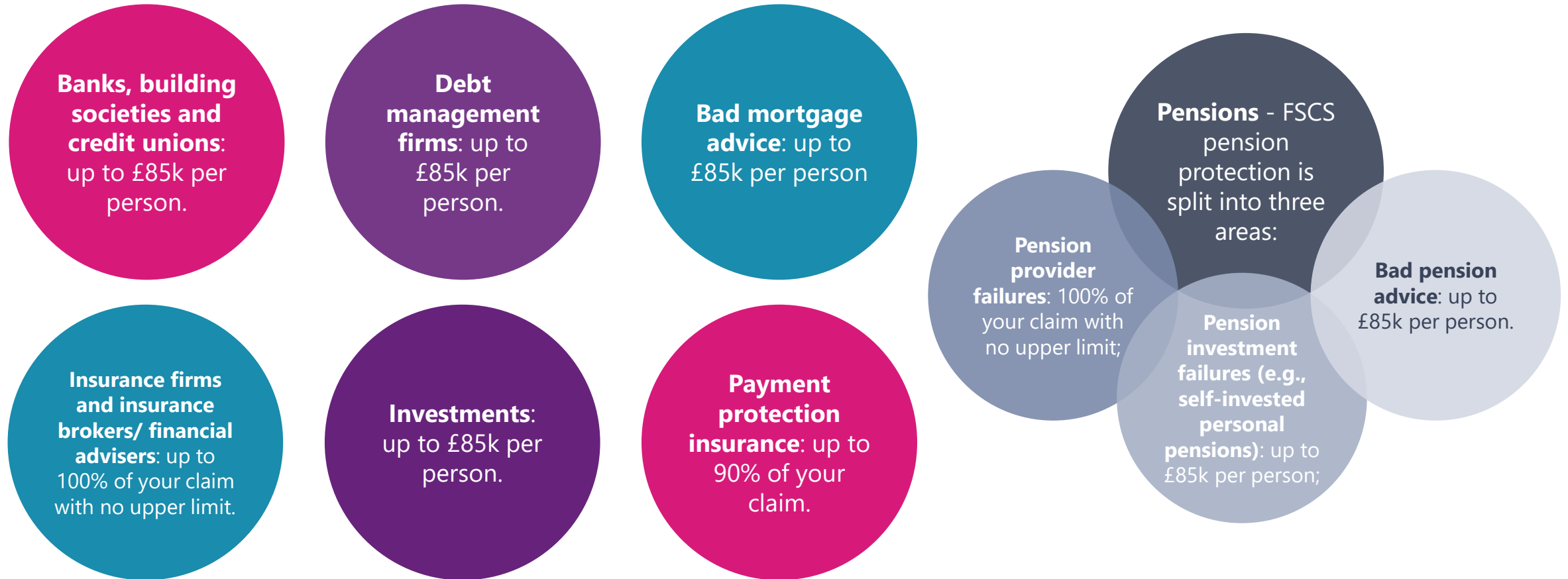
Acting in the interests of our customers and levy paying stakeholders

**Over 100 cases of phoenixing referred to FCA**

Putting our data and experience to use across the regulatory family

# What FSCS Covers

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# What happens before claims are paid – determining a default

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## FSCS will declare a firm in default if:



We're satisfied that the firm is unable (or likely to be unable) to pay claims against it



We've received an eligible claim against the firm where a customer has lost money

*'Being satisfied' that a firm can be declared in default can be a time consuming process.*

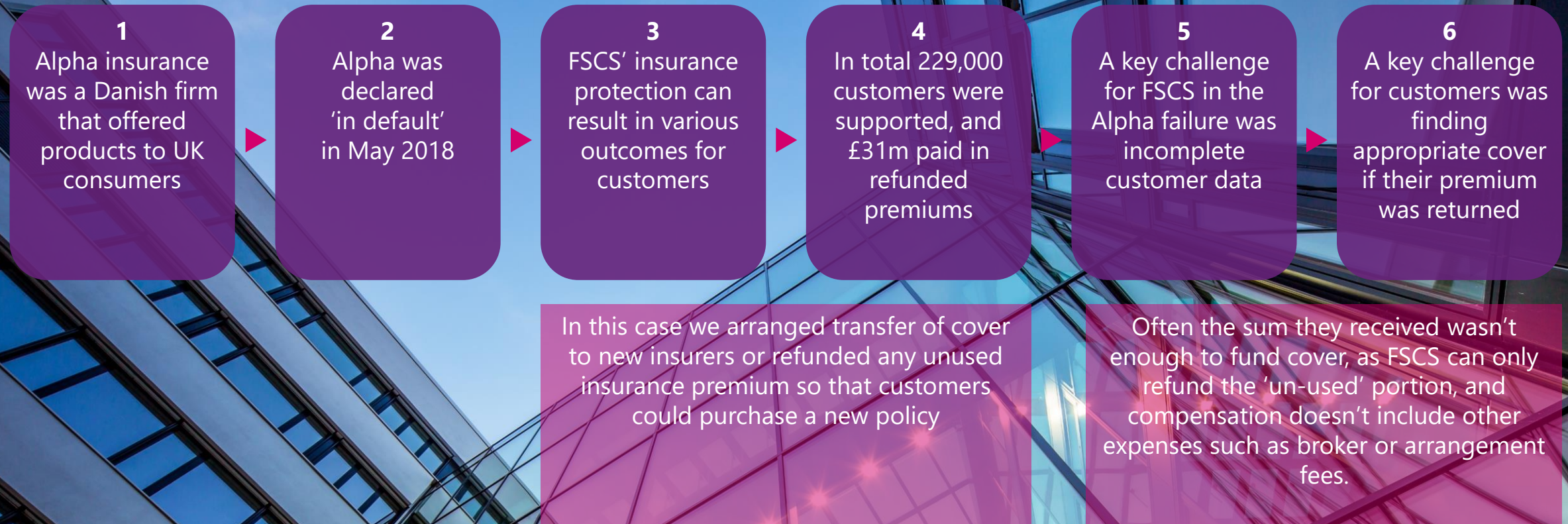
# Eligibility

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# Case study: Alpha insurance – Caroline do you want Martin Greetham





# Case study





# Impact of COVID

Adopted new ways  
of working

Answered the  
questions  
customers were  
asking

Adapted our  
claims service for  
customers, both  
direct and through  
CMCs

Taken extra care of  
our staff



# Thank you







UK  
FINANCE

# Good Conduct reporting

The “new MI”: what and why?

**Dr Roger Miles**

Conduct and Culture Academy, UK Finance

**APCC Virtual Conference, 17<sup>th</sup> September 2020**

## You had some questions...

What are the new indicators of 'good Conduct'?

How should firms produce them?

Which new MIs does a 'behavioural regulator' expect?

## How firms tend to feel challenged



Top 3 questions that firms ask me:

What does 'good behaviour' look like?  
(Can't you just give us a 10-point checklist?)

The MI we *have* isn't the MI  
that we *need* for Conduct and Culture.  
But where do we find it?

This is about managing  
Conduct Risk – that's a  
Compliance problem, right?



## How firms tend to feel challenged



Top 3 questions that firms ask me:

What does  
(Can't

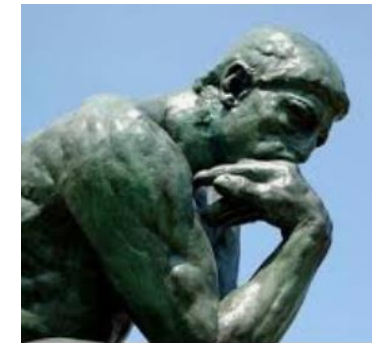
What does the  
Conduct regulator  
*really* want?

The M  
that we *need* for  
But where do

Managing  
- that's a  
problem, right?

# So, what *does* the Conduct regulator really want?

- **Restore public trust** in financial markets
  - best possible customer outcomes, stop detriment
  - keep its political sponsors happy
  
- See **firms thinking for themselves**
  - not box-ticking or 'outsourcing' it
  - SMFs, then *all staff*, taking personal responsibility for good conduct



# Why?

Belief system includes that...

- **Social purpose** matters
  - not just “making money”
- **Human behaviour** (B/Sc) needs understanding, to prevent future crises
  - not just econometrics
  - e.g. how do biases disrupt decision-making?
- Hold *each* practitioner **personally responsible**  
...so we'll improve behaviour industry-wide





# What do Conduct regulators look for?

Robust, thoughtful reporting to drive decisions.

- Do you (SM etc) know **who's responsible** for managing the conduct throughout your business?
- How do you **help people improve** your function's conduct?
- How do you **stop** people doing things that **undermine** good behaviour?

## Two reasons to “do Conduct”



Challenge to report compilers:

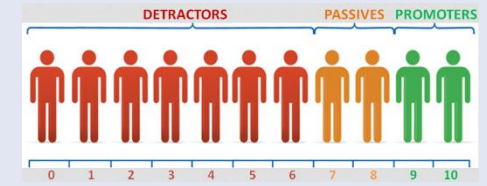
## **How do you develop and use MI? (Is it meaningful?)**

- How much current Conduct MI is “as found”? (stuff that was already available?)
- Who gathers it?
- Who identifies and develops new MI sources?
- What does the regulator think of your Conduct MI generally?
- How does your MI link Conduct to business value?



# Example: NPS

## As-found but meaningless?



### Popular because...

- Regulator mentioned it in a speech once
- “The single ‘best and sufficient’ measure of customer satisfaction and loyalty” (said who...?)
- Shows “commitment to future behaviour” (does it, though?)
- “Captures emotional and rational dimns” (meh)
- Big consumer brands love it

### A bit flaky (methodologically weak/wrong) because...

- Simplistic: narrow measure of customer relations
- Headline change hides underlying complexities
- Causal link unclear: sampling not peer-reviewed, universal / predictive reliability unproven
- Dissonance effects:
  - Intention-action gap
  - Consumers post-rationalise dodgy purchases
  - etc

# Data-gathering matters

Texture of **source data**; type of 'picture' we need

- **qualitative**? (**words**: perceptions, personal values, opinions?)
  - **quantitative**? (**figures**: amounts, money, trends, task completion rates?)
- ...both have limitations



Nature of **source observation**

- intrusive, or remote (undetectable)?
- observing:
  - **direct** (you do it), OR
  - **secondary** (your agent / measurement tool does it), OR
  - by '**proxy indicator**' (measuring something else as 'evidence'; 'unobvious')?
- regular or random? - forewarned audit?

Generally: How much do we **directly observe behaviour**?

- any 'back to the floor' observation programmes, anyone?



# MI we have vs. MI we need

## What do we need to know?

- What (measured) 'good behaviour' looks like
- Fewer, better questions
- Not just 'measures' but meaningful commentary
- How do we measure behaviour without being "gamed"?

## MI challenges...

- External viewpoints (to challenge our self-assmt)
- Consistency of answers between business units
- Design out "response effects" from data-gathering
- Can metrics ensure embedding of good Conduct?



# Some MIs the regulator cares about

## Corporate 'health indicators' old v. new - examples

### **Classic** (financial MI)

- Capitalisation
- Efficiency
- Solvency

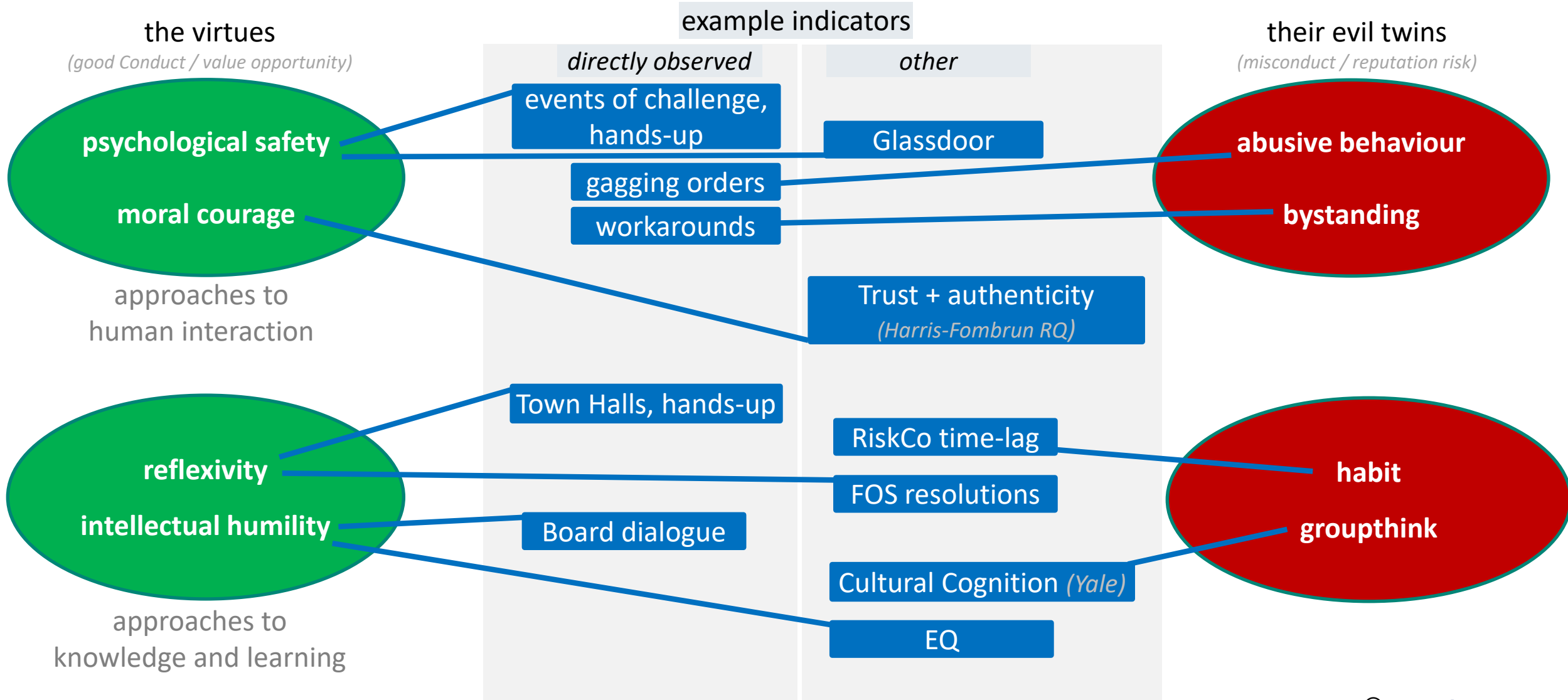


### **New** (human-factor MI)

- Psychological safety
- Cognitive diversity
- Anti-'bystanding'



# Reporting on regulated Conduct: Example “new MIs”





UK  
FINANCE

# Thank you. Questions?

## Good Conduct reporting

The “new MI”: what and why?

Dr Roger Miles contact: [info@DrRMiles.com](mailto:info@DrRMiles.com)



# Senior Managers and Certification Regime

What comes next?

APCC Conference: 17 September 2020

Peter Ewing, Technical Specialist

# Culture

- A continuing focus for the FCA
- Four key drivers:
  - Purpose
  - Leadership
  - Governance
  - Approach to People
- Healthy cultures are purposeful and safe; they are diverse and inclusive
- SM&CR supports healthy cultures

# Our intended outcomes

Firms' Senior Managers are **clear what they are responsible for** and effectively discharge their responsibilities including the application of culture drivers

There will be greater focus within firms on staff **propriety, skill and capability** – not just for certified staff but for all financial services staff

The Conduct Rules set a foundation for how consumers can expect **individuals within firms to behave** towards them

Increased accountability throughout firms – individuals **speak out** when they see harm because it's the right thing to do

The FCA is able to assess the **suitability of senior management** at larger firms on a continuing basis

The FCA is able to **hold individuals to account**

Every single individual **understands** how each conduct rule impacts their own roles

# Continuing requirements

## Senior Managers

Handover procedures  
Keep SoRs and maps  
up to date

Annual fit and proper  
check  
Regulatory references  
Criminal records  
checks

## Certification

By end March 2021\*:  
issue certificates

Annual certification  
Regulatory references  
Update Directory

## Conduct Rules

By end March 2021\*:  
training for all staff

Breach notifications  
Training for new hires

\*tbc



# Selected good practice – Fit and Proper

- F&P checks identify new issues with staff – some fail
- Relevant SMFs actively oversee the F&P process and ensure appropriate reporting
- Competence assessment demonstrates that thought has been given to each specific role (including managers)
- Managers are adequately trained and understand what is expected of them
- Integrated into existing HR/performance management processes

# Selected good practice – Conduct Rules

- Relevant SMF can demonstrate appropriate involvement/oversight of training
- Training is interactive and uses realistic scenarios
- Examples/scenarios draw out nuances of how the rules apply to each type of role
- Line managers are involved in training delivery, not just HR or the project team
- Conduct is linked to F&P and performance assessments

# Looking ahead

- Do you have a plan for embedding SM&CR as business as usual?
- Who will lead continuing work?
- How will the Board and senior management be engaged?
- What do you need to do to integrate SM&CR into existing people processes and systems?
- Which benefits can you achieve?
- How will you know that SM&CR is working effectively?
- How will the culture of the business change?

# Questions





# Association of Professional Compliance Consultants

**Senior Managers and Certification Regime (SMCR) update –  
Lessons learned to date**

Simon Collins

Managing Director

FS Regulatory Compliance

September 2020



# What we will cover

- > **Introduction**
- > **SMCR update including;**
  - > **Development over last 9 months**
  - > **What has worked well, what hasn't?**
  - > **Reasonable steps and decision making**
- > **Q&A**





Disruptive events can have a high impact on consumers and businesses so firms need to know where the risks to their service delivery lie and to make sure they are prepared for any service disruption by testing their planned response.

**Andrew Bailey**  
December 2019



# Governance and COVID-19

## Overarching considerations

- > **Management information**
- > **Risk Management and internal controls**
- > **Liquidity and viability**
- > **Judgements and decision making**
- > **Reporting to regulators and disclosures**

## Day to day matters

- > **Meetings – technology and frequency**
- > **Administration – electronic signing**
- > **Business continuity and disaster recovery – supplier risks**
- > **Management of resources – human, financial**





# Regulatory expectations

## Improving governance, culture and accountability

### Culture and the impact of COVID

- > **Purpose – what is the firm’s direction and how will it motivate staff**
  - > **Crises make people re-assess what’s fundamentally important to them – channel of solidarity**
- > **Identify risks and opportunities – people and conduct risk profile may have changed**
- > **Psychological safety – is there a safe environment to speak up and will people be listened to?**
- > **Diversity and inclusion – some groups have been more impacted by COVID than others. The FCA wants firms to tackle inequalities and build on inclusivity.**
- > **Look after employees – mental health and wellbeing**
- > **Commitment to good conduct could lead to renewed commitments to integrity; employees should make commitments to behaviour to each other rather than just to the firm**
- > **Think, plan, experiment, adapt – firms will be experimental in their efforts to manage the new working environment**

# Senior Managers and Certification regime

Key focus areas – what has worked well?



# Duty of responsibility

- > **Directors and senior managers are also subject to a statutory duty of responsibility.**
- > **Under the duty of responsibility, the FCA may take action against a director or senior manager where**
  - > **there has been (or continues to be) a contravention of a relevant requirement by the firm**
  - > **at the time of the contravention, the senior manager was responsible for the management of any of the firm's activities in relation to which the contravention occurred**
  - > **the senior manager has not taken reasonable steps to avoid the contravention occurring or continuing**

# Evidencing reasonableness and decision making

Easier said than done, but there are steps that can be taken

- > **Management information**

- > is it fit for purpose? quality over quantity
- > does it tell the management team what it needs to know?
  - > is it aligned with the key risks facing the business?
  - > is it forward-looking as well as backward looking?

- > **Record keeping**

- > how does the firm record challenge and decision making?
  - > is this sufficient?
- > reconstructing the rationale for complex decisions six years afterwards can be challenging



# Evidencing reasonableness and decision making

- > **Personal notes/day books**
  - > one to ones
  - > committee and board meetings, recording the SM's own challenge
  - > documenting the rationales for decisions and follow up
    - > asking the right questions is only half the job – what about the answers?
  
- > **Responding to “events”**
  - > regulators assess a firm's culture and governance by reference to its response in moments of crisis
  - > joining the dots
  - > prompt and robust remedial action
  - > openness and transparency

# Operational Resilience

## Evidencing reasonableness and decision making

- > Can firms evidence that everything possible is done to prevent, adapt, respond to, recover and learn from operational disruptions?
- > What measures are taken to test the effectiveness of a firm's Resilience Programme? Is it subject to independent assessment?
- > What resilience measures have been put in place with 3rd party vendors? Is the Resilience review separate to any typical DD of a 3rd party vendor?
- > How does the firm assess the vulnerability of outsourcing at parent company level and potential impact to customers?
- > What measures have been taken to address / substitute legacy IT architecture that cannot fully support the resilience programme?
- > What training supports has the firm put in place to augment the Resilience Programme?

# KONEXO

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# Thank you

# The Silo Wall Dilemma

effectiveness and ethics – the barriers to the way forward

# Definitions!

- ▶ Silo Definition & Meaning - Infopedia
- ▶ A ***silo*** describes any management system that is unable to operate with any other system, meaning it's closed off from other systems. Silos create an environment of individual and disparate systems within an organization.
- ▶ ***Why Silos Occur***
- ▶ Organizational silos typically do not share the same priorities, goals or even the same tools, so departments operate as individual business units or entities within the enterprise. Silos occur because of how an organization is structured. Managers are responsible for one specific department within an organization and each manager has different priorities, responsibilities and vision. Often, managers are not aware of the priorities and goals of other departments and there is little communication, collaboration and teamwork between these business units.





## Infopedeia definition Continued

### ▶ ***The Silo Mentality***

- ▶ The silo mentality is really an organizational way of thinking. It occurs when departments or management groups do not share information, goals, tools, priorities and processes with other departments. The silo mentality is believed to impact operations, reduce employee morale and may contribute to the overall failure of a company or its products and culture.
- ▶ Today, managers are tasked with breaking the silo mentality to ensure information flows freely between all departments in an organization. The goal is to change and improve the relationships between business units by advocating better teamwork. Communication and collaboration is essential to breaking down the silo mentality.

# Investopedia definition

- ▶ What Is a Silo Mentality?
- ▶ A silo mentality is a reluctance to share information with employees of different divisions in the same company. This attitude is seen as reducing the organization's efficiency and, at worst, contributing to a damaged [corporate culture](#).

# Websters definitions

- ▶ <https://www.merriam-webster.com/dictionary/silo>
- ▶ **Definition of *silo***
- ▶ **(Entry 1 of 2)**
- ▶ **1:** a trench, pit, or especially a tall cylinder (as of wood or concrete) usually sealed to exclude air and used for making and storing silage
- ▶ **2a:** a deep bin for storing material (such as coal)
- ▶ **b:** an underground structure for housing a guided missile These are weapons that can hit military targets, such as missile *silos* and headquarters, swiftly and accurately ...— Leslie H. Gelb



# Websters - Continued

- ▶ **3:** an isolated grouping, department, etc., that functions apart from others especially in a way seen as hindering communication and cooperation **Big, complex companies** are typically structured so that decision making is separated according to function, geography and product. That naturally creates *silos*.— John H. Howard **Examples of *silos* in blue-chip firms** abound: Sony once had two separate divisions working on creating the same electrical plug without anyone realizing it.— Rana Foroohar **To break down *silos*** individual officials need a stronger sense of belonging to a bigger whole, with norms and expectations spanning all departments and agencies.— David Walker **Moorhouse** came to the paper determined to break down its "*silos*"—MBA-speak for self-contained departments that don't have anything to do with other departments in a business.— Mark Fitzgerald
- ▶ **sil****o**
- ▶ [verb](#)
- ▶ **sil****oed**; **sil****oing**; **sil****o****e**s



# Websters - Continued

- ▶ **Definition of *silo* (Entry 2 of 2)**
- ▶ *transitive verb*
- ▶ **1:** to place or store (material, such as grain) in a silo
- ▶ **2:** to isolate (someone or something, such as a grouping or department) in a way that hinders communication and cooperation with others : to place (someone or something) in an isolated silo  
(see [SILO ENTRY 1 SENSE 3](#)) One step banks can take to balance efforts, [Emmett] Higdon suggested, is to stop *siloing* mobile and online banking development efforts and channels.— Nathan DiCamillo



# Goals!





# Thank you for listening - I hope you enjoyed the session

**David Pelled**

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# Changing Tack

*David Mellor*  
2020

## Bio in Brief

1976 – 1990 : Midland/HSBC

1990 – 2001 : Deutsche Bank

2001 – 2020 : David Mellor Mentoring Limited

Lesson 1: Don't try to cram five days' work into three.  
Doesn't work!



Lesson 2: Block non-working days in your diary so that the wrong stuff doesn't go in.



### Lesson 3: Being in your office at home doesn't count as a non-working day.





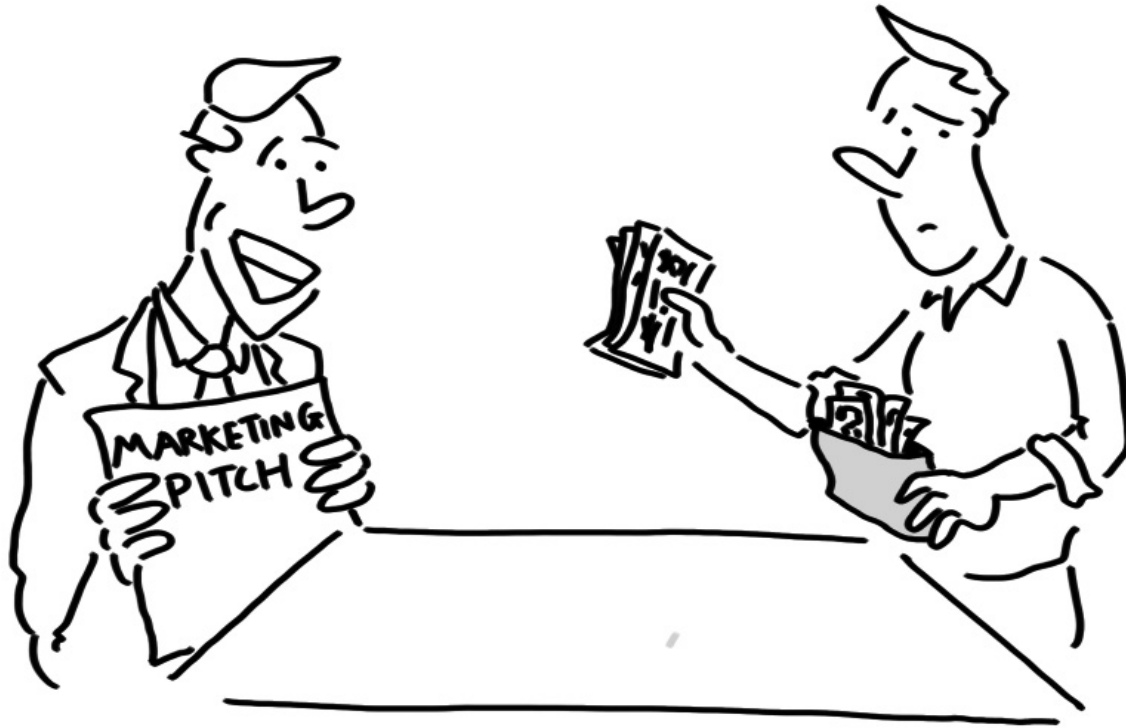
Lesson 4: Don't fret if you have a genuine free day. Relax and enjoy it.



**Lesson 5: Be discerning in your decisions around what work/assignments to continue; it's what you want to do that counts.**



**Lesson 6: Consider how much time and money (if any) you want to spend on marketing, particularly if the ROI has traditionally been low.**



### Lesson 7: Review any committee positions and decide whether to continue or step down.



**Lesson 8: Review the range of networking groups you belong to and assess whether any of them will be a good use of your time and money going forward. If not, then plan to exit gracefully.**

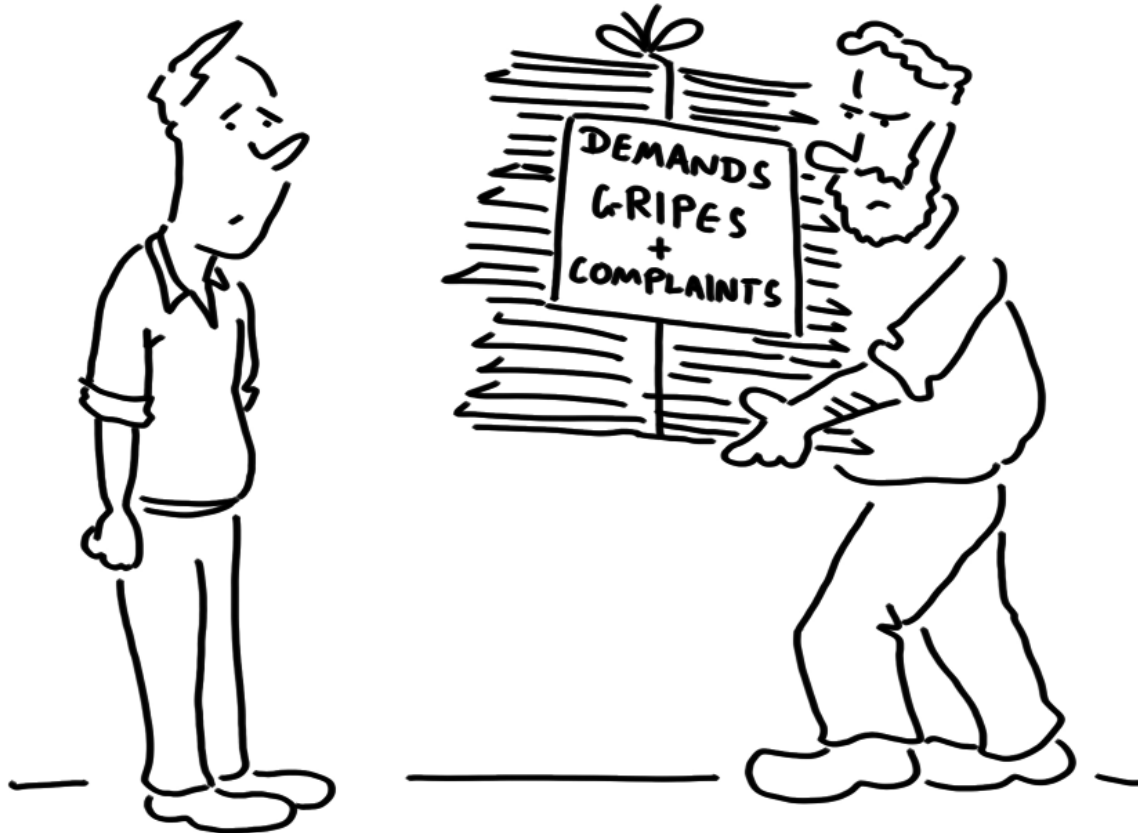


### Lesson 9: Think twice before you go chasing new business or following up.





Lesson 10: Not every client is a good client. Decide which ones you want to retain and which ones you want to “ease out”.



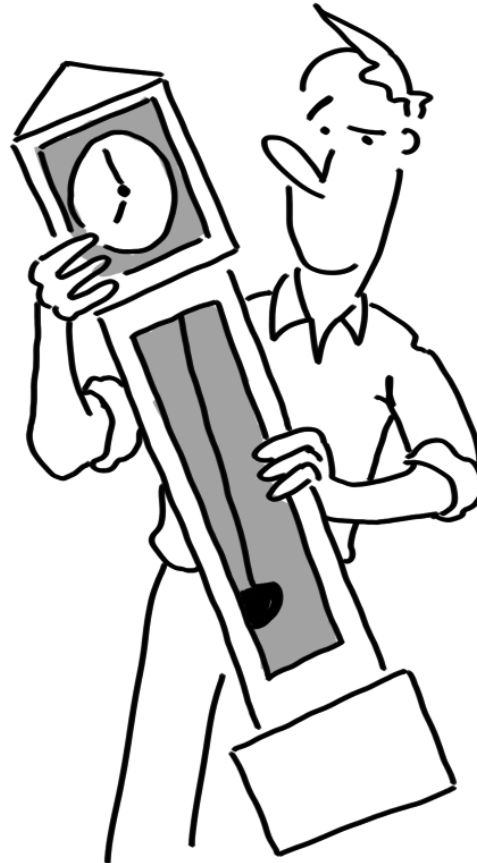
### Lesson 11: Review any Non-Executive Director positions and decide whether to continue or step down.



### Lesson 12: Make sure you allocate time to nurture your core client set, and don't take them for granted.



### Lesson 13: Be selfish with your time. Rid yourself of the time-wasters and the discourteous.



**Lesson 14: If you don't have them already, set yourself some client adoption criteria, and don't depart from them.**



**Lesson 15: Make sure that you have the network of individuals you need for your new modus operandi.**

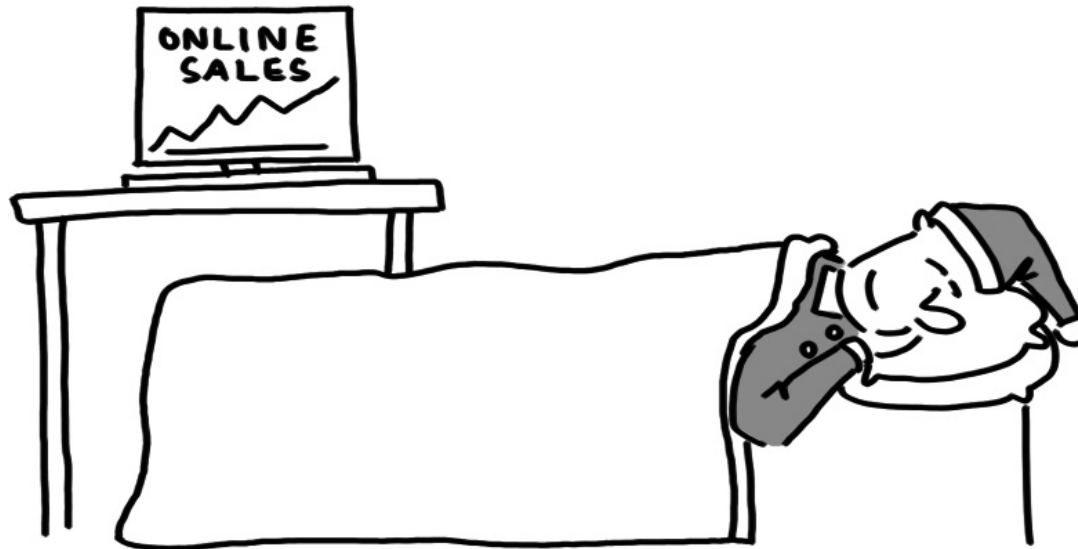




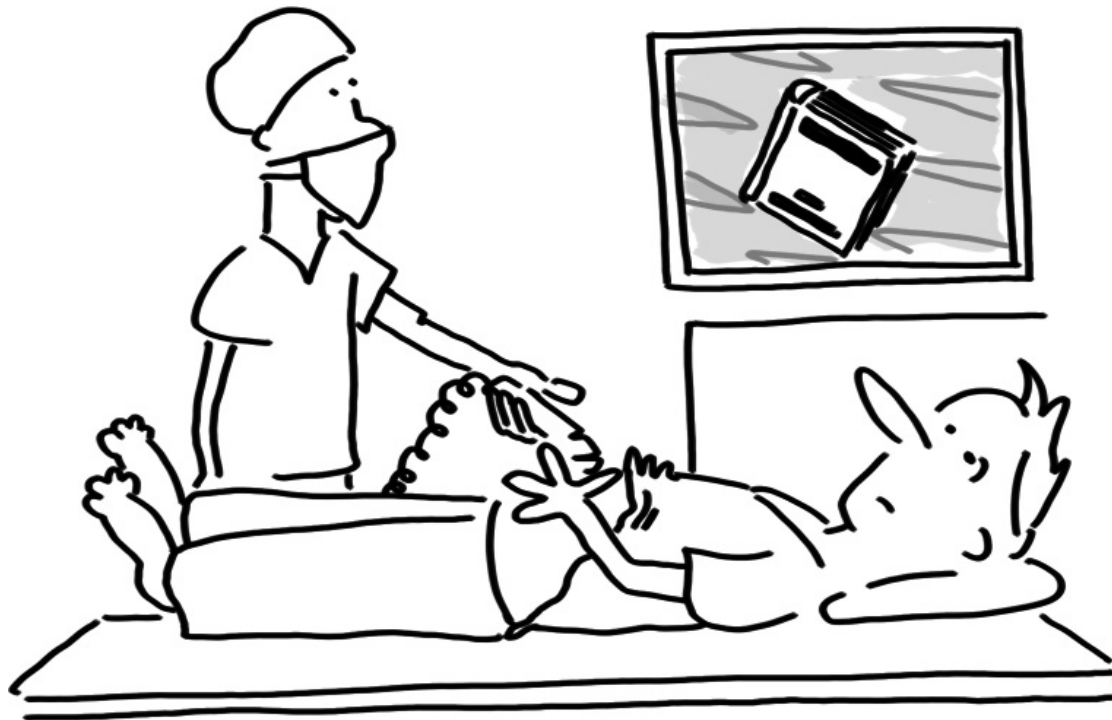
**Lesson 16: Be very discerning about whom you want to retain in your “inner circle” network. Set criteria for “admission” to your core network, then nurture the chosen few.**



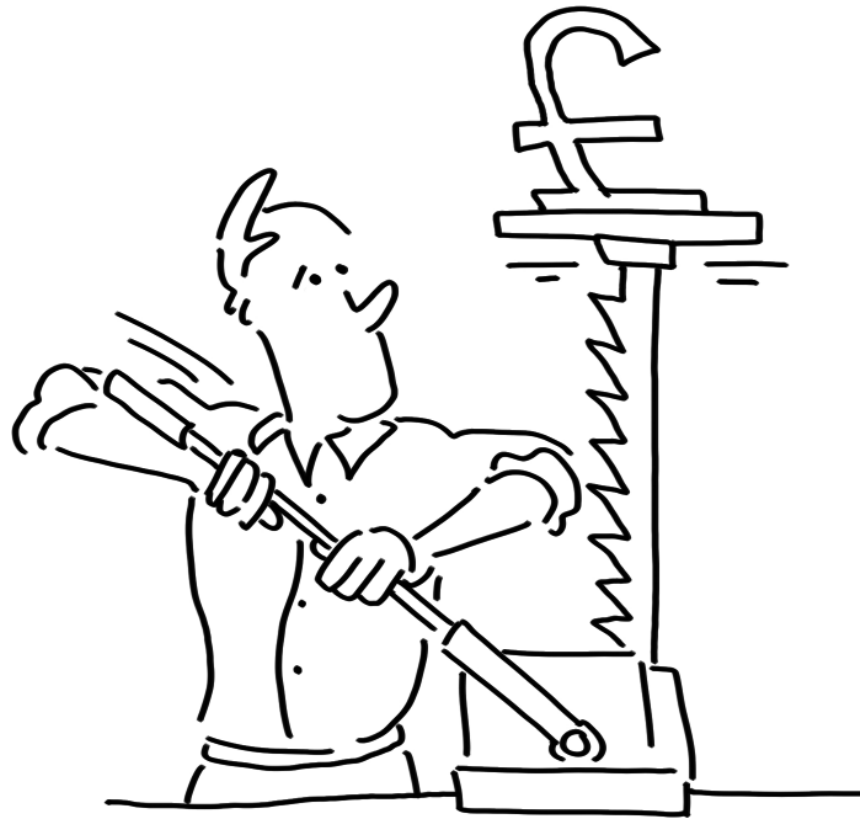
Lesson 17: Consider what ways you could possibly “make money in your sleep”.



### Lesson 18: Ask yourself the question, "Have I got a book in me, or two, or three...?"



**Lesson 19: Take the opportunity to review your pricing model and explore the validity of easing it upwards.**



**Lesson 20: If you are reducing your working hours by 40%, and are assuming a drop in revenue of 40%, have you figured out how to reduce your costs by an equivalent amount?**



**Lesson 21: Come up with a cost reduction programme and action it – separate the necessary from the discretionary.**



**Lesson 22: If you have created a non-work day, plan ahead and make sure you know how you want to use it, so you don't get tempted to slip some work stuff in.**





**Lesson 23: Continue to invest in your own personal development, so that you keep up to date with the latest developments and requirements in your chosen sector(s).**

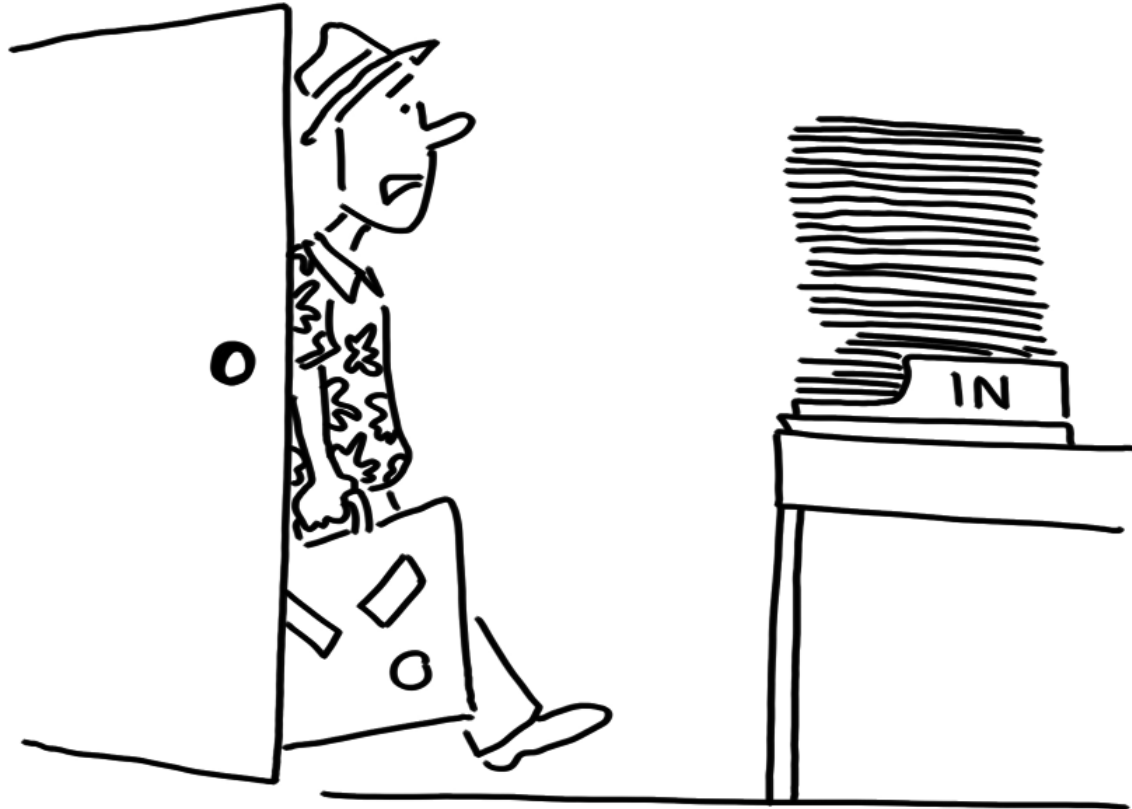


# David Mellor

## Mentoring

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Lesson 24: If you are taking a few days off , try to keep the day after your return free so that you can ease yourself back in and catch up without undue stress.



Lesson 25: If you are not doing it already, consider doing some pro-bono work and give something back to the community.



### Lesson 26: Think about developing an existing interest or skill.



### Lesson 27: Think about taking up a new interest or developing a new skill.



### Lesson 28: Think about how you could structure your week to create more long weekends.



Lesson 29: Create a set of business and personal objectives that you can review and measure monthly.





### Lesson 30: Don't put off doing things when you have time to do them – seize the moment.

You do realise *Carpe Diem* has absolutely nothing to do with carp?



# David Mellor

## Mentoring

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[www.davidmellormentoring.com](http://www.davidmellormentoring.com)

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